



Western Forest Products Inc.
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TSX: WEF

Western Announces First Quarter 2022 Results

May 4, 2022 – Vancouver, British Columbia – Western Forest Products Inc. (TSX: WEF) (“Western” or the “Company”) reported net income of \$38.0 million and adjusted EBITDA⁽¹⁾ of \$65.4 million in the first quarter of 2022. Record first quarter adjusted EBITDA was achieved by capitalizing on strong specialty product markets which helped us overcome global logistics constraints.

Net income in the first quarter of 2022 was \$38.0 million (\$0.11 per diluted share) as compared to income of \$28.5 million (\$0.08 per diluted share) for the fourth quarter of 2021, and net income of \$53.8 million (\$0.14 per diluted share) in the first quarter of 2021. Net income in the first quarter of 2021 included \$16.7 million (\$0.04 per diluted share) in other income from non-recurring asset sales.

Highlights:

- Record first quarter adjusted EBITDA of \$65.4 million
- Realized record average lumber price of \$1,688 per thousand board feet
- Announced a 25% increase to our quarterly dividend
- Completed our 10% normal course issuer bid, returning a total of \$60.7 million to shareholders
- Liquidity⁽¹⁾ of \$316.3 million to support growth strategy and balanced approach to capital allocation

Western’s first quarter adjusted EBITDA was \$65.4 million, as compared to adjusted EBITDA of \$52.5 million in the fourth quarter of 2021, and adjusted EBITDA of \$62.9 million in the first quarter of 2021. Operating income prior to restructuring and other items was \$52.2 million, compared to income of \$39.4 million in the fourth quarter of 2021, and \$48.8 million of income reported in the first quarter of 2021.

(millions of Canadian dollars except per share amounts and where otherwise noted)

	Q1 2022	Q4 2021	Q1 2021
Revenue	\$ 359.6	\$ 327.9	\$ 322.5
Export tax expense	11.5	4.6	8.2
Export tax recovery	-	(3.3)	-
Adjusted EBITDA	65.4	52.5	62.9
Adjusted EBITDA margin ⁽¹⁾	18%	16%	20%
Operating income prior to restructuring and other items	\$ 52.2	\$ 39.4	\$ 48.8
Net income	38.0	28.5	53.8
Earnings per share, diluted	0.11	0.08	0.14
Net cash (debt) ⁽²⁾ , end of period	74.9	130.0	0.6
Liquidity, end of period	316.3	371.4	244.0

“We achieved record first quarter results and growth in lumber shipment volumes as compared to the fourth quarter despite global logistics challenges,” said Don Demens, President and Chief Executive Officer. “Looking ahead, we will continue to leverage our flexible operating platform, directing production to the highest margin alternative as we navigate ongoing logistics constraints. With our strong balance sheet, and the expectation for continued strong results, we remain committed to our balanced approach to capital allocation, investing in both external and internal opportunities, while returning capital to shareholders.”

(1) Refer to Adjusted EBITDA, Liquidity, Adjusted EBITDA margin in the Non-GAAP Financial Measures section.

(2) Net debt (cash), a supplemental measure, is defined as long-term debt and bank indebtedness less cash and cash equivalents.

Summary of First Quarter 2022 Results

Adjusted EBITDA for the first quarter of 2022 was \$65.4 million, as compared to adjusted EBITDA of \$62.9 million in the same period last year as we capitalized on strong specialty product markets which helped to mitigate shipment volume impacts from ongoing logistics constraints. Net income in the first quarter of 2022 was \$38.0 million as compared to net income of \$53.8 million in the same quarter of 2021, which included \$16.7 million in other income related to non-core asset sales and the application of significant tax loss carry forwards.

First quarter operating income prior to restructuring and other items was \$52.2 million in 2022, as compared to \$48.8 million in the same period last year. Included in the first quarter of 2022 was an incremental export tax expense of \$3.3 million due to higher duty rates. Improved pricing in specialty lumber segments more than offset the impact of lower sales volumes and higher export tax expense as compared to the first quarter of 2021. Constrained vessel, rail and trucking capacity limited lumber shipments.

