Western Forest Products Inc.
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FOR IMMEDIATE RELEASE **TSX: WEF**

Western Announces Third Quarter 2020 Results

November 5, 2020 – Vancouver, British Columbia – Western Forest Products Inc. (TSX: WEF) ("Western" or the "Company") reported adjusted EBITDA of $33.7 million in the third quarter of 2020. The Company capitalized on improved markets in North America by increasing sales of Western Red Cedar ("WRC") lumber and by redirecting products destined for relatively weaker export markets. Western took advantage of favourable timberlands operating conditions and restarted certain idled mill operations to grow production and drive cost efficiencies.

Net income of $11.5 million ($0.03 net income per diluted share) was reported for the third quarter of 2020, as compared to net loss of $18.7 million ($0.05 net loss per diluted share) for the third quarter of 2019 and net income of $8.5 million ($0.02 net income per diluted share) in the second quarter of 2020.

Third Quarter Highlights:

- Achieved an average lumber price of $1,264 per thousand board feet
- Increased lumber shipments 10% over Q2 2020
- Levered flexible operating platform to grow lumber production and shipments within North America
- Restarted the Ladysmith Sawmill, Cowichan Bay Planer and Alberni Pacific Planer operations
- Repaid $32.8 million of debt, closing the period with $127.9 million of available liquidity

Western's third quarter adjusted EBITDA was $33.7 million, including export tax expense of $11.0 million, as compared to negative adjusted EBITDA of $16.6 million in the third quarter of 2019, and adjusted EBITDA of $29.5 million reported in the second quarter of 2020. Operating income prior to restructuring and other items was $19.0 million, compared to a loss of $24.2 million in the third quarter of 2019, and $14.6 million of income reported in the first quarter of 2020.

(millions of dollars except per share amounts and where otherwise noted)	Q3 2020	Q3 2019	Q2 2020	YTD 2020	YTD 2019
Revenue	$ 290.6	$ 141.6	$ 256.3	$ 646.0	$ 727.6
Export tax expense	11.0	5.5	7.6	22.6	24.4
Adjusted EBITDA	33.7	(16.6)	29.5	45.7	16.6
Adjusted EBITDA margin	12%	-12%	12%	7%	2%
Operating income prior to restructuring items and other income (expense)	$ 19.0	$ (24.2)	$ 14.6	$ 5.2	$ (17.1)
Net income (loss)	11.5	(18.7)	8.5	(1.0)	(17.5)
Basic and diluted earnings (loss) per share (in dollars)	0.03	(0.05)	0.02	-	(0.05)
Net debt, end of period	119.4	106.9	152.1		
Liquidity, end of period	127.9	141.3	95.1		

"We leveraged our flexible operating platform, increasing sales in the strong North American lumber market, to deliver improved EBITDA," said Don Demens, President and Chief Executive Officer. "Looking ahead, we are well positioned to build on these results as we remain focused on safeguarding our people and our business from the impacts of COVID-19."

Summary of Third Quarter 2020 Results

Adjusted EBITDA for the third quarter of 2020 was $33.7 million, as compared to negative adjusted EBITDA of $16.6 million in the same period last year. We capitalized on an improved market in North America by increasing our Western Red Cedar shipments and by redirecting production from weaker export markets to North America. Increased log and lumber production drove cost efficiencies while higher prices reduced inventory provisions. Operating income prior to restructuring and other items was $19.0 million, as compared to an operating loss of $24.2 million in the same period last year. Prior year third quarter results include the impact of the United Steelworkers Local 1-1937 (“USW”) strike (the “Strike”) that ended in the first quarter of 2020.

We continue to strictly enforce enhanced health and safety protocols and regularly re-evaluate market conditions arising from the novel Coronavirus pandemic (“COVID-19”). Our near-term focus remains on ensuring the health and safety of our employees, managing our balance sheet, and servicing our customers.

