



Western Forest Products Inc.  
DEFINING A HIGHER STANDARD™

## **Western Forest Products Inc.**

---

Management's Discussion and Analysis  
of Financial Conditions and Results of Operations

Three and nine month periods ended September 30, 2017

# Management's Discussion & Analysis

The following Management's Discussion and Analysis ("MD&A") reports and comments on the financial condition and results of operations of Western Forest Products Inc. (the "Company", "Western", "us", "we", or "our"), on a consolidated basis, for the three and nine months ended September 30, 2017 to help security holders and other readers understand our Company and the key factors underlying our financial results. This discussion and analysis should be read in conjunction with our unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine months ended September 30, 2017, and our audited annual consolidated financial statements and management's discussion and analysis for the year ended December 31, 2016 (the "2016 Annual Report"), which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company has prepared the consolidated financial statements for the three and nine months ended September 30, 2017 in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. Amounts discussed herein are based on our unaudited condensed consolidated interim financial statements and are presented in millions of Canadian dollars unless otherwise noted. Certain prior period comparative figures have been reclassified to conform to the current period's presentation.

Reference is made in this MD&A to adjusted EBITDA<sup>1</sup> and adjusted EBITDA margin<sup>2</sup>. Adjusted EBITDA is defined as operating income prior to operating restructuring items and other income (expenses), plus amortization of property, plant, and equipment and intangible assets, impairment adjustments, and changes in fair value of biological assets. Adjusted EBITDA margin is adjusted EBITDA as a proportion of revenue. Western uses adjusted EBITDA and adjusted EBITDA margin as benchmark measurements of our own operating results and as benchmarks relative to our competitors. We consider adjusted EBITDA to be a meaningful supplement to operating income as a performance measure primarily because amortization expense, impairment adjustments and changes in the fair value of biological assets are non-cash costs, and vary widely from company to company in a manner that we consider largely independent of the underlying cost efficiency of their operating facilities. Further, the inclusion of operating restructuring items which are unpredictable in nature and timing may make comparisons of our operating results between periods more difficult. We also believe adjusted EBITDA and adjusted EBITDA margin are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

Adjusted EBITDA does not represent cash generated from operations as defined by IFRS and it is not necessarily indicative of cash available to fund cash needs. Furthermore, adjusted EBITDA does not reflect the impact of a number of items that affect our net income. Adjusted EBITDA and adjusted EBITDA margin are not measures of financial performance under IFRS, and should not be considered as alternatives to measures of performance under IFRS. Moreover, because all companies do not calculate adjusted EBITDA in the same manner, adjusted EBITDA and adjusted EBITDA margin calculated by Western may differ from similar measures calculated by other companies. A reconciliation between the Company's net income as reported in accordance with IFRS and adjusted EBITDA is included in Appendix A to this report.

Also in this MD&A, management uses key performance indicators such as net debt, net debt to capitalization and current assets to current liabilities. Net debt is defined as long-term debt less cash and cash equivalents. Net debt to capitalization is a ratio defined as net debt divided by capitalization, with capitalization being the sum of net debt and shareholders' equity. Current assets to current liabilities is defined as total current assets divided by total current liabilities. These key performance indicators are non-GAAP financial measures that do not have a standardized meaning and may not be comparable to similar measures used by other issuers. They are not recognized by IFRS; however, they are meaningful in that they indicate the Company's ability to meet its obligations on an ongoing basis, and indicate whether the Company is more or less leveraged than in prior periods.

This MD&A contains statements which constitute forward-looking statements and forward-looking information within the meaning of applicable securities laws. Those statements and information appear in a number of places in this document and include statements and information regarding our current intent, belief or expectations primarily with respect to market and general economic conditions, future costs, expenditures, available harvest levels and our future operating performance, objectives and strategies. Such statements and information may be indicated by words such as "estimate", "expect", "anticipate", "plan", "intend", "believe", "seek", "should", "may", "likely" and similar words and phrases. Readers are cautioned that it would be unreasonable to rely on any such forward-looking statements and information as creating any legal rights, and that the statements and information are not guarantees and may involve known and unknown risks and uncertainties, and that actual results and objectives and strategies may differ or change from those expressed or implied in the forward-looking statements or information as a result of various factors. Such risks and uncertainties include, among others: general economic conditions, competition and selling prices, international trade disputes, changes in foreign currency exchange rates, labour disruptions, natural disasters, relations with First Nations groups, changes in laws, the availability of annual allowable cut, regulations or public policy, misjudgements in the course of preparing forward-looking statements or information, changes in opportunities and other factors referenced under the "Risk and Uncertainties" section herein. All written and oral forward-looking statements or information attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. Except as required by law, Western does not expect to update forward-looking statements or information as conditions change.

