



Western Forest Products Inc.

DEFINING A HIGHER STANDARD™

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FOR IMMEDIATE RELEASE

TSX: WEF

Western Announces Third Quarter 2016 Results

November 3, 2016 – Vancouver, British Columbia, Western Forest Products Inc. (TSX: WEF) (“Western” or the “Company”) reported adjusted EBITDA of \$35.7 million in the third quarter of 2016, compared to adjusted EBITDA of \$28.7 million reported in the same quarter last year, and \$43.0 million reported in the second quarter of 2016. A significant increase in lumber and export log sales volumes, combined with improved pricing and a strengthening commodity lumber market delivered a 24% increase in adjusted EBITDA in the third quarter of 2016, as compared to the same quarter last year. A normal seasonal decline in log and lumber sales mix contributed to reduced adjusted EBITDA as compared to the second quarter of 2016.

The Company successfully grew revenue to \$322.7 million in the third quarter of 2016, as compared to \$278.5 million in the same quarter last year, and \$301.8 million in the second quarter of 2016. Growing demand and strong pricing for our products, in particular for commodity lumber, delivered Company-record quarterly revenue.

Q3 2016 HIGHLIGHTS

- Delivered adjusted EBITDA of \$35.7 million, a 24% increase from the same period last year
- Grew lumber production by 17% to 248 million board feet, the highest volume in over nine years
- Returned \$7.9 million to shareholders via the Company’s quarterly dividend program
- Reduced net debt by \$24.3 million in the quarter to \$39.8 million

“We successfully leveraged the recent investments in our operations to drive increased production and sales volumes,” said Don Demens, President and Chief Executive Officer. “Greater mill utilization has improved our ability to access logs in the open market, which is a key component of our growth strategy.”

Operating income prior to restructuring items and other income increased 22% to \$26.2 million in the third quarter of 2016, compared \$21.4 million in the same quarter last year and \$33.7 million in the second quarter of 2016. Net income of \$16.8 million (\$0.04 per diluted share) was reported for the third quarter of 2016, compared to \$17.1 million (\$0.04 per diluted share) for the same quarter last year and \$23.8 million (\$0.06 per diluted share) in the second quarter of 2016.

Subsequent to period-end, on October 21, 2016, the Company received compensation of \$14.0 million from the Province of British Columbia in settlement for the partial tenure extinguishment from the Maa’nulth First Nations Final Agreement Act (the “Treaty”). Compensation received represents the value at the time of the tenure extinguishment in April 2011. The creation of Treaty Settlement Lands, and associated protected area, resulted in a permanent harvesting rights reduction of 104,000 cubic metres in Tree Farm Licence 44. Upon receipt, the settlement proceeds were used to reduce our drawings on the Company’s revolving term loan facility.

FINANCIAL SUMMARY

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
<i>(millions of dollars except where noted)</i>				
Revenue	\$ 322.7	\$ 278.5	\$ 894.3	\$ 816.3
Adjusted EBITDA	35.7	28.7	114.4	87.5
Adjusted EBITDA margin	11.1%	10.3%	12.8%	10.7%
Operating income prior to restructuring items and other income	26.2	21.4	86.2	62.5
Net income from continuing operations	16.8	17.1	57.9	54.7
Net income for the period	16.8	17.1	57.9	63.8
Basic and diluted earnings per share (in dollars)	\$ 0.04	\$ 0.04	\$ 0.15	\$ 0.14
Basic and diluted earnings per share (in dollars) - discontinued operations	\$ -	\$ -	\$ -	\$ 0.02
Net Debt at September 30,			39.8	58.3
Liquidity at September 30,			193.7	173.4

Third Quarter 2016

In the third quarter of 2016 we generated adjusted EBITDA of \$35.7 million, an increase of 24% from adjusted EBITDA of \$28.7 million in the same quarter last year. We achieved these results by increasing log and lumber shipments and improving the operating performance of our sawmills.