Sales

Lumber revenue rose 13% as compared to the first quarter of last year, as a stronger lumber sales mix and higher price realizations more than offset logistics-constrained sales volumes.

Lumber pricing improved across all our specialty lumber segments as compared to the first quarter of last year, while realized commodity pricing was relatively flat due to the geographic mix of sales. We increased our specialty product lumber shipments to 51% from 46% in the first quarter of 2021. Improved pricing and mix delivered a record quarterly average realized lumber price of \$1,688 per thousand board feet, an increase of 24% from the first quarter of 2021.

We grew lumber revenue despite a 9% reduction in shipment volumes from the same quarter of 2021. Ongoing logistics constraints affected lumber shipments. Limited cedar log availability constrained cedar lumber production, as compared to the same period last year. In contrast to these challenges, shipment volumes to Japan increased by 88% as compared to the same period last year.

Log revenue was \$32.7 million in the first quarter of 2022, a slight decrease from the same period in the prior year. A 48% increase in average realized British Columbia ("BC") log price was offset by a 41% reduction in log shipments. Strong lumber markets and limited BC log production have driven coastal log prices higher.

Permitting delays and weather-related curtailments in the latter half of 2021 limited log harvest and sales volumes and reduced our log inventory going into 2022. As a result, all export-grade logs were redirected to our sawmills to provide fibre in support of lumber production.

By-product revenue was \$13.0 million, comparable to the same period last year. Increased chip price realizations, from a higher Northern Bleached Softwood Kraft ("NBSK") pulp price to China, were offset by reduced shipments due to lower lumber production compared to the same period last year.

Operations

Lumber production of 175 million board feet was 12% lower than the first quarter last year, due to log supply related, temporary operating curtailments at certain sawmills and the relative increase of net count export lumber production.

We harvested 748,000 cubic metres of logs from our coastal operations in BC, as compared to 688,000 cubic metres in the first quarter last year. Timberlands operations benefitted from improved harvesting conditions to partly rebuild a depleted log inventory.

Excluding stumpage, timberlands per unit operating costs increased over the comparative period with accelerated road building and higher helicopter logging harvest volume. Record pricing for logs and lumber drove a 75% increase in stumpage rates as compared to the same period last year. Increased harvest production and higher coastal stumpage rates resulted in the increase in stumpage expense compared to the same period last year.

We increased our BC Coastal saw log purchases by almost 50% to 290,000 cubic metres, as compared to the same period last year, to support sawmill operations and the rebuilding of a depleted sawlog inventory. The mix of purchases and rising log prices resulted in a 25% increase in purchase log price as compared to the same period last year.

First quarter freight expense increased by \$3.2 million over the same period last year, despite a 9% decline in lumber shipments and the absence of log exports. Freight expense increased due to a 44% increase in container freight rates, the increased use of breakbulk vessel shipments, and higher fuel costs. We continue to partly mitigate ongoing export logistics issues and limited container availability by converting a component of our lumber shipments to breakbulk. Vessel, rail and trucking capacity remains constrained.

Adjusted EBITDA and operating income included \$11.5 million of countervailing duty (“CV”) and anti-dumping duty (“AD”) expense in the first quarter of 2022, as compared to \$8.2 million in the same period of 2021. Export tax expense increased due to higher duty rates and lumber pricing, offset by lower US-destined lumber shipment volumes.

Selling and Administration Expense

First quarter selling and administration expense was \$13.2 million in 2022 as compared to \$14.3 million in the first quarter last year.

Mark-to-market recovery of \$2.5 million on long-term compensation liabilities, quarter-over-quarter, was partly offset by increased information technology, legal, insurance and other administrative costs. A portion of the incremental legal fees and other costs incurred were in support of agreements detailed in “*Indigenous Relationships*” below.

Other Income (Expense)

We recognized other expense of \$0.1 million in the first quarter of 2022, as compared to income of \$16.7 million in the same period of 2021. The first quarter of 2021 included income from the sale of assets related to Orca Quarry located near Port McNeill, British Columbia.