Unless otherwise noted, the information in this discussion and analysis is updated to November 2, 2017.

---

<sup>1</sup> Earnings Before Interest, Tax, Depreciation and Amortization

<sup>2</sup> Adjusted EBITDA as a proportion of Revenue

## Summary of Selected Quarterly Results <sup>(1)</sup>

<i>(millions of dollars except per share amounts and where otherwise noted)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenue				
Lumber	\$ 212.5	\$ 235.6	\$ 650.9	\$ 662.8
Logs	55.5	70.0	158.2	180.5
By-products	17.2	17.1	51.2	51.0
Total revenue	\$ 285.2	\$ 322.7	\$ 860.3	\$ 894.3
Operating income prior to restructuring items and other income	25.1	26.2	86.7	86.2
Net income	13.6	16.8	55.4	57.9
Adjusted EBITDA	\$ 32.6	\$ 35.7	\$ 113.7	\$ 114.4
Adjusted EBITDA margin	11.4%	11.1%	13.2%	12.8%
Basic and diluted earnings per share (in dollars)	\$ 0.04	\$ 0.04	\$ 0.14	\$ 0.15

<sup>(1)</sup> Included in Appendix A is a table of selected results for the last eight quarters.

## Operating Results

### Third Quarter 2017

Record dry conditions on the coast of British Columbia (“BC”) disrupted third quarter harvesting operations and limited log availability. We generated \$32.6 million of adjusted EBITDA in the third quarter of 2017 despite reduced log availability which impacted log and lumber sales volumes. Our operating income prior to restructuring items and other income was \$25.1 million, compared to \$26.2 million in the same period last year. Operating income and adjusted EBITDA were reduced by \$6.5 million of US duties and a stronger Canadian dollar (“CAD”), which was 4% higher on average against the United States dollar (“USD”).

Lumber revenue was \$212.5 million, a decrease of 10% from the third quarter of 2016. Price realizations increased 3% from the same period last year as higher market pricing was offset by a weaker sales mix, lower sales volume, the impact of lumber duties and a stronger CAD. Limited log availability, particularly for higher grade cedar logs, negatively impacted our mix of production and reduced our specialty lumber sales mix to 51% from 57% in the third quarter of 2016. We grew shipments to China to capitalize on strong market demand and pricing, and to mitigate the impact of US duties. Overall lumber sales volume decreased by 13%, despite supplementing shipments with a 21 million board foot drawdown of inventory.

Third quarter log revenue was \$55.5 million in 2017, a decrease of \$14.5 million from the same period last year as higher pricing was more than offset by a 43% reduction in shipments. The reduction in log shipments resulted from lower log availability due to difficult harvest conditions, prioritizing internal consumption, and an opening log inventory that was 41% lower than the comparative period.

By-products revenue was \$17.2 million in the third quarter of 2017, as compared to \$17.1 million in the same period in 2016. Chip price realizations grew 9% which offset reduced shipments resulting from lower production.

Lumber production was 201 million board feet, down from 248 million board feet in the third quarter of 2016 as log availability limited lumber production. A constrained log supply resulted in downtime or reduced operating hours at our Saltair, Ladysmith and Alberni Pacific sawmills, and our Somass sawmill was indefinitely curtailed.

Third quarter log production was 911,000 cubic metres, 21% lower than the same period last year. Record dry conditions on the coast of BC compounded normal seasonal third quarter harvest challenges. Our helicopter logging production declined by 28% as contractor aircraft, which typically harvest higher value logs, were seconded to the provincial government to assist with forest fires in the BC Interior.