Third quarter lumber revenue increased 16% to \$235.6 million, as compared to the same quarter of 2015. Over that same period, we increased lumber shipments by 13% to 257 million board feet and achieved higher price realizations. Strong specialty and improved commodity lumber markets delivered a quarterly average realized lumber price of \$917 per thousand board feet. Higher overall shipment volumes were achieved through increases of 15%, 31% and 16% in Western Red Cedar ("WRC"), Niche and Commodity lumber sales, respectively, as compared to the same period last year.

Third quarter log revenue was \$70.0 million in 2016, a 22% increase from the same period in 2015. Market log demand drove a 7% increase in sawlog sales volumes and a 14% increase in average realized sawlog pricing. These factors more than offset lower average realized pulp log pricing, which remains depressed due to reduced coastal pulp demand.

By-product revenue was \$17.1 million in the third quarter of 2016, a 2% decrease as compared the same period in 2015. By-product revenue declined as the impact of higher sales volumes was more than offset by reduced pricing.

Third quarter lumber production was 248 million board feet, a 17% improvement over the same period of 2015. The benefits of recent strategic capital investments drove increased operating performance from the Company's seven primary sawmills and delivered our highest quarterly production volume since 2007, when the production mix from operating eight primary sawmills included a higher component of commodity lumber. In addition, overall operating hours increased as a result of comparatively less operating downtime for capital project implementations. A strong opening log inventory and successful sawlog purchase program contributed to increased specialty lumber production as well as an overall production increase from our primary sawmills and third party facilities.

Timberlands production volume in the third quarter was 1.2 million cubic metres, consistent with the third quarter of 2015. Harvest volume decreased from the second quarter of 2016 in line with the historical seasonal third quarter decline in production. The partial resolution to a contractor rate dispute in July 2016 in our TFL 44 located near Port Alberni provided minimal harvest volume to the third quarter. Average log harvest costs were flat as a 33% reduction in higher-cost helicopter logging volumes largely offset increased stumpage costs related to specialty log harvesting.

Third quarter freight costs were \$25.5 million in 2016, an increase of 11% compared to the same period of 2015. Increased freight costs were due to increased log and lumber shipments.

Selling and administration expense in the third quarter of 2016 increased to \$7.3 million from \$5.5 million in the same period of 2015. An increase in the value of the Company's common share price, period-over-period, and more outstanding share units resulted in a relative increase of \$0.8 million in mark-to-market and share-based compensation expenses. The comparative period included an expense recovery of \$0.4

million as a result of option forfeitures. Also reflected in the increased selling and administration expense are incremental information technology and other administrative expenses of \$0.4 million, incurred partly as a result of ongoing system and process improvement initiatives.

Net income for the third quarter of 2016 was \$16.8 million, consistent with the same period of 2015. An increase in operating income of 32% was partly offset by increased tax expense. Deferred income tax expense of \$6.1 million was incurred in the third quarter of 2016 as compared to a recovery of \$0.1 million in the same period of 2015. In past quarters, the recognition of additional deferred income tax assets largely offset the recognition of deferred tax expense.

The funded position of our defined benefit and other retirement benefit plans is estimated at the end of each quarter. A decrease in the discount rate used to calculate plan liabilities in the third quarter of 2016, partially offset by improved plan asset performance, resulted in a net after-tax actuarial loss of \$0.6 million included in other comprehensive income.

Year to Date, September 30, 2016

Adjusted EBITDA for the first nine months of 2016 was \$114.4 million, a 31% improvement over the same period in 2015. Adjusted EBITDA margin improved to 12.8% as compared to 10.7% in the same period in 2015. Improved log and lumber pricing, a 9% increase in lumber sales volumes and an improved domestic log sales mix were the primary drivers for an increased adjusted EBITDA. Our results have also benefitted from a Canadian dollar ("CAD") to US dollar ("USD") exchange rate that was on average 5% weaker as compared to the same period last year.

Lumber revenue grew by 15% to \$662.8 million in the first nine months of 2016 as compared to the same period last year. Maintaining our specialty sales mix as we grew sales volumes, realizing improved pricing for our specialty and commodity lumber products, and the benefits of a weaker CAD relative to USD have led to strong lumber revenue performance year-to-date.

