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NEWS RELEASE

WEST FRASER TIMBER CO. LTD. ("WFT")

Thursday, February 16, 2017

West Fraser Announces 2016 Annual and Fourth Quarter Results

Fourth Quarter

- Sales exceed \$1.1 billion
- Earnings of \$79 million or basic EPS of \$1.01
- Adjusted earnings¹ of \$101 million or Adjusted basic EPS¹ of \$1.28
- Adjusted EBITDA¹ of \$193 million or 17% of sales
- Net cash provided by operating activities of \$182 million
- Quarterly cash dividend of \$.07 declared

2016

- Record sales exceed \$4.4 billion
- Earnings of \$326 million or basic EPS of \$4.06
- Adjusted earnings¹ of \$330 million and Adjusted basic EPS¹ of \$4.11
- Adjusted EBITDA¹ up 62% compared to 2015; improves to 15% of sales
- Lumber segment leads improvement as U.S. housing continues to recover and previous capital investment contributes to improved productivity
- Capital spending of \$273 million and combined dividend and share buybacks of \$212 million
- Year end balance sheet strong with net debt to total capital ratio of 14%

Vancouver, B.C. – **West Fraser** reported earnings of \$79 million or \$1.01 basic earnings per share on sales of \$1,107 million in the fourth quarter of 2016 and earnings of \$326 million or \$4.06 basic earnings per share on sales of \$4,450 million for 2016. These results compare with previous periods as shown in the table below.

Adjusted EBITDA, Adjusted earnings and Adjusted basic EPS as described in this News Release reflect the adjustments described in the tables referred to in the section titled "Non-IFRS Measures" of our 2016 Management's Discussion & Analysis.

(\$millions except earnings per share (“EPS”))	2016			2015	
	Q4	Q3	YTD	Q4	YTD
Sales	1,107	1,155	4,450	1,013	4,100
Adjusted EBITDA ¹	193	213	674	90	417
Operating earnings	127	156	482	18	249
Earnings	79	107	326	(15)	104
Basic EPS (\$)	1.01	1.35	4.06	(0.18)	1.25
Adjusted earnings ¹	101	115	330	30	176
Adjusted basic EPS (\$) ¹	1.28	1.45	4.11	0.38	2.12

1. 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 none of these measures should 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” on page 21 of our 2016 Management’s Discussion & Analysis for details of these adjustments.

Operational Results

In the quarter our lumber operations generated operating earnings of \$107 million (Q3-16 –\$114 million) and Adjusted EBITDA of \$144 million (Q3-16 - \$151 million). Production and shipments declined quarter over quarter due to cold weather in several of our operating areas and fewer operating days. The segment’s results benefited from a weaker Canadian dollar while Canadian log costs continued to rise.

Our panels segment, which includes plywood, LVL and MDF, generated operating earnings in the quarter of \$17 million (Q3-16 - \$30 million) and Adjusted EBITDA of \$20 million (Q3-16 - \$33 million). The major contributor to the decline was plywood pricing as winter weather slowed Canadian construction.

Our pulp & paper segment generated operating earnings of \$20 million (Q3-16 – \$22 million) and Adjusted EBITDA of \$30 million (Q3-16 - \$31 million). NBSK operations were able to offset additional costs associated with cold weather with higher shipments while BCTMP price improvements offset reduced shipments caused by port congestion.

Outlook

Our President and CEO Ted Seraphim said: “During 2016 we faced a number of challenges and, although we still have important work to do, I have been greatly encouraged by the progress that we have made across the Company in achieving operational excellence. This will continue to be our focus in the coming years as it is the critical component of our business over which we have control. I’m grateful to our many employees whose commitment to this standard of excellence is evident in their daily activities.”

Mr. Seraphim also commented on the current softwood lumber dispute: “In light of the operational progress that we are making as a company, it is particularly disappointing that we find ourselves once again caught up in another dispute with our American neighbours over softwood lumber exports from Canada to the U.S. West Fraser has worked hard to contribute to a resolution of this long-standing dispute, as have various levels of government in Canada and

other Canadian industry participants. West Fraser was recently selected by the U.S. Department of Commerce as a mandatory respondent in separate subsidy and dumping investigations which has imposed substantial time commitments and costs on us. Despite this we continue to support a negotiated settlement that will manage trade in a fair and reasonable manner but, as always, we would prefer no agreement to a bad agreement.”

Annual Financial Statements and Management’s Discussion & Analysis (“MD&A”)

The Company’s consolidated financial statements for the year ended December 31, 2016 and related 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.

Dividend Declared

The Board of Directors of the Company has declared a dividend of \$0.07 per share on the Common shares and the Class B Common shares in the capital of the Company, payable on April 3, 2017 to shareholders of record on March 20, 2017.

