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**FOR IMMEDIATE RELEASE**

**TSX: WEF**

**Western Announces First Quarter 2015 Results**

**May 7, 2015 – Vancouver, British Columbia,** Western Forest Products Inc. (TSX: WEF) (“Western” or the “Company”) announced results for the first quarter of 2015. The Company reported adjusted EBITDA of \$29.6 million for the first quarter of 2015, doubling adjusted EBITDA of \$14.8 million reported in the fourth quarter of 2014, and a 10% decrease from record first quarter adjusted EBITDA of \$32.6 million reported in 2014. Increased log shipments, an improved lumber sales mix, and the benefit of a weaker Canadian dollar in the first quarter of 2015 were offset by challenging lumber and log markets in China and Japan, and slower than anticipated growth in the North American commodity lumber market. Revenue of \$248.6 million was 7% higher than the fourth quarter of 2014 and 1% higher than the first quarter of 2014.

**Q1 2015 HIGHLIGHTS**

- Increased adjusted EBITDA by \$14.8 million from the fourth quarter of 2014 to \$29.6 million
- Improved first quarter log production volume by 14% from the first quarter of 2014
- Completed the sale of the Company’s former Squamish pulp mill site for \$21.8 million
- Returned \$7.9 million to shareholders via the Company’s quarterly dividend program
- Increased liquidity by \$30.1 million, or 22%, to \$164.5 million

In addition to announcing its results for the first quarter of 2015, Western is pleased to announce a further \$30.0 million in approved strategic capital investments. The Company plans to finance its strategic capital plans through cash flows from operations and existing bank facilities, while maintaining a balanced approach to capital allocation that has facilitated ongoing dividend distributions to shareholders.

“I’m pleased with our results given the challenging market conditions we faced in China and Japan and the slower than anticipated growth in U.S. new home construction. Our diverse product offerings including logs and lumber, supported by an exceptional first quarter timberlands harvest, drove our results this period,” said Don Demens, President and Chief Executive Officer. “We announced significant additional strategic capital plans today as part of our continued investment in Coastal British Columbia. We anticipate that these capital investments in our operating platform will advance Western’s future profitability and global market competitiveness.”

Net income of \$27.6 million (\$0.07 per diluted share) was reported for the first quarter of 2015, compared to \$23.6 million (\$0.06 per diluted share) for the first quarter of 2014 and \$12.9 million (\$0.03 per diluted share) for the fourth quarter of 2014.

On February 6, 2015, the Company announced the completion of the sale of its former pulp mill site and related assets in Squamish, B.C. for gross proceeds of \$21.8 million. Net income of \$9.1 million from discontinued operations arising from the completion of this sale was recognized in the first quarter of 2015.

#### FINANCIAL SUMMARY

| <i>(millions of dollars except where noted)</i>                             | Three months ended<br>March 31, |          |
|---|---------------------------------|----------|
|   | 2015                            | 2014     |
| Revenue   | \$ 248.6                        | \$ 246.0 |
| Adjusted EBITDA   | 29.6                            | 32.8     |
| Adjusted EBITDA margin  | 11.9%                           | 13.3%    |
| Operating income prior to restructuring items and other income              | 20.1                            | 24.9     |
| Net income from continuing operations                                       | 18.5                            | 23.6     |
| Net income for the period   | 27.6                            | 23.6     |
| Basic and diluted earnings per share (in dollars) - continuing operations   | \$ 0.05                         | \$ 0.06  |
| Basic and diluted earnings per share (in dollars) - discontinued operations | \$ 0.02                         | \$ -     |
| Net Debt at March 31,   | 67.1                            | 78.9     |
| Liquidity at March 31,  | 164.5                           | 144.3    |

#### Overview

Western reported adjusted EBITDA of \$29.6 million in the first quarter of 2015 on the strength of increased log shipments, buoyed by growth in log production volumes, and the revenue impact of a strengthening U.S. dollar ("USD"). Adjusted EBITDA decreased \$3.2 million in comparison to the same period in 2014 due to challenging market conditions for lumber in Japan and logs and lumber in China, and slower than anticipated growth in the North American Commodity lumber market. These factors were partly offset by a reduction in selling and administration expense.