In addition to weather challenges, our log production volume and per unit harvest costs continued to be impacted by reduced operations due to the Englewood train accident, that occurred in April 2017, and a gradual start-up in our Alberni forest operations. Alberni start-up costs incurred in the third quarter included \$1.8 million in road construction expenses to access timber for future harvesting.

We supplemented our internal log supply with sawlog purchases of 327,000 cubic metres, a decrease from 415,000 cubic metres purchased in the same quarter last year. Domestic log supply was limited by challenging seasonal harvest conditions.

Freight expense increased by \$1.2 million as compared to the third quarter of 2016, due to increased China lumber sales volumes. As previously noted, we continue to capitalize on a growing market and mitigate US duties by increasing lumber sales to China. Lower log sales volume and the positive impacts of a stronger CAD on freight rates largely offset higher costs associated with lumber shipments to China.

Third quarter selling and administration expense increased to \$8.6 million in 2017 from \$6.5 million in the same period last year. A significant increase in the Company's common share price resulted in an incremental \$0.7 million mark-to-market adjustment on the Company's outstanding share units. The Company's common share price appreciated by 14%, as compared to 6% in the same period last year. We incurred incremental costs of \$0.6 million in the third quarter relating to Information Technology ("IT") system and related process improvements, including training and other initiatives in support of recently completed implementations of sales, inventory and payroll systems. We have also realized an increase in selling expense from growing our China sales volumes.

Net income for the third quarter of 2017 was \$13.6 million, as compared to \$16.8 million for the same period of 2016. Improved operating margins and lower finance costs were more than offset by the after-tax impacts of operating restructuring items.

*Year to date, September 30, 2017*

Adjusted EBITDA was \$113.7 million for the first nine months of 2017, as compared to \$114.4 million for the same period in 2016. Rising log and lumber pricing period-over-period was largely offset by the effects of constrained log supply and the imposition of US duties in 2017.

Lumber revenue of \$650.9 million in the first nine months of 2017 decreased 2% from the same period in 2016, while lumber shipments declined by 9%. Selling targeted products to selected customers has partly mitigated the impacts of a constrained log supply and weaker specialty product mix.

Log revenue decreased by 12% in the first three quarters of 2017 to \$158.2 million. Sales volumes have decreased as a result of reduced harvest volume and the continued prioritization of internal log consumption over external sales. A decline in log sales volumes of 27% was partly offset by improved log pricing.

Lumber production in the first nine months of 2017 was 622 million board feet, down from 701 million board feet in the same period of 2016. Constrained log supply impacted production, resulting in downtime and reduced operating hours at several of our operations, and contributed to the indefinite curtailment of our Somass sawmill. We utilized our modernized Duke Point sawmill to reduce our external custom cut production, partly offsetting the impact of limited log availability on our per unit manufacturing cost.

Coastal log production in 2017 has been significantly impacted by poor weather. Prolonged winter conditions in the first half of 2017, followed by hot, dry conditions in the third quarter, limited our timberlands harvest and reduced market log availability. Limited helicopter availability during fire season, the aforementioned train accident, and contractor challenges in our Port Alberni operation have also caused temporary reductions in production. Timberlands log production was 2,909,000 cubic metres for the first nine months of 2017, a decrease of 17% from the same period of 2016, while total coastal log production fell by 13% as reported by the Province of BC's Harvest Billing System. Lower timberlands production volume and a stumpage rate increase which became effective March 1, 2016, contributed to a 5% increase in log production costs period over period.

Selling and administration expenses in the first nine months of 2017 increased to \$25.4 million from \$20.8 million in the same period of 2016. Appreciation of the Company's common share price as well as a greater outstanding share unit balance resulted in a relative increase of \$2.2 million in share-based compensation expenses, including mark-to-market adjustments, over those periods. Also reflected in 2017 are increased IT costs related to significant system infrastructure and related process improvements.

### *Other Income (Expense)*

On August 18, 2017, the Company completed the sale of its South Island Remanufacturing plant for a gross purchase price of \$3.2 million and recognized a gain of \$1.6 million in other income for the quarter ended September 30, 2017.

Also included in other income for the quarter are \$0.4 million in non-operating expenses relating to the train accident in our Englewood forest operations, and other expenses of \$0.8 million.