Finance Costs

Finance costs were \$0.4 million as compared to \$0.9 million in the first quarter last year due to a reduction in our average outstanding debt balance.

Income Taxes

Western recognized current income tax expense of \$15.4 million partially offset by a deferred income tax recovery of \$2.3 million in net income in the first quarter of 2022, an increase of \$2.8 million over the first quarter of 2021. Comparative period income tax was reduced through the utilization of remaining non-capital Canadian tax loss carryforwards and the application of capital loss carryforwards against taxable capital gains arising from non-core asset dispositions.

Net Income

Net income for the first quarter of 2022 was \$38.0 million, as compared to net income of \$53.8 million for the same period last year. Comparative results included incremental \$16.8 million in other income related to the sale of the Orca Quarry assets and the application of significant tax loss carry forwards.

Indigenous Relationships

We respect the treaty and Aboriginal rights of Indigenous groups, and we are committed to open dialogue and meaningful actions in support of reconciliation.

We are actively investing time and resources in capacity building and fostering positive working relationships with Indigenous groups, with traditional territories within which Western operates, through information sharing, joint sustainable forest management planning, timber harvesting, reforestation practices, restoration initiatives and other mutually beneficial interests. These arrangements may include business-to-business service and supply contracts, combining tenure for joint forest management, job creation and training, and limited partnerships with shared governance and financial interests.

In collaboration with Indigenous groups, we have achieved a series of milestone agreements that advance our mutually beneficial relationships and exemplify Western's ongoing actions to support reconciliation. A summary of those agreements and related announcements occurring in 2022 is presented below.

Integrated Resource Management Plan with Nanwakolas Council in Tree Farm Licence 39 Block 2

On January 19, 2022, Western and the Nanwakolas Council, representing Tlowitsis, K'ómoks, Wei Wai Kum and We Wai Kai First Nations, announced an agreement to develop an Indigenous-led Integrated Resource Management Plan ("IRMP") for managing forests in Tree Farm Licence (" 39 Block 2 ("TFL 39 Block 2") over the next two years.

In recent years, we have engaged in several innovative projects together with the Nanwakolas Council, including joint development and the ongoing implementation of the Nanwakolas Large Cultural Cedar Declaration and the 2020 Information Sharing Protocol.

Service Contract Agreement with Tla'amin Nation in Tree Farm Licence 39 Block 1

On February 15, 2022, Western and Tla'amin Nation ("Tla'amin") announced a timber harvesting services contract to provide incremental harvest capacity in Tree Farm Licence 39 Block 1 ("TFL 39 Block 1"), through Thichum Forest Products LP, a company beneficially owned by Tla'amin.

The contract supports the ongoing relationship between Western and Tla'amin and builds on the Renewal Agreement signed in July 2021 by demonstrating progress in advancing innovative and mutually beneficial activities in the Tla'amin Territory. This initiative is in addition to the planned development of a two-year, values and science-based, Tla'amin led, collaborative IRMP for Tla'amin treaty lands and Crown tenure areas, and the portion of Western's TFL 39 Block 1 located in Tla'amin territory.

Integrated Resource Management Plans in Tree Farm Licence 44

On February 24, 2022, Tsawak-qin Forestry Limited Partnership ("TFLP"; formerly TFL 44 Limited Partnership) announced an Indigenous-led IRMP process, working with First Nations on whose traditional territories Tree Farm Licence 44 ("TFL 44") is located. The TFL 44 IRMP is expected to use the latest data, science and technology to create a common vision and direction for government-to-government land and resource management decisions. This initiative is in addition to the ongoing development of an Huu-ay-aht First Nations ("HFN")-led IRMP that was announced in the first half of 2021 and is anticipated to be completed in 2023.

On April 14, 2022, TFLP confirmed its commitment to Indigenous stewardship and ongoing IRMP efforts, by expanding its industry-leading protection of tall trees, and forests around them, by lowering the height of trees to which retention standards apply.