Dividends are designated to be eligible dividends pursuant to subsection 89(14) of the *Income Tax Act* (Canada) and any applicable provincial legislation pertaining to eligible dividends.

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 Friday, February 17, 2017 at 8:30 a.m. Pacific Time (11:30 a.m. Eastern Time) by dialing 1-866-225-0198 (toll- free North America). The call may also be accessed through West Fraser’s website at www.westfraser.com.



West Fraser Timber Co. Ltd.

Condensed Consolidated Balance Sheets

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

	December 31 2016	December 31 2015
Assets		
Current assets		
Cash and short-term investments	\$ 50	\$ 13
Receivables	297	298
Income taxes receivable	-	11
Inventories (note 3)	581	631
Prepaid expenses	10	18
	938	971
Property, plant and equipment	1,685	1,609
Timber licences	551	570
Goodwill and other intangibles	371	369
Other assets	20	36
Deferred income tax assets	35	80
	\$ 3,600	\$ 3,635
Liabilities		
Current liabilities		
Cheques issued in excess of funds on deposit	\$ 15	\$ 29
Operating loans	-	178
Payables and accrued liabilities	379	351
Income taxes payable	21	-
Reforestation and decommissioning obligations	44	48
	459	606
Long-term debt	413	423
Other liabilities	272	269
Deferred income tax liabilities	215	190
	1,359	1,488
Shareholders' Equity		
Share capital	549	579
Accumulated other comprehensive earnings	150	164
Retained earnings	1,542	1,404
	2,241	2,147
	\$ 3,600	\$ 3,635

Number of Common shares and Class B Common shares outstanding at February 16, 2017 was 78,163,534.



West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Equity
(in millions of Canadian dollars, except where indicated - unaudited)

	October 1 to December 31		January 1 to December 31	
	2016	2015	2016	2015
Share capital				
Balance - beginning of period	\$ 551	\$ 579	\$ 579	\$ 587
Issuance of Common shares	1	-	1	-
Common share repurchases	(3)	-	(31)	(8)
Balance - end of period	\$ 549	\$ 579	\$ 549	\$ 579
Accumulated other comprehensive earnings				
Balance - beginning of period	\$ 137	\$ 139	\$ 164	\$ 55
Translation gain (loss) on foreign operations	13	25	(14)	109
Balance - end of period	\$ 150	\$ 164	\$ 150	\$ 164
Retained earnings				
Balance - beginning of period	\$ 1,413	\$ 1,406	\$ 1,404	\$ 1,387
Actuarial gain (loss) on post-retirement benefits	72	19	(7)	(12)
Common share repurchases	(17)	-	(159)	(52)
Earnings for the period	79	(15)	326	104
Dividends	(5)	(6)	(22)	(23)
Balance - end of period	\$ 1,542	\$ 1,404	\$ 1,542	\$ 1,404
Shareholders' Equity	\$ 2,241	\$ 2,147	\$ 2,241	\$ 2,147



West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Earnings and Comprehensive Earnings
(in millions of Canadian dollars, except where indicated - unaudited)

	October 1 to December 31		January 1 to December 31	
	2016	2015	2016	2015
Sales	\$ 1,107	\$ 1,013	\$ 4,450	\$ 4,100
Costs and expenses				
Cost of products sold	708	712	2,971	2,874
Freight and other distribution costs	156	160	629	627
Export taxes	-	3	-	29
Amortization	50	50	197	191
Selling, general and administration	50	48	176	153
Equity-based compensation	16	22	(5)	(23)
	980	995	3,968	3,851
Operating earnings	127	18	482	249
Finance expense	(7)	(6)	(29)	(29)
Other (note 4)	(1)	(16)	(9)	(64)
Earnings before tax	119	(4)	444	156
Tax provision (note 5)	(40)	(11)	(118)	(52)
Earnings	\$ 79	\$ (15)	\$ 326	\$ 104
Earnings per share (dollars) (note 6)				
Basic	\$ 1.01	\$ (0.18)	\$ 4.06	\$ 1.25
Diluted	\$ 1.01	\$ (0.18)	\$ 3.90	\$ 0.89
Comprehensive earnings				
Earnings	\$ 79	\$ (15)	\$ 326	\$ 104
Other comprehensive earnings				
Translation gain (loss) on foreign operations	13	25	(14)	109
Actuarial gain (loss) on post-retirement benefits	72	19	(7)	(12)
Comprehensive earnings	\$ 164	\$ 29	\$ 305	\$ 201



West Fraser Timber Co. Ltd.