### *Other Restructuring Items*

On July 27, 2017, we announced the indefinite curtailment of our Somass sawmill, located in Port Alberni, BC. The Somass sawmill was temporarily curtailed in February 2017, prior to which it was operating on a single shift basis. Included in operating restructuring items for the quarter ended September 30, 2017, is voluntary severance related to the Somass curtailment of \$6.2 million. Also included in operating restructuring items is \$0.5 million of Somass site expenses incurred following the indefinite curtailment announcement.

We are leveraging recently completed and activated strategic capital investments to consolidate our coastal manufacturing platform. We expect to deliver further cost reductions through consolidation in the future.

### *Income Taxes*

Current income tax expense of \$0.1 million and deferred income tax expense of \$4.1 million were recognized in net income in the third quarter of 2017, primarily relating to operating earnings.

## Financial Position and Liquidity

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
<i>(millions of dollars except where noted)</i>				
Cash provided by operating activities, excluding non-cash working capital	\$ 23.1	\$ 34.6	\$ 96.9	\$ 107.2
Cash provided by operating activities	33.4	42.2	130.9	80.0
Cash used in investing activities	(11.6)	(9.2)	(25.7)	(40.5)
Cash provided by (used in) financing activities	(7.7)	(21.8)	(59.0)	(30.3)
Cash used in capital logging roads	(3.7)	(4.1)	(10.2)	(9.8)
Cash used to acquire property, plant and equipment	(11.4)	(5.3)	(22.5)	(31.0)
			September 30, 2017	December 31, 2016
Total liquidity <sup>(1)</sup>			\$ 299.2	\$ 218.1
Net debt <sup>(2)</sup>			-	15.4
Cash and cash equivalents			65.2	19.0
Financial ratios:				
Current assets to current liabilities			2.56	2.58
Net debt to capitalization <sup>(3)</sup>			-	0.03

<sup>(1)</sup> Total liquidity comprises cash and cash equivalents, and available credit under the Company's revolving credit facility and revolving term loan.

<sup>(2)</sup> Net debt is defined as the sum of long-term debt, current portion of long-term debt, revolving credit facility, less cash and cash equivalents.

<sup>(3)</sup> Capitalization comprises net debt and shareholders equity.

In the first nine months of 2017, we have repaid all outstanding debt, returned \$23.7 million to shareholders through quarterly dividends and increased our cash balance by \$46.2 million. Our operating cash flows have been supplemented by a significant reduction in working capital used for inventory as a result of challenging coastal harvest conditions limiting production.

As a result of a constrained log supply, which resulted in limited log sales volumes, cash provided by operating activities during the third quarter of 2017 was \$33.4 million as compared to \$42.2 million during the third quarter of 2016.

Cash used in investing activities was \$11.6 million during the third quarter of 2017, as compared to \$9.2 million invested during the same period of 2016. As we await clarity in the softwood lumber trade dispute, we continue to invest in high-return, lower cost capital projects. Our strategic capital program is discussed in more detail in the "Strategy and Outlook" section.

Cash used in financing activities was \$7.7 million during the third quarter of 2017, as compared to cash used in financing activities of \$21.8 million during the same period of 2016. Prior period cash used in financing activities reflects repayments under Western's revolving credit facility, whereas all outstanding debt has been repaid in 2017.

As a result of our year-to-date earnings and the reduction in our working capital, total liquidity increased to \$299.2 million at September 30, 2017, from \$218.1 million at the end of 2016.

Liquidity is comprised of cash and cash equivalents of \$65.2 million, unused availability under the secured revolving credit facility of \$124.0 million, and \$110.0 million available under the revolving term loan facility. Based on our current forecasts, we expect sufficient liquidity will be available to meet our obligations in 2017.

On August 2, 2017, we announced a normal course issuer bid permitting us to purchase and cancel up to 19,778,383 of our common shares or approximately 5% of our common shares issued and outstanding as of August 1, 2017. We did not purchase common shares during the three months ended September 30, 2017 and we continue to regularly review our capital allocation.