Revenue grew to \$248.6 million in the first quarter of 2015, an improvement of \$2.6 million over the same period last year. Increased log shipments, an improved lumber sales mix, and the benefit of a 12% weakening of the Canadian dollar ("CAD") relative to the USD contributed to these results.

First quarter lumber revenue remained flat despite lower lumber production and shipments compared to the same period in 2014. The benefit of a weaker Canadian dollar on lumber pricing was offset by market conditions in Japan and China that remain relatively unchanged from the second half of 2014. Continued strength from the North American repair and renovation sector led to increased demand for Western Red Cedar ("WRC") and Niche lumber products. We utilized our flexible operating platform and increased log production to direct greater volume to these high-value segments.

In the first quarter of 2015, log shipments increased 20%, yielding an 11% increase in log revenue compared to the same period in 2014. The benefit of a weaker CAD on export log revenue partially offset a significant decline in export prices and a lower quality domestic log sales mix as compared to the first quarter of 2014. Average export log realizations in the first quarter of 2015 were largely unchanged from the fourth quarter of 2014 primarily due to a weaker CAD relative to the USD.

Lumber production decreased 12% in the first quarter of 2015 compared to the same quarter of last year as we continued to implement changes in our operating platform to match production levels to market conditions, including reduced production from custom cut facilities. As compared to the fourth quarter of 2014, lumber production increased 3% which was achieved through our flexible production programs and through realizing the benefits of capital investments in our operations.

Exceptionally mild winter weather resulted in a 14% increase in first quarter log production volumes as compared to the same period in 2014. Log production costs remained flat period over period as increased road construction spending was offset by a reduction in fixed costs per cubic metre due to higher harvest volumes.

Net income for the first quarter of 2015 was \$27.6 million, or \$0.07 per common share, as compared to net income of \$23.6 million, or \$0.06 per common share, for the same period in 2014. Included in net income in the first quarter of 2015 is net income from discontinued operations of \$9.1 million, recognized in relation to completing the sale of the former Squamish pulp mill site.

Total liquidity at March 31, 2015, has improved to \$164.5 million, compared to \$134.4 million at the end of 2014. The increased liquidity in 2015 was the result of cash generated by operations and the sale of non-core assets, offset by continued capital investment and dividends distributed to shareholders. In the first quarter of 2015, we continued to provide returns to our shareholders through our dividend program that returned \$7.9 million, or \$0.02 per common share, to shareholders on March 20, 2015.

### *Operating Results*

In the first quarter of 2015, we generated \$248.6 million of revenue and \$29.6 million of adjusted EBITDA compared to \$246.0 million and \$32.8 million, respectively, in the same quarter last year. Revenue results benefited from an increase in average lumber price driven by adjusting our sales mix and a weaker CAD, and increased log shipments period over period. The decline in adjusted EBITDA was primarily due to a weak price environment in the Chinese log and lumber market and lower volumes and prices in the Japan market, partly offset by a reduction in selling and administration expense.

Lumber revenue in the first quarter of 2015 of \$171.8 million was flat relative to revenue in the same period of 2014. Average lumber prices increased \$51 per thousand board feet, offsetting a 7% reduction in lumber volumes shipped, in the first quarter of 2015 as compared to the same period of 2014. Higher average pricing was due to a combination of a 7% increase in WRC shipments and a 21% increase in Niche product shipments period over period, offset partly by a steep decline in Commodity product pricing. Foreign exchange movement also contributed to realized price improvements in WRC, Niche and Japan lumber sales period over period.

First quarter log revenue of \$61.2 million in 2015 was an increase of 11% over the same period in 2014. Increased log revenue was due to growth in export and domestic log sales volumes of 18% and 16% respectively, supported by our increased harvest volumes. Due to continued pricing pressures in Asian markets, export log prices were lower as compared to the first quarter of 2014, and that impact to revenue was partly offset by a weaker CAD. First quarter export log prices were stable in 2015 as compared to the fourth quarter of 2014 due to a weaker CAD, while average realized domestic log prices declined due to a lower quality sales mix in 2015. Pulp prices increased moderately over the first quarter of 2014 and held constant with pricing in the fourth quarter of 2014, while first quarter pulp shipment volumes increased from the same period of 2014 due to timing of sales.