Huumiis Ventures Limited Partnership ("HVLP"), a limited partnership beneficially owned by HFN, holds a 35% equity interest in TFLP and have agreed to acquire a further 16% equity interest with an anticipated closing in the second quarter of 2023, subject to certain closing conditions including approval by the BC Provincial Government and a further vote by the HFN People's Assembly. We also have an agreement to sell up to an incremental 26% in TFLP to area First Nations and, alongside the HFN, we are now engaging those Nations.

Regulatory Environment

In recent years, the Province has introduced various policy initiatives and regulatory changes that impact the BC forest sector regulatory framework as part of a Coastal Revitalization Initiative and Interior Renewal Process, including: fibre recovery, lumber remanufacturing, old growth forest management and the exportation of logs.

Current provincial policy requires that forest management and operating plans take into account and not unreasonably infringe on Aboriginal rights and title, proven or unproven, and provide for First Nations consultation. First Nation opposition to a forest tenure or other operating authorization may delay the Province from granting the permit necessary for road development and harvesting. The Company may manage risks associated with delays in the Province granting operating authorizations by fostering positive working relationships with the First Nations, as discussed above. The Company may partly mitigate the operating impacts of permit delays by increasing permitted harvest in other areas; by purchasing more logs on the open market; and by increasing harvest from private timberlands.

Old-Growth Logging Deferral

On June 9, 2021, the Province temporarily deferred old-growth logging in 2,000 hectares of forest in southwestern Vancouver Island, BC for a period of two years. The temporary deferral was implemented at the request of local First Nations, with the deferral period aligned with timelines required to prepare resource-stewardship plans in collaboration with tenure rights holders. TFLP has no active or planned cutting permits in the portion of the 2,000-hectare deferral area in TFL 44, and TFLP's forestry activity continues as planned.

On November 2, 2021, the Province announced its intention to work in partnership with First Nations on the proposed, temporary deferral of harvesting in 2.6 million hectares of BC forests. The proposed, temporary deferrals, if implemented, are subject to First Nations engagement. The Province has stated that final decisions on proposed, temporary deferral areas will be based on discussions between the Province and First Nations governments.

On November 3, 2021, Tla'amin announced that the proposed, temporary deferral area identified by the Province's Technical Advisory Panel ("TAP") in Tla'amin territory would be addressed through the ongoing Tla'amin-led IRMP process. Western and Tla'amin initiated the development of a collaborative IRMP in July 2021 for Tla'amin territory, including a portion of TFL 39 Block 1, expected to take up to two years to complete.

On December 2, 2021, the HFN announced that they will be upholding their right to harvest in four percent of the TAP proposed, temporary deferral area identified in their territory and TFL 44. The remaining 96% of the TAP proposed, temporary deferral area is already protected under existing conservation measures or not planned for harvesting in the next two years. HFN's preliminary decision is supported by their assessment that 32% of the total productive forest area within their traditional territory and TFL 44 is old forest. The preliminary decision is not expected to have significant short-term effects on planned operations within TFL 44.

On January 19, 2022, Western and four member Nations of the Nanwakolas Council announced an agreement to work on a joint approach to managing forests in TFL 39 Block 2. Among those agreed items was a temporary harvest deferral area of 1,068 hectares proposed by TAP, which is in addition to a pre-existing temporary harvest deferral of 1,506 hectares for previously agreed bi-lateral initiatives between the Nanwakolas Council and Western. These temporary deferral areas represent approximately 1% of the total area of TFL 39 Block 2.

On February 23, 2022, 'Namgis announced its decision to waive the TAP proposed, temporary deferral area in 'Namgis Territory, and continue work with Western on the development of a draft forest landscape plan. While that planning process continues, and in combination with collaborative re-design and expansion of existing forestry reserves, 'Namgis and Western have deferred harvest activity in approximately 30,700 hectares of Tree Farm Licence 37. The draft forest landscape plan is anticipated to be completed by the end of 2022.