## Strategy and Outlook

Western's long-term business objective is to create superior value for shareholders by building a margin-focused log and lumber business of scale to compete successfully in global softwood markets. We believe this will be achieved by maximizing the sustainable utilization of our forest tenures, operating safe, efficient, low-cost manufacturing facilities and producing high-value softwood lumber and logs for global markets. We seek to manage our business with a focus on operating cash flow and maximizing the value of our fibre resource through the production cycle, from the planning of our logging operations to the production, marketing and sale of our log and lumber products. We routinely evaluate our performance using the measure Return on Capital Employed.

### *Market Outlook*

We believe the combination of continued strong demand for lumber from both the US and China, and constrained western North American log and lumber production, due to a prolonged fire season, will support lumber prices through the seasonally weaker fall and early winter period. However, the application of final lumber duties which is expected to occur during the fourth quarter of 2017 could lead to some volatility.

Demand for our Western Red Cedar ("WRC") products remains strong however purchasing behaviour has become somewhat unpredictable due to the application of US lumber duties. In the third quarter purchasers of high-value lumber products, including WRC, curtailed buying in anticipation of lower prices during the CVD gap period. This impacted volumes and limited price increases on US bound shipments. As we approach the application of final duties, sales volumes could again be impacted as buyers wait for clarity in pricing before placing orders. Looking to 2018, the combination of limited WRC log supply, continued strong demand and clarity on US duty rates is expected to support pricing.

In Japan, improved housing starts and continued repatriation of US supply will provide Canadian suppliers the opportunity to increase market share and pricing.

Customer demand remains strong for our Niche products and pricing is expected to improve in the fourth quarter of 2017.

Growing demand coupled with constrained log supply is expected to support export and domestic sawlog pricing in the near term. We expect the log supply shortage to lead to reduced export sales volume as domestic manufacturers purchase more of the available supply. Pulp log pricing is expected to increase as pulp mills seek to rebuild their log inventories.

### *Update on Softwood Lumber Dispute*

On November 25, 2016, a petition was filed by a coalition of US lumber producers to the US Department of Commerce ("DoC") and the US International Trade Commission ("ITC") requesting an investigation into alleged subsidies provided to Canadian lumber producers. On January 6, 2017, the ITC announced a preliminary determination that found there is reasonable indication the US industry is materially injured by imports of softwood lumber products from Canada. The Canadian forest products industry and Canadian Federal and Provincial governments strongly deny these assertions which have previously been disproved in international courts.

On April 24, 2017, the DoC announced a preliminary countervailing duty of 19.88% for "all other" Canadian lumber producers including Western, effective April 28, 2017, and on June 26, 2017, the DoC announced a preliminary "all other" anti-dumping duty rate of 6.87% effective June 30, 2017.

The DoC also made preliminary determinations on critical circumstances in April that resulted in 90-day retroactive application of countervailing duty from January 28 to April 27, 2017, and anti-dumping duty from April 1 to June 29, 2017.

The preliminary countervailing duties were applicable until August 25, 2017, after which they were suspended pending final determinations by the DoC and the ITC. Western's results for the third quarter of 2017 include countervailing duty expense of \$2.9 million and anti-dumping duty expense of \$3.6 million.

On November 2, 2017, the DoC announced final determinations in its countervailing duty and anti-dumping duty investigations, which included lowering the final countervailing duty to 14.25% and lowering the final antidumping rate to 6.58%, for "all other" Canadian lumber producers including Western. The final countervailing duty rate is not applicable until the ITC makes a final injury determination, which is expected to occur in December 2017.

In addition, the DoC concluded that critical circumstances did not exist for countervailing duty, but did exist for anti-dumping duty. On this basis, Western's 90-day retroactive anti-dumping duty obligation is USD \$2.9 million. As we expect retroactive duty application to be reversed, consistent with the results of past softwood lumber disputes, we will recognize the retroactive duties as a deposit only upon payment.

We intend to maintain our strong balance sheet and diversified product and geographic sales mix as we await the outcome of the trade discussions.

### *Strategic Capital Program Update*

We are implementing a strategic capital program that is designed to position Western as the only company on the coast of BC capable of sustainably consuming the complete profile of the coastal forest and competitively manufacturing a diverse product mix for global markets.

