

West Fraser Announces First Quarter Results

VANCOUVER, April 24, 2017 /CNW/ - **West Fraser Timber Co. Ltd.** reports first quarter 2017 results:

First Quarter Highlights

- Sales improved by 7% compared to the previous quarter.
- Earnings up 56% from previous quarter.
- Improved product pricing across operating segments.
- Strong operating metrics despite some weather-related challenges.
- Quarter ending net debt to capital ratio of 16%.

Results Compared to Previous Periods

(\$millions except earnings per share ("EPS"))	Q1-17	Q4-16	Q1-16
Sales	1,189	1,107	1,077
Adjusted EBITDA ¹	245	193	130
Operating earnings	183	127	79
Earnings	123	79	42
Basic EPS (\$)	1.58	1.01	0.51
Adjusted earnings ¹	134	101	49
Adjusted basic EPS (\$) ¹	1.71	1.28	0.60

In this News Release, reference is made to Adjusted EBITDA, Adjusted earnings and Adjusted basic EPS (collectively "these measures"). We believe that, in addition to earnings, these measures are useful performance indicators. None of these measures is a generally accepted earnings measure under International Financial Reporting Standards ("IFRS") and none has a standardized meaning prescribed by IFRS. Investors are cautioned that these measures should not be considered as an alternative to earnings, EPS or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating any of these measures, our method of calculating each of them may differ from the methods used by other entities and, accordingly, our use of any of these measures may not be directly comparable to similarly titled measures used by other entities. Refer to the tables in the section titled "Non-IFRS Measures" in our first quarter 2017 Management's Discussion & Analysis for details of these adjustments.

Operational Results

Our lumber segment generated operating earnings of \$152 million (Q4-16 - \$107 million) and Adjusted EBITDA of \$191 million (Q4-16 - \$144 million). Improved product pricing was the primary driver of improved results. SPF shipments were lower than production due in part to weather-related transportation delays.

Our panels segment, which includes plywood, LVL and MDF, generated operating earnings in the quarter of \$12 million (Q4-16 - \$17 million) and Adjusted EBITDA of \$15 million (Q4-16 - \$20 million). Improved product pricing was offset by increased costs associated with our WestPine MDF plant restart.

Our pulp & paper segment generated operating earnings of \$31 million (Q4-16 - \$20 million) and Adjusted EBITDA of \$40 million (Q4-16 - \$30 million). Higher pulp prices, higher BCTMP shipments and lower NBSK production costs were the primary drivers of improved results. Both Hinton Pulp and Slave Lake Pulp set quarterly production records.

Outlook

We will continue to focus on operational improvements which, together with warmer weather in Canada, should contribute to improved lumber production and shipments. Our two NBSK pulp mills will undergo major scheduled maintenance during the balance of 2017 which will reduce normal NBSK pulp production by approximately 25,000 tonnes. Our WestPine MDF mill is expected to gradually work through start-up issues over the balance of the year but we do not expect to achieve targeted production levels until late in 2017.

The most challenging immediate issue facing the Company is the current softwood lumber dispute. We are expecting the U.S. Department of Commerce to announce preliminary countervail duty rates very shortly, to be implemented in May 2017, and potentially to be applied retroactively over a 90-day period. West Fraser will receive its own duty rate. Anti-dumping duty rates are expected to be announced in late June and implemented in July 2017 and could potentially be applied retroactively over a 90-day period. Ted Seraphim, our President and CEO, said: "It is regrettable that our American neighbours have chosen to

renew this long-standing dispute which creates so much uncertainty for lumber market participants and threatens to undermine some of the tremendous work our two countries have undertaken to grow the markets for North American lumber. However, we are fully cooperating with the U.S. investigation as we continue to believe that the allegations of subsidy and dumping are groundless."