Sales

Lumber and log sales benefitted from significantly improved North American lumber markets. Robust demand from the repair and renovation and new home building sectors combined with constrained supply to drive record pricing in North American commodity lumber markets in the quarter. Strong demand for our WRC products supported increased shipments and better pricing. As the quarter progressed, we levered our flexible operating platform by redirecting volumes from the relatively weak export markets to North America.

Lumber revenue in the third quarter was $208.6 million, an increase of 90% from the same period last year, and an increase of 10% from the second quarter of 2020. Lumber shipment volumes of 165 million board feet were 83% higher than the same period last year and increased 9% from the second quarter of 2020. In comparison to the second quarter of 2020, we grew WRC lumber shipments by 19% and our North American lumber diversion strategy led to a 21% increase in commodity lumber shipments.

Our average realized lumber price of $1,264 per thousand board feet increased 2% from the same period last year as price improvements were partly offset by a weaker sales mix. Despite increasing our WRC volumes, the percentage of specialty product shipments decreased to 59% from 64% in the third quarter last year as we grew our production of North American commodity lumber. Lower wholesale lumber shipments and a relatively weaker Canadian dollar partly offset improved third quarter lumber revenue in 2020.

Log revenue was $73.7 million in the third quarter of 2020, an increase of 169% from the same period last year and a 22% increase from the second quarter of 2020. Log revenue growth resulted from increased shipments and was achieved despite a weaker sales mix and lower export log market pricing. We recently redirected export log inventory to our sawmills as a result of the strong North American lumber market.

By-product revenue was $8.3 million, an increase of 84% as compared to the same period last year, and a 19% increase from the second quarter of 2020. Increased production led to higher by-product shipments, while pricing was negatively impacted by the weak NBSK pulp market.

Operations

Third quarter lumber production of 192 million board feet was 300% higher than the same period last year, and an increase of 34% from the second quarter of 2020. We achieved significantly higher production through increased operating hours and by an improved recovery that was influenced by higher domestic market production. We restarted production at our Cowichan Bay sawmill on May 4, 2020 and at our Ladysmith sawmill on August 4, 2020, with both operations having remained curtailed following the Strike. Our Columbia Vista sawmill was curtailed for 7 days due to power issues and poor air quality caused by forest fires.

Increased production of North American commodity lumber contributed to improved sawmill productivity but also increased our secondary processing requirements. We restarted planer operations at our Cowichan Bay and Alberni Pacific sawmills in the third quarter to supplement our processing capacity.

We produced 1,138,000 cubic meters of logs from our coastal operations in British Columbia (“BC”) in the third quarter of 2020, as compared to 21,000 cubic meters in the Strike-curtailed third quarter last year. We capitalized on favourable operating conditions to increase log harvest volumes, which drove lower production costs despite an increase in helicopter operations. We continue to maintain modified operating procedures in our timberlands to mitigate COVID-19 risks.

BC coastal saw log purchases were 235,000 cubic metres, a significant increase over the same period last year and consistent with the second quarter of 2020. Market log availability remains constrained due to reduced BC coastal harvest activity.

Freight expense increased by $12.9 million from the same period last year. Freight expense grew as the result of higher shipment volumes and the relative geographic mix of log and lumber sales, partly offset by lower fuel surcharges and ocean freight rates.

Third quarter adjusted EBITDA and operating income included $11.0 million of countervailing duty (“CVD”) and anti-dumping duty (“AD”), as compared to $5.5 million in the same period last year. Duty expense increased as a result of growth in US-destined lumber shipment volumes.

Selling and Administration Expense

Third quarter selling and administration expense was $10.4 million in 2020 as compared to $6.0 million in the Strike-curtailed third quarter last year. Improvements in financial results increased short-term performance-based compensation expense. Cost containment savings were offset by increased mark-to-market expense on long-term compensation liabilities.