Western continues to work collaboratively with First Nations, on whose territories the Company operates, through information sharing and capacity funding to assess any potential impacts on the Company's business. Determination of potential impacts is subject to further dialogue with the First Nations and the outcomes of their government-to-government discussions. Should the proposed measures impact Western's business, the Company will seek support from the Province for its workers and full compensation for investments.

Western will work with First Nations and government as these decisions are made, respecting the rights and title of First Nations, including their right to economically benefit from the lands within their traditional territories.

Forest and Range Practices Act Amendments

On October 20, 2021, the Province introduced *Bill 23, the Forests Statutes Amendment Act, 2021*, to improve the framework for stakeholder engagement in long-term forest planning. Amongst the amendments, that are expected to come into effect through future regulation, is the eventual replacement of forest stewardship plans with forest landscape plans. Landscape-level plans developed in collaboration with First Nations are intended to guide increased consideration of ecological and cultural values of the forests in BC. These proposed act amendments align with Western's increasing use of Integrated Resource Management Plans for the joint planning of long-term, sustainable forest management with First Nations.

Timber Tenure Reduction

Approximately 89% of Western's 5,914,000 cubic metre sustainable allowable annual cut ("AAC") is in the form of Tree Farm Licences ("TFL"). TFLs are granted for 25-year terms and are replaced by the Province every five to ten years with a new 25-year term.

In the second half of 2022, we anticipate the Province's Chief Forester to issue a final determination on the AAC in TFL 19, which is approximately 729,000 cubic metres. We expect that determination may reduce the AAC of TFL 19 by up to 17% or approximately 125,400 cubic metres.

Provincial legislation requires the Chief Forester to routinely review sustainable harvesting levels of individual tenures at least every 10 years and to issue a determination which may result in an increase or decrease to AAC. The AAC determination reflects tree growth, ecology, regional and local economic and social interests, water and other environmental considerations that define how forests can be managed.

COVID-19

Western is committed to the health and safety of our employees, contractors and the communities where we operate. From the onset of the pandemic, Western has been committed to following the public health guidance in shaping our response to help mitigate the risk of COVID-19 transmission. To help mitigate the spread of COVID-19, strict health and safety protocols were implemented across our business based on guidance from health officials and experts, and in compliance with regulatory orders and standards.

Public health guidance evolved in all of our operating environments in 2022. Effective March 12, 2022, Washington State fully reopened, thereby eliminating regulatory requirements for COVID specific health and safety rules. Effective April 9, 2022, BC's Public Health Officer lifted all COVID-19 restrictions. In keeping with the updated public health guidance, and our ongoing commitment to health and safety, Western has transitioned from its Exposure Control Plan and COVID safety plans to a permanent Communicable Disease Prevention Plan. This transition included rescinding the Company's travel restrictions, capacity limits and proof of vaccination requirements, but kept in place elements such as handwashing and other practical ways to mitigate the risk of the spread of any communicable disease in our operations.

We continue to monitor and review the latest guidance from health officials and experts to ensure our protocols meet the current required standards should circumstances change.

Dividend and Capital Allocation

We remain committed to a balanced approach to capital allocation. To return capital to shareholders, we pay a regular quarterly dividend and complement our dividend program with opportunistic repurchases of common shares.

We will continue to evaluate opportunities to invest strategic and discretionary capital in jurisdictions and product lines that create the opportunity to grow long-term shareholder value. We expect to focus near-term internal strategic capital investments on projects that reduce manufacturing costs or address kiln drying and planer capacity constraints on the BC Coast. These potential investments will help support growth of our product line initiatives, as well as add value to our products. We currently have approximately \$16 million in strategic capital projects underway in BC, and we continue to evaluate opportunities to invest in the competitive positioning of our value-added operations. The Company will evaluate all capital allocation decisions after considering our operating results, financial condition, cash requirements, financing agreement restrictions and other factors or financial metrics that we may deem relevant.