Mr. Seraphim also added: "I want to thank all of our employees for their tremendous effort and dedication to continuously improving our safety awareness and at the same time focusing on achieving operational excellence. Our focus is not on any one quarter but on long-term results and we are certainly making progress towards achieving our goals."

Management's Discussion & Analysis ("MD&A")

The Company's MD&A is available on the Company's website: www.westfraser.com and on the System for Electronic Document Analysis and Retrieval at www.sedar.com under the Company's profile.

The Company

West Fraser is a diversified wood products company producing lumber, LVL, MDF, plywood, pulp, newsprint, wood chips and energy with facilities in western Canada and the southern United States.

Forward-Looking Statements

This Report contains historical information, descriptions of current circumstances and statements about potential future developments. The latter, which are forward-looking statements and are included under the heading "Outlook", are presented to provide reasonable guidance to the reader but their accuracy depends on a number of assumptions and is subject to various risks and uncertainties. Actual outcomes and results will depend on a number of factors that could affect the ability of the Company to execute its business plans, including those matters described in the 2016 annual Management's Discussion & Analysis under "Risks and Uncertainties", and may differ materially from those anticipated or projected. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by applicable securities laws.

Conference Call

Investors are invited to listen to the quarterly conference call on Tuesday, April 25, 2017 at 8:30 a.m. Pacific Time (11:30 a.m. Eastern Time) by dialing 1-888-390-0546 (toll-free North America). The call may also be accessed through West Fraser's website at www.westfraser.com.

West Fraser shares trade on the Toronto Stock Exchange under the symbol: "WFT".

West Fraser Timber Co. Ltd.

Condensed Consolidated Balance Sheets

(in millions of Canadian dollars, except where indicated - unaudited)

	March 31 2017	December 31 2016
Assets		
Current assets		
Cash and short-term investments	\$ 86	\$ 50
Receivables	393	297
Inventories (note 3)	744	581
Prepaid expenses	17	10
	1,240	938
Property, plant and equipment	1,692	1,685
Timber licences	546	551
Goodwill and other intangibles	373	371
Other assets	20	20
Deferred income tax assets	17	35
	\$ 3,888	\$ 3,600
Liabilities		
Current liabilities		
Cheques issued in excess of funds on deposit	\$ 36	\$ 15
Operating loans (note 4)	108	-
Payables and accrued liabilities	398	379
Income taxes payable	27	21
Reforestation and decommissioning obligations	43	44
	612	459

Long-term debt (note 4)	409	413
Other liabilities (note 5)	290	272
Deferred income tax liabilities	212	215
	1,523	1,359

Shareholders' Equity

Share capital	549	549
Accumulated other comprehensive earnings	145	150
Retained earnings	1,671	1,542
	2,365	2,241
	\$ 3,888	\$ 3,600

Number of Common shares and Class B Common shares outstanding at April 24, 2017 was 78,166,003.

West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(in millions of Canadian dollars, except where indicated - unaudited)

	January 1 to March 31	
	2017	2016
Share capital		
Balance - beginning of period	\$ 549	\$ 579
Common share repurchases	-	(8)
Balance - end of period	\$ 549	\$ 571
Accumulated other comprehensive earnings		
Balance - beginning of period	\$ 150	\$ 164
Translation loss on foreign operations	(5)	(32)
Balance - end of period	\$ 145	\$ 132
Retained earnings		
Balance - beginning of period	\$ 1,542	\$ 1,404
Actuarial gain (loss) on post-retirement benefits	11	(60)
Common share repurchases	-	(42)
Earnings for the period	123	42
Dividends	(5)	(6)
Balance - end of period	\$ 1,671	\$ 1,338
Shareholders' Equity	\$ 2,365	\$ 2,041

West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Earnings and Comprehensive Earnings

(in millions of Canadian dollars, except where indicated - unaudited)

	January 1 to March 31	
	2017	2016
Sales	\$ 1,189	\$ 1,077
Costs and expenses		
Cost of products sold	740	749
Freight and other distribution costs	160	159
Amortization	51	49
Selling, general and administration	44	39
Equity-based compensation	11	2
	1,006	998