Our strategic capital program is focused on the installation of proven technology that will deliver leading performance and improve our ability to manufacture products that yield the best margin. In addition to investments in our manufacturing assets, we also allocate capital to strategic, high-return projects involving our information systems, timberlands assets, and forest inventories.

In the third quarter of 2017, we advanced the strategic investments at our Chemainus sawmill and Duke Point planer. We are progressing as planned with the Chemainus sawmill timber handling upgrades and the project is expected to be completed in the fourth quarter of 2017. At our Duke Point planer, we completed installation of the auto grader and began start-up operations shortly after quarter-end. We also acquired new timberlands mobile equipment to support our simplified sort and log flow optimization initiatives. The new equipment is expected to increase operating efficiency and reduce maintenance expense.

We have announced plans for \$101.9 million of our \$125 million strategic capital program. Through the third quarter of 2017, we have implemented and capitalized \$97.9 million under that program. Uncertainty arising from the softwood lumber trade dispute has caused us to defer the commencement of additional potentially significant capital projects, however a number of high-return, low-cost strategic capital projects are in the late stages of planning or ready for implementation.

### *Non-Core Assets Update*

On August 18, 2017, we completed the sale of our former South Island Remanufacturing operation for a gross purchase price of \$3.2 million. A gain on disposition of \$1.6 million was recognized in other income in the third quarter of 2017.

We have suspended marketing of our Northern Island Private Timberlands. In the third quarter of 2017 we received expressions of interest but they were not at values that would warrant a transaction.

We continue to pursue the marketing and disposition of certain non-core assets.

## **New accounting policies: standards and interpretations not yet adopted**

A number of new and amended IFRS standards are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these unaudited condensed interim financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect future financial statements:

- IFRS 9, *Financial Instruments*
- IFRS 15, *Revenue from Contracts with Customers*
- IFRS 16, *Leases*

Please refer to Note 3 of our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 for further information on these standards.

## **Critical Accounting Estimates**

For a review of significant management judgements affecting financial results and critical accounting estimates, please see our 2016 Annual reporting, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Risks and Uncertainties**

The business of the Company is subject to a number of risks and uncertainties, including those described in the 2016 Annual Report which can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Any of the risks and uncertainties described in the above-noted document could have a material adverse effect on our operations and financial condition and cash flows and, accordingly, should be carefully considered in evaluating Western's business.

## **Evaluation of Disclosure Controls and Procedures**

There have been no changes in the Company's internal controls over financial reporting ("ICFR") during the three months ended September 30, 2017, that have materially affected or are reasonably likely to materially affect, its ICFR.

In the three months ended September 30, 2017, we completed the implementation of sales, inventory and payroll systems. The Company's internal controls were maintained or supplemented by controls added during these system implementations and related process improvements.

## **Outstanding Share Data**

As of November 2, 2017, there were 395,855,092 common shares of the Company issued and outstanding.

We have reserved 20,000,000 of our common shares for issuance upon the exercise of options granted under our incentive stock option plan. During the three months ended September 30, 2017, 287,429 previously granted options were exercised and 574,714 options were forfeited. As of November 2, 2017, 11,718,483 options were outstanding under our incentive stock option plan.

## **Additional Information**

Additional information relating to the Company and its operations, including the Company's Annual Information Form, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## Management's Discussion and Analysis – Appendix A