By-products revenue was \$15.6 million in the first quarter of 2015, a decrease of \$1.3 million from the same period in 2014. This decrease in by-products revenue resulted from a 10% reduction in chip volumes sold due to decreased lumber production.

Lumber production in the first quarter of 2015 was 209 million board feet, a decrease of 12% as compared to the same quarter of 2014. This decrease resulted from the permanent closure of our Nanaimo sawmill in November 2014 and the internalization of some traditional custom cut production to match lumber production volumes to market conditions. Production from custom cut facilities is expected to gradually be reduced with the continued modernization and ramp-up of production at the Duke Point sawmill.

As compared to the fourth quarter 2014, lumber production in the first quarter of 2015 increased 3%, which was achieved through our flexible production programs and through realizing the benefits of capital investments in our operations.

Exceptionally mild winter weather in our timberlands operations allowed the Company to set a first quarter log production record in 2015 at approximately 1.5 million cubic metres. This log production volume represents a 14% increase from the first quarter of 2014, while our competitors' coastal harvest volumes declined by 15% according to the Province of British Columbia's Harvest Billing System. Our log production performance enabled increased log shipments while also building mill log inventory to support lumber production leading into the second quarter, a seasonally strong lumber sales period.

Our log production costs remained consistent with the first quarter of 2014 as the economies of scale realized through higher harvest volumes in 2015 were offset by increased road construction costs and the mix of harvest operations. These increased costs were the result of harvesting timber at higher elevations not historically accessible in the first quarter. Harvesting costs and log values are generally higher in this terrain. The mild winter weather also allowed the advancement of our 2015 road building plan in the first quarter of 2015, resulting in \$2.9 million greater spur road construction expense as compared to the first

quarter of 2014. By advancing our road building plan in the quarter we have increased our access to timber for future harvest and improved the flexibility of our harvest programs.

Freight costs were \$20.8 million in the first quarter of 2015, an increase of \$2.1 million compared to the same period of 2014. This increase was due to a 20% greater volume of log shipments and the weaker CAD relative to USD, the currency in which our freight costs are primarily denominated. Offsetting these factors were the favourable shift in geographic mix of lumber shipments and a reduction in fuel surcharges.

Selling and administration expense decreased by 34% from the first quarter of 2014 to \$6.5 million in the first quarter of 2015. These savings were achieved partly due to reduced selling expenses and through various optimization initiatives launched in the second half of 2014, including the consolidation of our northern Vancouver Island timberlands operations, our Nanaimo-area manufacturing operations and our Japan sales offices. Also contributing to lower administration expense were reduced compensation costs.

First quarter net income was \$27.6 million in 2015, as compared to \$23.6 million in the same period in 2014. Increased net income reflects those circumstance presented above and includes net income from discontinued operations of \$9.1 million arising from the completion of the sale of the Company's former Squamish pulp mill site in February 2015.

#### *Finance Costs*

Finance costs in the first quarter of 2015 were \$1.3 million, a decrease of \$0.3 million compared to the same quarter of 2014. This decrease was commensurate with a reduction in interest rates and lower outstanding debt levels on our revolving term loan facility. The average debt balance outstanding in the first quarter of 2015 was \$74.0 million as compared to \$89.8 million in the same quarter of 2014.

#### *Discontinued Operations*

The sale of the Company's former Squamish pulp mill site was completed February 6, 2015 for cash proceeds of \$21.8 million.

Included in net income of \$9.1 million from discontinued operations for the first quarter of 2015 are a gain on disposal of property, plant and equipment; revenue from the sale of hydro-electric power generated at the site partly offset by site operating costs incurred up to the sale completion date; as well as a gain on reversal of a liability.

As economic and other circumstances allow, Western will continue to pursue opportunities to sell non-core assets.