Operating earnings	183	79
Finance expense	(7)	(8)
Other (note 7)	-	(16)
Earnings before tax	176	55
Tax provision (note 8)	(53)	(13)
Earnings	\$ 123	\$42
Earnings per share (dollars) (note 9)		
Basic	\$ 1.58	\$0.51
Diluted	\$ 1.58	\$0.50
Comprehensive earnings		
Earnings	\$ 123	\$42
Other comprehensive earnings		
Translation loss on foreign operations	(5)	(32)
Actuarial gain (loss) on post-retirement benefits	11	(60)
Comprehensive earnings	\$ 129	\$(50)

West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Cash Flows

(in millions of Canadian dollars, except where indicated - unaudited)

	January 1 to March 31	
	2017	2016
Cash used for operations		
Earnings	\$ 123	\$ 42
Adjustments		
Amortization	51	49
Finance expense	7	8
Foreign exchange gain on long-term financing	(1)	(9)
Loss on power agreements, net of settlement costs	-	11
Post-retirement expense	19	17
Contributions to post-retirement benefit plans	(14)	(12)
Tax provision	53	13
Income taxes paid	(36)	(9)
Other	3	(1)
Changes in non-cash working capital		
Receivables	(91)	(36)
Inventories	(161)	(96)
Prepaid expenses	(7)	(5)
Payables and accrued liabilities	7	5
	(47)	(23)
Cash provided by financing		
Proceeds from operating loans	110	116
Finance expense paid	(1)	(1)
Dividends	(5)	(6)
Common share repurchases	-	(50)
	104	59
Cash used for investing		
Additions to capital assets	(56)	(49)
Government assistance	-	4
Other	1	-
	(55)	(45)
Change in cash	2	(9)
Foreign exchange effect on cash	13	4
Cash - beginning of period	35	(16)
Cash - end of period	\$ 50	\$ (21)

Cash consists of

Cash and short-term investments	\$ 86	\$ 19
Cheques issued in excess of funds on deposit	(36)	(40)
	\$ 50	\$ (21)

West Fraser Timber Co. Ltd.

Notes to Condensed Consolidated Interim Financial Statements

*(figures are in millions of dollars, except where indicated - unaudited)***1. Nature of operations**

West Fraser Timber Co. Ltd. ("West Fraser", "we", "us" or "our") is a diversified wood products company producing lumber, LVL, MDF, plywood, pulp, newsprint, wood chips and energy with facilities in western Canada and the southern United States. Our executive office is located at 858 Beatty Street, Suite 501, Vancouver, British Columbia. West Fraser was formed by articles of amalgamation under the *Business Corporations Act* (British Columbia) and is registered in British Columbia, Canada. Our Common shares are listed for trading on the Toronto Stock Exchange under the symbol WFT.

2. Basis of presentation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board and using the same accounting policies and methods of their application as the December 31, 2016 annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with our 2016 annual consolidated financial statements.

3. Inventories

Inventories at March 31, 2017 were written down by \$5 million (December 31, 2016 - \$5 million; March 31, 2016 - \$14 million) to reflect net realizable value being lower than cost.

4. Long-term debt and operating loans**Long-term debt**

	March 31, 2017	December 31, 2016
US\$300 million senior notes due October 2024; interest at 4.35%	\$399	\$403
US\$8 million note payable due October 2020; interest at 2%	10	10
Notes payable	4	4
	413	417
Deferred financing costs	(4)	(4)
	\$409	\$413

The fair value of the long-term debt is \$397 million (December 31, 2016 - \$391 million) based on rates available to us at the balance sheet date for long-term debt with similar terms and remaining maturities.