Log revenue for the first three quarters of 2016 decreased by 5% to \$180.5 million, as significant increases in average realized pricing partially offset a 22% decline in external sales volumes as a result of lower harvest volumes. Pulp log price realizations declined as the pulp market continues to be impacted by high pulp log inventories on the coast of BC. By-product sales remained flat period-over-period.

Lumber production in the first three quarters of 2016 was 701 million board feet, up from 657 million board feet in 2015. Increased lumber production was supported by a 45% increase in sawlog purchases. Recent completed strategic capital investments have driven improved production from our Duke Point, Saltair, and Ladysmith sawmills year-to-date. Conversion costs have increased due to higher secondary processing volumes associated with increased specialty production.

Total timberlands production volume was 3.5 million cubic metres in the first three quarters of 2016, compared to 4.1 million cubic metres in the same period last year. Reduced production volume as compared to the same period last year is largely the result of a contractor rate dispute, for which a partial interim resolution was reached early in the third quarter of 2016. In addition, a more normal winter in our timberlands in the first quarter of 2016 partially delayed first half harvest. An increase in average log costs of 6% in the first three quarters of 2016 reflects comparatively less timberlands production volume, a greater proportion of higher-cost helicopter logging and a coastal stumpage rate increase which became effective March 1, 2016. We supplemented harvest by increasing sawlog purchases by 45% as compared to the first three quarters of 2015.

Selling and administration expenses in the first three quarters of 2016 increased to \$23.5 million from \$18.3 million in the same period of 2015. Movement in the Company's common share price as well as greater outstanding share unit balances resulted in a relative increase of \$1.6 million in mark-to-market and share-based compensation expenses over those periods. Included in the increased selling and administration expense are those expenses identified above and higher performance-based compensation as a result of improved financial performance. Incremental consulting expenses were incurred to facilitate information technology improvements, and address certain legal and professional service requirements.

Finance Costs

Third quarter finance costs were \$1.2 million in 2016, \$0.1 million lower than the same quarter of last year as a reduction in average outstanding debt was offset by increased utilization of the revolving credit facility in 2016. Average outstanding debt in the third quarter was reduced from \$72.8 million in 2015 to \$59.0 million in 2016.

Income Taxes

During the third quarter of 2016, the Company recognized current income tax of \$0.1 million and deferred income tax expense of \$6.1 million on net income arising from continuing operations. An offsetting deferred income tax recovery of \$0.2 million, related to actuarial losses on the Company's defined benefit plans, was recognized through other comprehensive income.

Strategy and Outlook

In the third quarter we continued to implement our strategy of optimizing our operations and investing in our mills to improve margins and grow our business through increased production.

Key operational priorities in support of our strategy include:

- 1) Implementing strategic capital to position our mills as the most competitive in the region;
- 2) Improving productivity and further improving margins through increased capital utilization; and,
- 3) Utilizing our competitive advantage to access additional log volume on the open market to increase lumber production.

Market Outlook

The gradual improvement in United States ("US") new home construction and strength of the repair and renovation segment continue to drive increased demand for our log and lumber products. Competing demand from China, particularly for our Commodity products, has contributed to stable pricing, while the Japanese market remains competitive.

Commodity lumber markets performed as expected in the third quarter of 2016 as Benchmark 2x4 KD Western SPF prices closed the quarter 19.7% higher than in the same period last year, and 3.5% higher than in the second quarter of 2016. We expect demand trends to continue which should support increased commodity consumption and pricing.

Demand and pricing for WRC and Niche lumber has historically declined in the fourth quarter as distributors reduce inventories ahead of the winter season. Consistent with the fourth quarter last year, we expect seasonally reduced demand for WRC and Niche lumber to be partially offset by continued strength in the repair and renovation market.

The Japanese lumber market remains competitive. We see additional opportunity over the medium term to capture a greater share of North American imports into that market as US producers continue to repatriate volumes to their domestic market.

