

NEWS RELEASE: Via
The Canadian Custom Disclosure Network
FOR IMMEDIATE RELEASE
March 19, 2013

Attention: Business/Financial Editors

HARDWOODS DISTRIBUTION INC.

TRADING SYMBOL: **Toronto Stock Exchange – HWD**

Hardwoods Announces Strong 2012 Fourth Quarter and Year-End Results and Increases Quarterly Dividend

Langley, B.C., March 19, 2012/ CNW/ – This press release discusses financial results for Hardwoods Distribution Inc. (“Hardwoods” or the “Company”) for the three and twelve months ended December 31, 2012.

Hardwoods is one of North America’s largest wholesale distributors of hardwood lumber and related sheet good products, operating a network of 31 distribution centres in the US and Canada.

Highlights

(For the three and twelve months ended December 31, 2012)

- Sales increased 16.0% in the fourth quarter and 33.1% for the full year, compared to the same periods in 2011.
- The Company increased gross profit by 12.8% in the fourth quarter and by 32.5% in the 12-month period, compared to the same periods in 2011.
- Fourth quarter EBITDA climbed 155.8% to \$2.4 million, and full-year EBITDA increased 106.9% to \$12.3 million.
- Fourth quarter profit increased to \$1.3 million, from a loss of \$0.4 million last year. Full-year profit climbed to \$6.2 million, an increase of \$0.1 million from 2011.

- In recognition of continuing strong financial performance, the Board of Directors approved an increase in the quarterly dividend from 3 cents per share to 3.5 cents per share. The dividend will be paid on April 30, 2013, to shareholders of record as at April 19, 2013.
- Subsequent to the year-end, Hardwoods increased its US banking facility to \$45 million, an increase of \$15 million, to support anticipated growth in the US market. The amended facility offers a lower interest rate and the term has been extended by one year.

“We achieved significantly stronger financial performance in 2012 as our market expansion strategies combined with growth in US market demand to drive stronger sales, gross profit and EBITDA results,” said Lance Blanco, President and CEO of Hardwoods.

“The US residential construction market found its footing, with housing starts increasing 28% to 780,000 according to the US Census Bureau. This market improvement was underpinned by low mortgage rates, near-record low inventories of new homes, a stabilization in house prices and improving economic conditions. Momentum is expected to keep building in 2013 with forecasts calling for US housing starts to climb to 1 million. With approximately 70% of our revenue generated in the US, and over half of it coming from residential construction, we are well positioned to capitalize on this recovery. Strategic initiatives implemented in the past two years have only enhanced our position.”

“Our 2011 acquisition of Frank Paxton Lumber Company continues to yield excellent results for us. The transaction significantly strengthened our network in the US with assets in five strong hardwood consumption markets. It also brought us light manufacturing capabilities that have expanded our product mix with higher-margin offerings. Following a smooth integration in 2012, we are pleased with our progress with this acquisition.”

“We added additional capacity to our US distribution network in 2012 with the re-opening of our Sacramento branch in the third quarter, changes to our branch in Arizona, and a continued strengthening of our US sales team. Concurrently, we have continued to expand our product selection by leveraging our import expertise to source high-quality products from a broader range of countries,” said Mr. Blanco.

“Moving into 2013, the outlook for our business is positive. Conditions in Canada are expected to be stable. In the US housing starts, while growing at a double digit pace, are still below historical norms and have considerable upside potential. Product prices are also poised to strengthen after remaining flat through much of 2012. The anticipated demand and price escalation is a desirable combination for us which would have a significant positive impact on earnings and cash flow.”

“While the year ahead will continue to hold risks and challenges, the US housing market recovery is now underway and our strategies are enabling us to capitalize on it. Based on this assessment, our Board of Directors has approved an increase in our quarterly dividend from 3 cents per share to 3.5 cents per share. Going forward we will continue working to enhance value for our shareholders as we optimize and grow the business organically, while also pursuing well-priced strategic acquisition opportunities,” said Mr. Blanco.