Dividend Increase

On May 4, 2022, we announced a 25% increase in our quarterly dividend from \$0.01 per common share to \$0.0125 per common share. The quarterly dividend increase is effective immediately and is payable June 17, 2022 to shareholders of record on May 27, 2022.

The quarterly dividend program is intended to return a portion of the Company's cash to shareholders, after taking into consideration liquidity and ongoing capital needs. The Company's Board of Directors will continue to review our dividend on a quarterly basis.

Normal Course Issuer Bid

During the first three months ended March 31, 2022, we repurchased and cancelled 3,379,027 common shares for \$7.3 million at an average price of \$2.17 per common share.

As at May 4, 2022, the Company had repurchased and cancelled the maximum 29,726,940 common shares permitted for purchase and cancellation under the current NCIB for \$60.7 million at an average price of \$2.04 per common share. The Company has fully completed its current NCIB resulting in a 10% reduction to the public float of common shares outstanding at the August 5, 2021 NCIB renewal date.

Strategy and Outlook

Western's long-term business objective is to create superior value for shareholders by building a sustainable, 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; partnering with First Nations in sustainable forest management; operating safe, efficient, low-cost manufacturing facilities; and augmenting our sales of targeted high-value specialty products for selected global customers with a lumber wholesale program. We seek to manage our business with a focus on operating cash flow and maximizing value through the production and sales cycle. We routinely evaluate our performance using the measure of Return on Capital Employed.

Market Outlook

As we look ahead, we expect the strong North American lumber market fundamentals, which have driven lumber pricing over the last few years, to continue. The combination of low existing home for sale inventories, improved housing starts, and historically attractive mortgage rates should support higher lumber consumption. We believe the strong demand fundamentals combined with lower lumber supply from British Columbia and the potential for global lumber supply disruptions will create a supportive pricing environment for lumber over the near term.

Pricing for our Cedar and Niche specialty product segments improved from the fourth quarter, while Japan specialty product pricing remained firm. As we look forward, we expect pricing to remain strong in specialty lumber markets.

Logistics remain a considerable challenge for our business as we pivot production from relatively weaker export markets in China back to North America. Constrained rail capacity in western North America has limited market access and has resulted in some mill curtailments. On the export side we have experienced a slight improvement in container availability, and we will look to expand the use of lower cost container shipping in the months ahead.

We expect sawlog markets to remain strong due to a combination of reduced supply and strong demand while we expect pulp log pricing to trade in a narrow band due to limited market competition. Sawmill residual chip pricing is expected to remain strong supported by higher Northern Softwood Bleach Kraft pulp pricing in China.

Long-term, we believe that strong North American housing market fundamentals will support lumber demand and pricing, above trend levels. An aging housing stock, a housing deficit stemming from years of underbuilding, the influence of work-from-home arrangements on the repair and renovation segment, and the growth of mass timber construction are expected to continue to drive growing demand for lumber. At the same time supply has been reduced due to the impact of permanent production curtailments resulting from Mountain Pine Beetle in the BC Interior.

Softwood Lumber Dispute

The US application of duties on shipments of Canadian lumber continues a long-standing pattern of US protectionist action. We disagree with the inclusion of specialty lumber products, particularly Cedar products in this commodity lumber focused dispute. As duties paid are determined on the value of lumber exported, and as our shipments to the US market consists of significant volumes of high-value, appearance grade lumber, we are disproportionately impacted by these duties.

Western expensed \$11.5 million of export duties at a combined duty rate of 17.91% on its lumber shipments into the US in the first quarter of 2022, as compared to \$8.2 million at a duty rate of 8.99% in the same period last year. The effect of higher duty rates and significantly improved lumber pricing more than offset a 40% decline in the Company's shipments of lumber from Canada into the US over those periods.

In 2020, Western recognized an export tax recovery of \$31.6 million arising from the Department of Commerce's ("DoC") final determination on assessed rates for 2017 and 2018. Export duty tax was comprised of CV and AD at a combined rate of 20.23% on all lumber Western sold into the US until November 30, 2020 and a combined rate of 8.99% effective December 1, 2020.