We anticipate export and domestic sawlog markets will remain strong in the fourth quarter of 2016. Strong demand and limited availability will support the domestic sawlog market. Balanced inventory levels in the Asian log markets are expected to support modest export log price increases through the balance of 2016. Pulp log prices are expected to remain depressed due to a combination of high log inventories and lower consumption levels from coastal BC pulp mills.

The twelve-month standstill period of the Softwood Lumber Agreement, which precluded trade action by the United States, expired October 11, 2016. Discussions regarding a replacement of the Softwood Lumber Agreement continue between Canadian and US government representatives. We are supportive of these efforts but uncertainty remains regarding a solution, creating market volatility. With no new agreement in place, there could be US government trade action against Canadian softwood lumber imports at any time.

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

Strategic Capital Program Update

We continue to implement 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 top quartile performance and improve our ability to manufacture the products that yield the best margin. In addition to investments in our manufacturing assets, we also invest capital into strategic, high-return projects involving our information systems, timberlands assets, and forest inventories.

We have announced plans for \$97.7 million of our \$125.0 million strategic capital program. Through the end of the third quarter of 2016, we have implemented and capitalized \$88.1 million under that program. Strategic capital invested in the third quarter of 2016 was \$1.6 million.

In the third quarter of 2016, we completed the latest phase of the Duke Point sawmill modernization and we completed 80% of the data collection phase of the timberlands standing inventory mapping initiative. The Duke Point planer modernization is ongoing, early results of the timberlands LiDAR mapping initiative are being evaluated, and we continue to progress through our information technology upgrades. These projects will continue through the end of 2016.

Forward Looking Statements and Information

This press release 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", "should", "may" 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, changes in foreign currency exchange rates, labour disruptions, natural disasters, relations with First Nations groups, changes in laws, regulations or public policy, misjudgements in the course of preparing forward-looking statements or information, changes in opportunities and other factors referenced under the "Risks and Uncertainties" section of our MD&A in our 2015 Annual Report dated February 17, 2016. 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.

Reference is made in this report to adjusted EBITDA which is defined as operating income prior to operating restructuring items and other income, plus amortization of property, plant, equipment, and intangible assets, impairment adjustments, and changes in fair value of biological assets. Adjusted EBITDA margin is EBITDA presented 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 International Financial Reporting Standards ("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 measure performance under IFRS. Moreover, because all companies do not calculate adjusted EBITDA and adjusted EBITDA margin in the same manner, these measures as calculated by Western may differ from similar measures as calculated by other companies. A reconciliation between the Company's net income as reported in accordance with IFRS and adjusted EBITDA is included in the Company's Management's Discussion & Analysis for the quarter ended September 30, 2016, which is available under the Company's profile on SEDAR at www.sedar.com.

Also in this report 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 shareholder's 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 their obligations on an ongoing basis, and indicate whether the Company is more or less leveraged than the prior year.

Western is an integrated Canadian forest products company, and is the largest coastal British Columbia woodland operator and lumber producer. The Company has an annual available harvest of approximately 6.1 million cubic metres of timber, of which approximately 5.9 million cubic metres is from Crown lands. Western has a lumber capacity in excess of 1.1 billion board feet from seven sawmills and two remanufacturing plants. Principal activities conducted by the Company include timber harvesting, reforestation, sawmilling logs into lumber and wood chips, and value-added remanufacturing. Substantially all of Western's operations, employees and corporate facilities are located in the coastal region of British Columbia, with sales worldwide.

TELECONFERENCE CALL NOTIFICATION:

Friday, November 4, 2016 at 9:00 a.m. PST / 12:00:00 p.m. EST

On Friday, November 4, 2016, Western Forest Products Inc. will host a teleconference call at 9:00 a.m. PST (12:00 p.m. EST). To participate in the teleconference please dial 416-340-2218 or 1-866-223-7781. This call will be taped, available one hour after the teleconference, and on replay until November 15, 2016 at 8:59 p.m. PST (11:59 p.m. EST). To hear a complete replay, please call 905-694-9451 / 1-800-408-3053 (passcode: 3190772).

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