Summary of Results

Selected Unaudited Consolidated Financial Information (in thousands of Canadian dollars except where noted)

	12 months ended	12 months ended	3 months ended	3 months ended
	31-Dec	31-Dec	31-Dec	31-Dec
	2012	2011	2012	2011
Total sales	\$ 306,087	\$ 230,019	\$ 74,133	\$ 63,899
<i>Sales in the US (US\$)</i>	218,434	148,365	54,227	43,888
<i>Sales in Canada</i>	87,740	83,271	20,371	19,350
Gross profit	53,810	40,620	12,758	11,315
<i>Gross profit %</i>	17.6%	17.7%	17.2%	17.7%
Operating expenses	(42,729)	(35,653)	(10,691)	(10,707)
Profit from operating activities	11,081	4,967	2,067	608
Add: Depreciation and amortization	1,266	1,002	340	333
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	\$ 12,347	5,969	\$ 2,407	\$ 941
Add (deduct):				
Depreciation and amortization	(1,266)	(1,002)	(340)	(333)
Net finance (cost) income	(753)	(569)	26	(512)
Income tax (expense) recovery	(4,149)	1,667	(780)	(446)
Profit (loss) for the period	\$ 6,179	\$ 6,065	\$ 1,313	\$ (350)
Basic profit (loss) per share	\$ 0.38	\$ 0.40	\$ 0.08	\$ (0.02)
Fully diluted profit (loss) per share	0.38	0.39	0.08	(0.02)
Average Canadian dollar exchange rate for one US dollar	1.000	0.989	0.991	0.9810

Results from Operations – Three Months Ended December 31, 2012

For the three months ended December 31, 2012, total sales increased by 16.0% to \$74.1 million, from \$63.9 million in the same period in 2011. The year-over-year sales growth reflects a 23.6% increase in sales activity at our US operations as measured in US dollars and a 5.3% increase in Canadian sales. Hardwoods' US branch network is organized into six regional business units and each achieved sales growth in excess of 10% in the fourth quarter, with some regions achieving growth in excess of 30% compared to the same period last year. Market conditions in Canada continued to be stable.

Fourth quarter gross profit increased to \$12.8 million, up 12.8% from \$11.3 million during the same period last year. The fourth quarter improvement in gross profit reflects the higher sales revenue, partially offset by slightly lower gross profit margin. As a percentage of sales, gross profit was 17.2% in the fourth quarter of 2012, compared to 17.7% in the same period last year. The change in gross profit margin reflects the impact of continued competitive pressures and aggressive pricing in some markets.

Operating expenses for the three-month period were to \$10.7 million, unchanged from \$10.7 million during the same period in 2011.

Fourth quarter EBITDA increased 155.8% to \$2.4 million from \$0.9 million during the same period in 2011. This significant increase reflects the higher gross profit associated with increased sales.

Profit for the period also improved, increasing to \$1.3 from a loss of \$0.4 million in 2011. This primarily reflects the higher EBITDA and a \$0.5 million decrease in net finance costs, partially offset by a \$0.3 million increase in income tax expense.

Results from Operations – 12 Months Ended December 31, 2012

For the 12 months ended December 31, 2012, total sales increased by 33.1% to \$306.1 million from \$230.0 million in 2011. The increase came primarily from Hardwoods' US operations where sales activity increased by US \$70.1 million. Incremental revenue from the Paxton business acquired in September 2011 contributed US \$42.8 of this growth, with organic growth accounting for the remaining US \$27.3 million. Sales in Canada, as measured in Canadian dollars, increased by 5.4% year over year.

Full-year gross profit increased 32.5% to \$53.8 million, from \$40.6 million in 2011. This gain reflects the higher sales revenue. Gross profit as a percentage of sales was 17.6% in 2012, down marginally from 17.7% in 2011.

Operating expenses were \$42.7 million in 2012, compared to \$35.7 million in 2011, primarily reflecting incremental operating costs related to the Paxton operations. As a percentage of sales, 2012 operating expenses were 14.0% of sales, compared to 15.5% in 2011.

EBITDA for the 12 months increased 106.9% to \$12.3 million, from \$6.0 million in 2011. This increase reflects higher gross profits, partially offset by higher operating expense before depreciation.

Profit for the period increased 1.9% to \$6.2 million, from \$6.1 million in 2011. This reflects the \$6.4 million increase in EBITDA, partially offset by a \$0.3 million increase in

depreciation, a \$0.2 million increase in net finance cost, and the \$5.8 million increase in income tax expense.

Outlook

Forecasters predict that US housing starts will continue to benefit from stable prices, low mortgage rates and near-record low home inventories over the next year, and are predicting rates of growth for 2013 similar to those experienced in 2012. Given that hardwood products are typically applied at the final stages of house construction (typically 9 to 12 months after house construction starts), Hardwoods expects to see higher demand for its products continuing well into 2014. The outlook for the US repair and remodeling market is also positive with growth of 5% or better forecast for 2013 by Harvard's Joint Center for Housing Studies. Indicators for commercial construction are for steady growth of between 2% to 5% in 2013. Hardwood product prices are also expected to be higher in 2013, reflecting the changing supply/demand equation.