Operating loans

Our revolving lines of credit consist of a \$500 million committed revolving credit facility which matures September 30, 2020, a \$33 million (US\$25 million) demand line of credit dedicated to our U.S. operations and an \$8 million demand line of credit dedicated to our jointly owned newsprint operation. In addition, we have demand lines of credit totalling \$59 million dedicated to letters of credit, of which US\$7 million is dedicated to our U.S. operations.

At March 31, 2017, our revolving credit facility was drawn by \$108 million (net of deferred financing costs of \$2 million). Letters of credit in the amount of \$46 million were also supported by our facilities, leaving \$444 million of credit available for further use. At December 31, 2016 there were no amounts outstanding under our revolving credit facility, as a result, the associated deferred financing costs of \$2 million were reported in other assets and our outstanding letters of credit were \$48 million.

Interest on these facilities is payable at floating rates based on Prime, U.S. base, Bankers' Acceptances or LIBOR at our option.

All debt is unsecured except the \$8 million joint operation demand line of credit, which is secured by that joint operation's current assets.

5. Other liabilities

	March 31, 2017	December 31, 2016
Post-retirement (note 6)	\$156	\$162
Reforestation	87	69
Decommissioning	27	25
Other	20	16
	\$290	\$272

6. Post-retirement benefits

We maintain defined benefit and defined contribution pension plans covering a majority of our employees. The defined benefit plans generally do not require employee contributions and provide a guaranteed level of pension payable for life based either on length of service or on earnings and length of service, and in most cases do not increase after commencement of retirement. We also provide group life insurance, medical and extended health benefits to certain employee groups.

The status of the defined benefit pension plans and other retirement benefit plans, in aggregate, is as follows:

	March 31, 2017	December 31, 2016
Projected benefit obligations	\$(1,653)	\$(1,648)
Fair value of plan assets	1,522	1,507
Impact of minimum funding requirement	(15)	(13)
	\$(146)	\$(154)
Represented by		
Post-retirement assets	\$10	\$8
Post-retirement liabilities (note 5)	(156)	(162)
	\$(146)	\$(154)

The significant actuarial assumptions used to determine our balance sheet date post-retirement assets and liabilities are as follows:

	March 31, 2017	December 31, 2016
Discount rate	3.75%	3.75%
Future compensation rate increase	3.50%	3.50%

The actuarial gain (loss) on post-retirement benefits, included in other comprehensive earnings, is as follows:

	January 1 to March 31, 2017	2016
Actuarial gain (loss)	\$ 15	\$ (81)
Tax recovery (provision) on actuarial gain (loss)	(4)	21
	\$ 11	\$ (60)

7. Other

	January 1 to March 31	
	2017	2016
Foreign exchange loss on working capital	\$ (1)	\$ (10)
Foreign exchange loss on intercompany financing ¹	(3)	(17)
Foreign exchange gain on long-term debt	4	26
Loss on power agreements	-	(19)
Other	-	4
	\$ -	\$ (16)

Relates to US\$200 million of financing provided to our U.S. operations. IAS 21 requires that the exchange gain or loss be recognized through earnings as the financing is not considered part of our permanent investment in our U.S. subsidiaries. The balance sheet amounts and related financing expense are eliminated in these consolidated financial statements.

8. Tax provision

The tax provision differs from the amount that would have resulted from applying the British Columbia statutory income tax rate to earnings before tax as follows:

	January 1 to March 31	
	2017	2016
Income tax at statutory rate of 26%	\$ (46)	\$ (14)
Non-taxable amounts	(3)	2
Rate differentials between jurisdictions and on specified activities	(5)	(2)
Unrecognized capital losses	-	1
Other	1	-
Tax provision	\$ (53)	\$ (13)

9. Earnings per share

Basic earnings per share is calculated based on earnings available to Common shareholders, as set out below, using the weighted average number of Common shares and Class B Common shares outstanding.