Condensed Consolidated Statements of Cash Flows

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

	October 1 to December 31		January 1 to December 31	
	2016	2015	2016	2015
Cash provided by operations				
Earnings	\$ 79	\$ (15)	\$ 326	\$ 104
Adjustments				
Amortization	50	50	197	191
Finance expense	7	6	29	29
Foreign exchange loss (gain) on long-term financing	4	15	(4)	58
Loss on power agreements, net of settlement costs	-	3	11	32
Post-retirement expense	18	20	71	71
Contributions to post-retirement benefit plans	(20)	(34)	(66)	(78)
Tax provision	40	11	118	52
Income taxes paid	(8)	(5)	(7)	(67)
Change in reforestation and decommissioning obligation	(4)	9	(11)	12
Gain on disposal of capital assets	(4)	(1)	(9)	(2)
Other	(17)	(15)	(56)	(22)
Changes in non-cash working capital				
Receivables	40	20	4	1
Inventories	(39)	(68)	50	(16)
Prepaid expenses	6	2	7	(4)
Payables and accrued liabilities	30	(26)	29	(60)
	182	(28)	689	301
Cash (used for) provided by financing				
Proceeds from (repayment of) operating loans	(48)	137	(181)	68
Finance expense paid	(9)	(10)	(23)	(22)
Dividends	(5)	(6)	(22)	(23)
Common share repurchases	(20)	-	(190)	(60)
Other	(1)	-	2	(1)
	(83)	121	(414)	(38)
Cash used for investing				
Acquisition	-	(76)	-	(76)
Additions to capital assets	(91)	(51)	(273)	(220)
Government assistance	-	4	8	4
Other	1	(1)	2	4
	(90)	(124)	(263)	(288)
Change in cash	9	(31)	12	(25)
Foreign exchange effect on cash	10	12	39	24
Cash - beginning of period	16	3	(16)	(15)
Cash - end of period	\$ 35	\$ (16)	\$ 35	\$ (16)
Cash consists of				
Cash and short-term investments			\$ 50	\$ 13
Cheques issued in excess of funds on deposit			(15)	(29)
			\$ 35	\$ (16)

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 financial statements.

3. Inventories

Inventories at December 31, 2016 were written down by \$5 million (September 30, 2016 - \$10 million; December 31, 2015 - \$21 million) to reflect net realizable value being lower than cost.

4. Other

	October 1 to December 31		January 1 to December 31	
	2016	2015	2016	2015
Foreign exchange gain (loss) on working capital	\$ 4	\$ 9	\$ (4)	\$ 28
Foreign exchange gain (loss) on intercompany financing ¹	6	1	(8)	9
Foreign exchange gain (loss) on long-term debt	(10)	(15)	12	(67)
Loss on power agreements	(8)	(3)	(27)	(32)
Gain on disposal of WestPine equipment	3	-	8	-
Write-down of investment	-	(7)	-	(7)
Other	4	(1)	10	5
	\$ (1)	\$ (16)	\$ (9)	\$ (64)

1. 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.

Power agreements

In March 2016, the termination of our three-year power strip agreement was negotiated. In addition, Capital Power Corporation gave notice of its intent to terminate its role as buyer of the Sundance C Power Arrangement (“Sundance”) effective March 24, 2016. As a result of this termination, our role as a party to the Power Syndicate Agreement also terminated. These agreements had provided us with a portion of the electricity generated from two power plants in Alberta at substantially predetermined prices.

Prior to the termination, we recorded the agreements at fair value with the resulting gains or losses being recorded through other income. In the fourth quarter of 2016, Capital Power Corporation settled a dispute with the Government of Alberta related to the termination of Sundance. As a result, we recorded in other income an additional \$8 million loss related to our share of the settlement.

Insurance proceeds

Our WestPine MDF mill, located in Quesnel, British Columbia, was closed due to a fire on March 9, 2016 and will remain closed until repairs are complete. The mill is insured for property damage and business interruption. The impact on pre-tax earnings is as follows:

	October 1 to December 31	January 1 to December 31 2016
Business interruption, less policy deductible	\$ 4	\$ 17
Gain on disposal of equipment	3	8
	\$ 7	\$ 25

Estimated business interruption insurance is recorded as a reduction of cost of products sold. Estimated insurance proceeds to be spent to replace equipment are accounted for as proceeds of disposition, and the resulting gain has been included in other income.

The final amount of the insurance claim will be determined after the mill reconstruction is complete and the mill returns to expected production rates.

5. Tax provision

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

	October 1 to December 31		January 1 to December 31	
	2016	2015	2016	2015
Income tax expense at statutory rate of 26%	\$ (30)	\$ 2	\$ (115)	\$ (40)
Non-taxable amounts	(3)	(11)	6	(1)
Rate differentials between jurisdictions and on specified activities	(1)	1	(8)	5
Unrecognized capital losses	-	(3)	1	(9)
Increase in Alberta provincial tax rate	-	-	-	(7)
Other	(6)	-	(2)	-
Tax provision	\$ (40)	\$ (11)	\$ (118)	\$ (52)

6. 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.