The positive outlook for the US market is tempered by continued fiscal uncertainty in the US and the risk of macro shock from Europe's debt crisis. In addition, on September 27, 2012 the US initiated an antidumping and countervailing duty case against imported hardwood plywood panels produced in China, and on February 27, 2013 announced a preliminary countervailing duty of 22.63% on these products. Although the Company sells more domestically sourced hardwood plywood than imported, approximately 14% of Hardwood's total sales are affected by this decision. The imposition of the preliminary countervailing duty rate has already resulted in an increase in market selling prices for both imported Chinese and domestically produced hardwood plywood products. Additional market impacts could also potentially occur, such as changes in domestic and Chinese production volumes and short-term fluctuations in gross profit margins as product prices are adjusted. However, the full market impact of the preliminary countervailing duty and any potential antidumping duties cannot be determined at this time. Hardwoods is watching this case closely and investigating a range of alternative supply solutions for customers should it become necessary.

The outlook for the Canadian market is generally neutral with housing starts expected to decline marginally in 2013 following changes to Canada's mortgage insurance rules. Growth in the Canadian renovation and commercial construction markets is expected to be modest at 3.6% and 3.4% respectively.

Hardwoods' goal in 2013 will be to capture the US growth potential, both in terms of volume and pricing. Entering year three of its successful market expansion strategy, the Company will continue to:

- Solidify and expand its presence in large geographic markets where demand for hardwood products is high.
- Leverage its ability to source high-quality products from international markets.
- Strengthen its presence in the commercial and institutional construction markets.

Overall the outlook for 2013 is positive. Priorities in the year ahead will be to continue optimizing and growing the business organically, while also pursuing well-priced, strategic acquisition opportunities.

Non-GAAP Measures – EBITDA

References to “EBITDA” are to earnings before interest, income taxes, depreciation and amortization, where interest is defined as net finance income or costs as per the consolidated statement of comprehensive income. In addition to profit or loss, the Company considers EBITDA to be a useful supplemental measure of a company's ability to meet debt service and capital expenditure requirements, and the Company interprets trends in EBITDA as an indicator of relative operating performance.

EBITDA is not an earnings measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that EBITDA should not replace profit or loss or cash flows (as determined in accordance with IFRS) as an indicator of our performance. The Company's method of calculating EBITDA may differ from the methods

used by other issuers. Therefore, the Company's EBITDA may not be comparable to similar measures presented by other issuers. For a reconciliation between EBITDA and profit or loss as determined in accordance with IFRS, please refer to the discussion of Results of Operations described in section 3.0 of Management's Discussion and Analysis (MD&A) for the three and nine months ended September 30, 2012.

Forward-Looking Statements

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This news release includes forward-looking statements. These involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “estimate”, “expect”, “may”, “plan”, “will”, and similar terms and phrases, including references to assumptions. Such statements may involve, but are not limited to: our belief that we are well positioned to capitalize on the US housing recovery, and that our strategic initiatives implemented in the past two years have only enhanced our position; our perspective that moving into 2013 the outlook for our business is positive and that product prices are poised to strengthen after remaining flat through much of 2012; our expectation to see higher demand for the products we sell continuing well into 2014; that the imposition of duties on Chinese plywood could impact changes in domestic and Chinese production volumes and short-term fluctuations in gross profit margins as product prices are adjusted; our perspective that the full market impact of the preliminary countervailing duty and any potential antidumping duties cannot be determined at this time; that our outlook for the Canadian market is generally neutral with housing starts expected to decline marginally in 2013 following changes to Canada's mortgage insurance rules; our expectation that growth in the Canadian renovation and commercial construction markets is expected to be modest at 3.6% and 3.4% respectively; our intention in 2013 to capture the US growth potential, both in terms of volume and pricing; our intention entering year three of Hardwoods successful market expansion strategy to: solidify and expand our presence in

large geographic markets where demand for hardwood products is high, to leverage our ability to source high-quality products from international markets, and to strengthen our presence in the commercial and institutional construction markets; our priorities to continue optimizing and growing the business organically, while also pursuing well-priced, strategic acquisition opportunities.

These forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this news release. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: national and local business conditions; political or economic instability in local markets; competition; consumer preferences; spending patterns and demographic trends; legislation or governmental regulation (including trade outcomes that impact upon our business); acquisition and integration risks.

Although the forward-looking statements contained in this news release are based upon what management believes to be reasonable assumptions, management cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements reflect management's current beliefs and are based on information currently available.

All forward-looking information in this news release is qualified in its entirety by this cautionary statement and, except as may be required by law, the Company undertakes no obligation to revise or update any forward looking information as a result of new information, future events or otherwise after the date hereof.

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