Finance Costs

Finance costs were $2.0 million in the third quarter of 2020, consistent with the third quarter last year. The cost impact of a moderately higher outstanding debt balance was offset by a lower applicable interest rate.

Income Taxes

Improved operating earnings led to income tax expense of $4.4 million for the third quarter of 2020, as compared to a tax recovery of $7.0 million arising from an operating loss in the same period last year.

Net Income (Loss)

Net income for the third quarter of 2020 was $11.5 million, as compared to a net loss of $18.7 million for the same period last year. Strong North American lumber and log markets drove higher price realizations and reduced inventory write-downs. Results in the same period last year were negatively impacted by the Strike in the majority of our BC operations.

Summary of Year to Date 2020 Results

Financial and operating results were significantly impacted by COVID-19, the Strike, and the gradual restart of Strike-curtailed BC operations in the first half of 2020. Despite financial impacts and significant uncertainty arising from COVID-19, we maintained employment and operating levels with support from the Canadian Emergency Wage Subsidy (“CEWS”) program.

On February 15, 2020, USW members voted in support of a 5-year agreement to replace the collective agreement that expired on June 14, 2019, resulting in the end of the Strike. Following the Strike, we performed the necessary safety and maintenance procedures before commencing a gradual restart of certain Strike-curtailed BC operations. Upon restart, our manufacturing productivity was impacted by the consumption of lower quality log inventory that had degraded during the Strike.

In late March 2020, as a result of COVID-19, we curtailed certain operations for one week to implement enhanced health and safety protocols and to re-evaluate market conditions. We then resumed operations except at our Ladysmith and Cowichan Bay sawmills. Operations resumed at our Cowichan Bay sawmill on May 4, 2020 and at our Ladysmith sawmill on August 4, 2020. Our US-based Columbia Vista division operations were unaffected by the Strike and took no COVID-19 related downtime.

Adjusted EBITDA for the first nine months of 2020 was $45.7 million, as compared to $16.6 million from the same period last year. Operating income prior to restructuring items and other income was $5.2 million, as compared to an operating loss prior to restructuring items and other income of $17.1 million in the same period last year. We capitalized on improvements in lumber and log markets, beginning in June 2020, to overcome operating losses incurred earlier in the year. COVID-19 initially reduced demand for our products and caused some customers to defer order shipments. Demand for our products began to recover soon after governments began to lift their shutdowns and other restrictions. Demand slowly began to return in China early in the second quarter, followed by Europe and North America at the beginning of the third quarter. We levered our flexible operating platform to transition third quarter 2020 production and shipments to higher margin North American markets.

Sales

Lumber revenue was $480.6 million in the first nine months of 2020, 15% lower than the same period last year due to the Strike and COVID-19. The Strike impacted BC based sawmill production in the first quarter of 2020. Government emergency measures instituted to combat COVID-19 significantly impacted demand as many customers suspended order activity in late March 2020 through mid-May 2020. We took this time to rebuild inventory depleted by the Strike, which allowed us to increase shipments as lumber markets gradually recovered through the period. Despite challenging market conditions, average lumber price realizations increased as we improved our specialty product mix and benefitted from a weaker CAD to USD. Though we produced and shipped more North American commodity lumber in the third quarter of 2020, specialty lumber represented 64% of year-to-date shipments compared to 57% in the same period last year.

Log revenue was $147.0 million in the first nine months of 2020, an increase of 11% from the same period last year when log production was limited by the Strike. Average price realizations declined due to a weaker log sales mix caused by Strike-related log degradation and the impact of COVID-19 on global markets.

By-products revenue decreased to $18.4 million in the first nine months of 2020, from $33.5 million in the same period last year due to lower by-product production during the Strike, reduced chip purchase-and-resale volume, and temporary coastal pulp operating curtailments.

Operations

Despite significant uncertainty arising from COVID-19 through the majority of 2020, we have continued production. We maintained operating levels in order to support and maintain employment, rebuild inventories, and service our customers. By late May 2020, we had rebuilt log decks that were depleted from the Strike. Stable operating plans have driven improved productivity and operating cost metrics and enabled us to sustain shipments into strong lumber markets.