Diluted earnings per share is calculated based on earnings available to Common shareholders adjusted to remove the actual share option expense (recovery) charged to earnings and after deducting a notional charge for share option expense assuming the use of the equity-settled method, as set out below. The diluted weighted average number of shares is calculated using the treasury stock method. When earnings available to Common shareholders for diluted earnings per share are greater than earnings available to Common shareholders for basic earnings per share, the calculation is anti-dilutive and diluted earnings per share are deemed to be the same as basic earnings per share.

	January 1 to March 31	
	2017	2016
Earnings		
Basic	\$ 123	\$ 42
Share option expense	10	2
Equity-settled share option adjustment	(2)	(2)
Diluted	\$ 131	\$ 42
Weighted average number of shares (thousands)		
Basic	78,164	82,281
Share options	841	955
Diluted	79,005	83,236
Earnings per share (dollars)		
Basic	\$ 1.58	\$ 0.51

Diluted \$ 1.58 \$ 0.50

10. Segmented information

	Pulp & Corporate				
	Lumber	Panels	paper	& other	Total
January 1, 2017 to March 31, 2017					
Sales					
To external customers	\$ 810	\$ 126	\$ 253	\$ -	\$1,189
To other segments	26	2	-	-	
	\$ 836	\$ 128	\$ 253	\$ -	
Operating earnings before amortization	\$ 191	\$ 15	\$ 40	\$ (12)	\$234
Amortization	(39)	(3)	(9)	-	(51)
Operating earnings	152	12	31	(12)	183
Finance expense	(4)	(1)	(2)	-	(7)
Other	-	-	1	(1)	-
Earnings before tax	\$ 148	\$ 11	\$ 30	\$ (13)	\$176
January 1, 2016 to March 31, 2016					
Sales					
To external customers	\$ 729	\$ 136	\$ 212	\$ -	\$1,077
To other segments	29	2	-	-	
	\$ 758	\$ 138	\$ 212	\$ -	
Operating earnings before amortization	\$ 100	\$ 15	\$ 14	\$ (1)	\$128
Amortization	(37)	(3)	(9)	-	(49)
Operating earnings	63	12	5	(1)	79
Finance expense	(5)	(1)	(2)	-	(8)
Other	(5)	(2)	(23)	14	(16)
Earnings before tax	\$ 53	\$ 9	\$ (20)	\$ 13	\$55

The geographic distribution of external sales is as follows:

	January 1 to March 31 ¹	
	2017	2016
Canada	\$ 254	\$ 247
United States	675	620
China	148	116
Other Asia	101	77
Other	11	17
	\$ 1,189	\$ 1,077

¹ Sales distribution is based on the location of product delivery.

11. Softwood lumber dispute

The Canada – U.S. Softwood Lumber Agreement ("SLA") expired in October 2015 and on the expiry of that agreement a one year moratorium on trade sanctions by the U.S. came into place. The Government of Canada and the U.S. Trade Representative have been unable to reach agreement on a new managed trade agreement.

On November 25, 2016 a coalition of U.S. lumber producers petitioned the U.S. Department of Commerce and the U.S. International Trade Commission to investigate alleged subsidies to Canadian producers and levy countervailing and anti-dumping duties against Canadian imports. The U.S. Department of Commerce has initiated its investigation and is expected to make a preliminary determination regarding countervailing duties in April 2017, and in June 2017 for anti-dumping duties. If the U.S. Department of Commerce determines that "critical circumstances" apply, duties could be applied retroactively up to 90 days prior to the preliminary determinations. We have been chosen by the U.S. Department of Commerce as a "mandatory respondent" to both the countervailing and antidumping investigations and as a result will receive unique company specific rates.

SOURCE West Fraser Timber Co. Ltd.

For further information: Chris Virostek, Vice President, Finance and Chief Financial Officer; Rodger Hutchinson, Vice President, Corporate Controller and Investor Relations, (604) 895-2700, www.westfraser.com

<https://westfraser.mediaroom.com/2017-04-24-West-Fraser-Announces-First-Quarter-Results>