### Summary of Selected Results for the Last Eight Quarters <sup>(1)</sup>

	2017			2016			2015	
	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>
<i>(millions of dollars except per share amounts and where noted)</i>								
<b>Average Exchange Rate – USD to CAD</b>	1.253	1.345	1.323	1.334	1.305	1.288	1.372	1.335
<b>Revenue</b>								
Lumber	212.5	212.8	225.6	220.7	235.6	221.0	206.2	194.4
Logs	55.5	57.2	45.5	55.1	70.0	64.2	46.3	53.6
By-products	17.2	17.4	16.6	17.2	17.1	16.6	17.3	17.6
Total revenue	285.2	287.4	287.7	293.0	322.7	301.8	269.8	265.6
<b>Lumber</b>								
Production – millions of board feet	201	207	214	242	248	232	221	234
Shipments – millions of board feet	224	199	229	236	257	234	225	226
Price – per thousand board feet	949	1,069	985	935	917	944	916	862
<b>Logs</b>								
Net production – thousands of cubic metres <sup>(2)</sup>	911	1,091	908	919	1,153	1,321	1,027	1,081
Saw log purchases – thousands of cubic metres	327	249	231	337	415	497	268	299
Shipments – thousands of cubic metres	369	436	364	493	651	521	438	540
Price – per cubic metre <sup>(3)</sup>	134	122	116	104	100	112	100	95
<b>Selling and administration</b>	8.6	8.4	8.4	6.7	6.4	7.6	6.8	6.6
<b>Adjusted EBITDA</b>	32.6	47.1	34.0	33.8	35.7	43.0	35.7	29.6
Amortization	(9.0)	(9.3)	(8.6)	(8.7)	(8.8)	(8.8)	(7.5)	(8.2)
Changes in fair value of biological assets, net	1.4	-	(1.5)	6.9	(0.7)	(0.4)	(1.9)	(0.9)
Operating restructuring items	(7.1)	(3.7)	(0.5)	(1.3)	(0.6)	(0.8)	(0.7)	(0.7)
Finance costs	(0.6)	(0.7)	(0.7)	(1.0)	(1.2)	(1.1)	(1.1)	(1.1)
Other income (expense) <sup>(4)</sup>	0.4	0.5	(0.2)	18.0	(1.4)	(0.2)	(0.3)	(0.9)
Deferred income tax recovery (expense)	(4.1)	(8.3)	(6.1)	(11.5)	(6.1)	(7.8)	(6.8)	(7.9)
Current income tax recovery (expense)	(0.1)	0.1	(0.2)	-	(0.1)	-	(0.1)	-
<b>Net income</b>	13.6	25.6	16.2	36.2	16.8	23.9	17.3	9.9
Adjusted EBITDA margin	11.4%	16.4%	11.8%	11.5%	11.1%	14.2%	13.2%	11.1%
Earnings per share:								
Net income, basic	0.04	0.06	0.04	0.09	0.04	0.06	0.04	0.03
Net income, diluted	0.04	0.06	0.04	0.09	0.04	0.06	0.04	0.02

<sup>(1)</sup> Figures in this table may not equal or sum to figures presented elsewhere due to rounding.

<sup>(2)</sup> Net Production is sorted log production, net of residuals and waste.

<sup>(3)</sup> The log revenue used to determine average price per cubic metre has been reduced by the associated shipping costs arranged in the respective periods to enable comparability of unit prices.

<sup>(4)</sup> Other income (expense), net of changes in fair market value less cost to sell of biological assets.

In a normal operating year there is seasonality to the Company's operations with higher lumber sales in the second and third quarters when construction activity, particularly in the US, has historically tended to be higher. Logging activity may also vary depending on weather conditions such as rain, snow and ice in the winter and the threat of forest fire in the summer.

Certain categories of transactions are presented separately above due to their unpredictable timing and to allow for greater comparability of our operating results between periods. In the third quarter of 2017, the Company recognized \$6.2 million of severance related to the indefinite curtailment of its Somass sawmill and a \$1.6 million gain on sale of its former South Island Remanufacturing operation. In the second quarter of 2017, the Company recognized a \$2.5 million impairment charge related to the indefinite curtailment of its Somass sawmill, a \$1.8 million gain on sale of properties to the Huu-ay-aht First Nation and a \$3.1 million reduction to cost of goods sold for WorkSafeBC Certification of Recognition insurance premium rebates received for the 2014 and 2016 fiscal years. In the fourth quarter of 2016, the Company recognized \$14.1 million into other income for the 2011 partial tenure extinguishment in TFL 44 from the Maa-nulth First Nations Final Agreement Act, an \$8.0 million increase in fair value less costs to sell of the Company's biological assets and a \$3.8 million past service credit as a result of a pension plan amendment to reduce future benefit payments. In the fourth quarter of 2015, the Company recognized changes in deferred tax balances with respect to unutilized operating tax losses and actuarial gains and losses on its defined benefit plans, resulting in a \$7.8 million deferred income tax expense through net income and a deferred income tax recovery of \$9.1 million through other comprehensive income.