On December 1, 2021, the DoC published its final CV and AD rates resulting from its second administrative review in the federal register. The final determination reduced the assessment rates applied to shipments in 2019 and established a revised cash deposit rate of 17.90% applicable from December 2021 until the publication of final rates under the third administrative review. As a result, the Company recorded a related export tax recovery of \$3.3 million in the fourth quarter, 2021. On January 10, 2022, as a result of a ministerial error in its second administrative review, the DoC revised the published CV rate to 6.32%, increasing the combined rate to 17.91%.

On January 31, 2022, the DoC released its preliminary determination for CV and AD rates resulting from its third administrative review of CV and AD rates for shipments in 2020, indicating a combined rate to 11.64%. The DoC may revise these rates between the preliminary and the final determination, expected to be released on August 3, 2022. Cash deposits continue at the combined duty rate of 17.91% until the final determinations are published, after which the 2020 rate will apply.

On March 9, 2022, the DoC initiated its fourth administrative review of CV and AD rates for shipments for 2021.

At March 31, 2022, Western had \$159.8 million (US\$127.7 million) of cash on deposit with the US Department of Treasury in respect of these softwood lumber duties, of which \$40.1 million (US\$32.0 million) including interest is recognized in the Company's balance sheet arising from final rate determinations for shipments in 2017 through 2019.

Including wholesale lumber shipments, our lumber shipments from Canada to the US market represent approximately 36% of our total lumber revenue in the first quarter of 2022, as compared to 46% in the same period last year and 39% in fiscal 2021. Our distribution and processing centre in Arlington, Washington and our Columbia Vista division in Vancouver, Washington are expected to partially mitigate the damaging effects of duties on our products destined for the US market. We intend to leverage our flexible operating platform to continue to partially mitigate any challenges that arise from this trade dispute.

Non-GAAP Financial Measures

Reference is made in this press release to the following non-GAAP measures: Adjusted EBITDA, Adjusted EBITDA margin, Net debt to capitalization, and total Liquidity are used as benchmark measurements of our operating results and as benchmarks relative to our competitors. These non-GAAP measures are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. Refer also to Forward Looking Statements and Information for further descriptions of use of these non-GAAP measures. The following table provides a reconciliation of these non-GAAP measures to figures as reported in our unaudited condensed consolidated financial statements:

(millions of Canadian dollars except where otherwise noted)

Adjusted EBITDA	Q1 2022	Q4 2021	Q1 2021
Net income	\$ 38.0	\$ 28.5	\$ 53.8
Add:			
Amortization	12.7	12.7	12.9
Changes in fair value of biological assets	0.5	0.2	1.2
Operating restructuring items	0.6	0.8	0.5
Other expense (income) ⁽¹⁾	0.1	(0.3)	(16.7)
Finance costs	0.4	0.2	0.9
Current income tax	15.4	10.5	8.8
Deferred income tax (recovery)	(2.3)	(0.3)	1.5
Adjusted EBITDA	\$ 65.4	\$ 52.5	\$ 62.9
Adjusted EBITDA margin			
Total revenue	\$ 359.6	\$ 327.9	\$ 322.5
Adjusted EBITDA	65.4	52.5	62.9
Adjusted EBITDA margin	18%	16%	20%
Net debt to capitalization	Mar. 31 2022	Dec. 31 2021	Mar. 31 2021
Net debt			
Total debt	\$ -	\$ -	\$ 2.5
Cash and cash equivalents	(74.9)	(130.0)	(3.1)
Net debt (cash)	\$ (74.9)	\$(130.0)	\$ (0.6)
Capitalization			
Net debt (cash)	\$ (74.9)	\$(130.0)	\$ (0.6)
Add: equity attributable to equity shareholders of the Company	640.9	612.1	552.6
Capitalization	\$ 566.0	\$ 482.1	\$ 552.0
Net debt to capitalization	-	-	-
Total liquidity	Mar. 31 2022	Dec. 31 2021	Mar. 31 2021
Cash and cash equivalents	\$ 74.9	\$ 130.0	\$ 3.1
Available credit facility	250.0	250.0	250.0
Less outstanding letters of credit	(8.6)	(8.6)	(9.1)
Total liquidity	\$ 316.3	\$ 371.4	\$ 244.0

Figures in the table above may not equal or sum to figures presented elsewhere due to rounding.