	October 1 to December 31		January 1 to December 31	
	2016	2015	2016	2015
Earnings				
Basic	\$ 79	\$ (15)	\$ 326	\$ 104
Share option expense (recovery)	15	20	(6)	(26)
Equity-settled share option adjustment	(1)	-	(4)	(3)
Diluted	\$ 93	\$ 5	\$ 316	\$ 75
Weighted average number of shares (thousands)				
Basic	78,488	82,455	80,236	83,104
Share options	858	1,074	860	1,295
Diluted	79,346	83,529	81,096	84,399
Earnings per share (dollars)				
Basic	\$ 1.01	\$ (0.18)	\$ 4.06	\$ 1.25
Diluted	\$ 1.01	\$ (0.18)	\$ 3.90	\$ 0.89

7. **Segmented information**

	Lumber	Panels	Pulp & paper	Corporate & other	Total
October 1, 2016 to December 31, 2016					
Sales					
To external customers	\$ 754	\$ 122	\$ 231	\$ -	<u>\$ 1,107</u>
To other segments	24	2	-	-	
	<u>\$ 778</u>	<u>\$ 124</u>	<u>\$ 231</u>	<u>\$ -</u>	
Operating earnings before amortization	\$ 144	\$ 20	\$ 30	\$ (17)	\$ 177
Amortization	(37)	(3)	(10)	-	(50)
Operating earnings	107	17	20	(17)	127
Finance expense	(5)	-	(2)	-	(7)
Other	2	2	(2)	(3)	(1)
Earnings before tax	<u>\$ 104</u>	<u>\$ 19</u>	<u>\$ 16</u>	<u>\$ (20)</u>	<u>\$ 119</u>

October 1, 2015 to December 31, 2015

Sales					
To external customers	\$ 656	\$ 137	\$ 220	\$ -	<u>\$ 1,013</u>
To other segments	28	2	-	-	
	<u>\$ 684</u>	<u>\$ 139</u>	<u>\$ 220</u>	<u>\$ -</u>	
Operating earnings before amortization	\$ 55	\$ 19	\$ 17	\$ (23)	\$ 68
Amortization	(38)	(3)	(9)	-	(50)
Operating earnings	17	16	8	(23)	18
Finance expense	(4)	-	(2)	-	(6)
Other	(5)	(1)	2	(12)	(16)
Earnings before tax	<u>\$ 8</u>	<u>\$ 15</u>	<u>\$ 8</u>	<u>\$ (35)</u>	<u>\$ (4)</u>

	Lumber	Panels	Pulp & paper	Corporate & other	Total
January 1, 2016 to December 31, 2016					
Sales					
To external customers	\$ 3,042	\$ 521	\$ 887	\$ -	\$ 4,450
To other segments	103	8	-	-	
	\$ 3,145	\$ 529	\$ 887	\$ -	
Operating earnings before amortization	\$ 508	\$ 89	\$ 79	\$ 3	\$ 679
Amortization	(146)	(12)	(37)	(2)	(197)
Operating earnings	362	77	42	1	482
Finance expense	(18)	(3)	(8)	-	(29)
Other	-	5	(23)	9	(9)
Earnings before tax	\$ 344	\$ 79	\$ 11	\$ 10	\$ 444
January 1, 2015 to December 31, 2015					
Sales					
To external customers	\$ 2,654	\$ 546	\$ 900	\$ -	\$ 4,100
To other segments	110	8	-	-	
	\$ 2,764	\$ 554	\$ 900	\$ -	
Operating earnings before amortization	\$ 243	\$ 95	\$ 80	\$ 22	\$ 440
Amortization	(138)	(13)	(39)	(1)	(191)
Operating earnings	105	82	41	21	249
Finance expense	(18)	(3)	(8)	-	(29)
Other	-	(3)	(5)	(56)	(64)
Earnings before tax	\$ 87	\$ 76	\$ 28	\$ (35)	\$ 156

The geographic distribution of external sales is as follows¹:

	October 1 to December 31		January 1 to December 31	
	2016	2015	2016	2015
Canada	\$ 235	\$ 229	\$ 994	\$ 898
United States	641	577	2,583	2,249
China	135	110	486	580
Other Asia	75	75	317	299
Other	21	22	70	74
	\$ 1,107	\$ 1,013	\$ 4,450	\$ 4,100

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

8. 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.

We categorically deny the U.S. allegations of subsidies and dumping and will vigorously defend ourselves and the Canadian industry against the unfounded allegations.

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

For more information:

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