## **Strategy and Outlook**

Western's strategy, which is designed to maximize product margins while increasing our sales volume, continued to progress in the first quarter of 2015.

Key operational priorities in support of our strategy include:

- Increasing log availability through improved log utilization
- Accessing additional log volume on the open market to increase lumber production
- Improving productivity through increased equipment utilization
- Focusing our lumber marketing programs by mill to drive higher margins

#### *Market Outlook*

The second quarter has historically produced the highest quarterly lumber sales volume, and we expect the same for 2015. Led by seasonally improved growth in U.S. new home construction and the impact of a tight log supply in the domestic market, we expect Commodity lumber demand and pricing to improve late in the second quarter. Our lumber shipments to the U.S. began to incur an export tax of 5% in April. Export taxes will remain in place until the commodity price index recovers.

We capitalized on mild winter weather in our timberlands operations in the first quarter by increasing log production and log inventories, including a proportionate increase in WRC log inventory. This harvest strategy has positioned us to continue to grow WRC lumber production and shipment volumes in the

second quarter. Similarly, demand for our Niche products is anticipated to continue its upward trend during the second quarter, a time of increased demand in the U.S. repair and renovation market. We expect prices for WRC and Niche lumber products to remain firm.

Price pressures remain in the Japanese and Chinese lumber markets. Our focus for these markets continues to be the refinement of sales channels and managing near-term market conditions through our flexible operating platform, by directing production to the highest margin markets and products.

Combining our robust first quarter harvest volumes with prime harvesting conditions in the second quarter, our log inventory will enable us to optimize log supply to our sawmills while supporting log sales programs.

Demand from the domestic log market is expected to remain stable due to a 15% reduction in first quarter coastal BC harvest volumes by our competitors, a period in which Western increased log production by 14%. In addition, seasonal lumber demand improvements and an increase in U.S. building activity in the second quarter may positively influence pricing and demand for our domestic logs.

Export log pricing is expected to remain under pressure until inventories in China are consumed. Increased consumption of our log inventory in the second quarter will moderately reduce our exposure to any further decline in export log prices.

Pulp log market pricing is expected to remain flat as current market challenges including a coastal pulp mill curtailment, are expected to remain through 2015.

#### *Strategic Capital Plan Update*

Our strategic capital plan continues to make steady progress. During the first quarter of 2015, we advanced the Duke Point sawmill modernization project, including mill infrastructure improvements and made preparations for scheduled downtime in May 2015 for Phase II modernization upgrades.

To take advantage of the seasonally strong lumber market in the second quarter, other projects involving downtime at our operations including the log merchandiser installation at our Saltair sawmill have been deferred to the third quarter of 2015.

On May 7, 2015, we announced additional planned strategic capital investments of \$30.0 million. Despite current market pressures, we are well positioned to pursue these capital investments as a result of our strong balance sheet and cash generated from operations.

The upcoming capital investments in our operations are expected to increase productivity, reduce production costs, and increase margins from Western's continued harvest of its complete forest profile. On completing the strategic capital program, we expect to have improved our competitiveness and gained access to new markets.

## **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 2014 Annual Report dated February 17, 2015. 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 IFRSs 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 IFRSs, and should not be considered as alternatives to measure performance under IFRSs. 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 IFRSs and adjusted EBITDA is included in the Company’s Management’s Discussion & Analysis for the year ended December 31, 2014, which is available under the Company’s profile on SEDAR at [www.sedar.com](http://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 6.4 million cubic metres of timber, of which approximately 6.2 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, while its products are sold in more than 25 countries worldwide.*

## **TELECONFERENCE CALL NOTIFICATION:**

### **Friday, May 8, 2015 at 12:00 p.m. PST/3:00 p.m. EST**

On Friday, May 8, 2015, Western Forest Products Inc. will host a teleconference call at 12:00 p.m. PST (3:00 p.m. EST). To participate in the teleconference please dial 416-340-2218 or 1-866-225-0198. This call will be taped, available one hour after the teleconference, and on replay until May 19, 2015 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: 5794715).

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