(1) Other income (expense), net of changes in fair market value less cost to sell of biological assets and gain on disposal of assets.

Forward Looking Statements and Information

This press release contains statements that may constitute forward-looking statements under the applicable securities laws. Readers are cautioned against placing undue reliance on forward-looking statements. All statements herein, other than statements of historical fact, may be forward-looking statements and can be identified by the use of words such as “will”, “commit”, “project”, “estimate”, “expect”, “anticipate”, “plan”, “forecast”, “intend”, “believe”, “seek”, “could”, “should”, “may”, “likely”, “continue”, “pursue” and similar references to future periods. Forward-looking statements in this press release include, but are not limited to, statements relating to our current intent, belief or expectations with respect to: domestic and international market conditions, demands and growth; economic conditions; our growth, marketing, product, wholesale, operational and capital allocation plans and strategies, including but not limited to payment of a dividend; fibre availability and regulatory developments; the impact of COVID-19; and the selling of additional incremental ownership interests in Tsawak-qin Forestry Limited Partnership and in other potential business structures in the future. Although such statements reflect management’s current reasonable beliefs, expectations and assumptions as to, amongst other things, the future supply and demand of forest products, global and regional economic activity and the consistency of the regulatory framework within which the Company currently operates, there can be no assurance that forward-looking statements are accurate, and actual results and performance may materially vary.

Many factors could cause our actual results or performance to be materially different including: economic and financial conditions including inflation, international demand for forest products, the Company’s ability to export its products, cost and availability of shipping carrier capacity, competition and selling prices, international trade disputes and sanctions, changes in foreign currency exchange rates, labour disputes and disruptions, natural disasters, the impact of climate change, relations with First Nations groups, First Nations’ claims and settlements, the availability of fibre and allowable annual cut, the ability to obtain operational permits, development and changes in laws and regulations affecting the forest industry including as related to old growth timber management and the Manufactured Forest Products Regulation, changes in the price of key materials for our products, changes in opportunities, information systems security, future developments in COVID-19 and other factors referenced under the “Risks and Uncertainties” section of our MD&A in our 2021 Annual Report dated February 16, 2022. The foregoing list is not exhaustive, as other factors could adversely affect our actual results and performance. Forward-looking statements are based only on information currently available to us and refer only as of the date hereof. Except as required by law, we undertake no obligation to update forward-looking statements.

Reference is made in this press release to adjusted EBITDA which is defined as operating income prior to operating restructuring items and other income (expense) plus amortization of plant, 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 certain 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 and adjusted EBITDA margin in the same manner, these measures as 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 this press release.

Also in this press release management may use 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 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 forest products company building a margin-focused log and lumber business to compete successfully in global softwood markets. With operations and employees located primarily on the coast of British Columbia and Washington State, Western is a premier supplier of high-value, specialty forest products to worldwide markets. Western has a lumber capacity in excess of 1.0 billion board feet from seven sawmills and four remanufacturing facilities. The Company sources timber from its private lands, long-term licenses, First Nations arrangements, and market purchases. Western supplements its production through a wholesale program providing customers with a comprehensive range of specialty products.

TELECONFERENCE CALL NOTIFICATION:

Thursday, May 5, 2022 at 12:00 p.m. PDT (3:00 p.m. EDT)

To participate in the teleconference please dial 416-340-2217 or 1-800-952-5114 (passcode: 3466690#). This call will be taped, available one hour after the teleconference, and on replay until June 5, 2022 at 8:59 p.m. PDT (11:59 p.m. EDT). To hear a complete replay, please call 905-694-9451 / 1-800-408-3053 (passcode: 1910899#).

For further information, please contact:

Stephen Williams

Executive Vice President & Chief Financial Officer

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