Lumber production in the first nine months of 2020 was 396 million board feet, 13% lower than the same period last year. Lumber production was negatively impacted in the first half of 2020 by the Strike and COVID-19. We partly mitigated the impact of the Strike on our customers by continuing to process logs at custom cut facilities and through our wholesale lumber activity. Upon returning from the Strike, production volume and grade recovery were impacted due to processing log inventory that had degraded during the Strike. By continuing to run our timberlands operations despite significant uncertainty arising from COVID-19, we rebuilt log inventories, which supported the resumption of operations at our Cowichan Bay sawmill on May 4, 2020. Log purchases and unprecedented North American commodity lumber pricing supported the resumption of our Ladysmith sawmill on August 4, 2020.

Log production for the first nine months of 2020 was 2,529,000 cubic metres, an increase of 15% from the same period last year. We capitalized on favourable operating conditions to deliver higher production. Lower production costs resulted from a favourable mix of operations and by aligning our road expenditures to harvest volumes. No significant fire-related downtime was taken in either period.

Logging operations were curtailed for most of the first quarter of 2020 due to the Strike, and subsequently impacted by actions taken to mitigate COVID-19 health and safety risks. Logging operations were also curtailed for the third quarter of 2019 as a result of the Strike.

BC coastal saw log purchases were 613,000 cubic metres, a 16% increase from the same period last year. Saw log purchases remain limited due to reduced BC coastal harvest activity.

Freight expense for the first nine months of 2020 was $48.8 million, a reduction of 17% as compared to same period last year as a result of lower shipments and reduced shipping rates.

Adjusted EBITDA and operating income included $22.6 million of CVD and AD expense, as compared to $24.4 million in the same period of 2019. Duty expense declined as a result of reduced US-destined lumber shipments in the first half of 2020.

Due to the negative financial impact COVID-19 had on our business we applied for CEWS. Western's eligibility for CEWS prevented temporary operating curtailments, employee layoffs and offset the costs of enhanced health and safety protocols. We continued to operate despite uncertainty arising from COVID-19 to maintain employment, support contractors and communities, rebuild inventory and continue to service our customers. In the first nine months of 2020, we recognized CEWS of $11.6 million as an offset to cost of goods sold, and $1.4 million as an offset to selling and administration expense.

Selling and Administration Expense

Selling and administration expense for the first nine months of 2020 was $24.9 million as compared to $23.1 million in the same period last year. Savings generated by cost containment measures were offset by expenses arising from COVID-19, including health and safety spending and incremental IT costs associated with remote work requirements. Improved financial performance and the appreciation of the Company's common share price increased short and long-term compensation liabilities.

Despite uncertainty arising from COVID-19, we have maintained staffing levels to support our business and communities, and to continue to service our customers.

Finance Costs

Finance costs were $6.4 million, compared to $5.6 million in the first nine months of 2019. Higher interest expense resulted from increased average debt balance offset by lower interest rates.

Income Taxes

Income tax recovery of $0.5 million was recognized as compared to $6.7 million in the same period last year. Despite COVID-19 market uncertainty and impacts of the Strike, greater losses and income tax recovery were offset in the first nine months of 2020 by CEWS and strong third quarter operating income.

Net Loss

Net loss for the first nine months of 2020 was $1.0 million, as compared to net loss of $17.5 million for the same period last year. COVID-19 market uncertainty, related incremental operating costs and impacts of the Strike created a challenging operating environment. We limited net loss by increasing third quarter production and shipments to capitalize on a surge in demand, and through the benefit of CEWS and reduced inventory write-downs.

Sale of Ownership Interests in Limited Partnerships

On March 16, 2020, Western announced it had reached an agreement whereby Huumiis Ventures Limited Partnership ("HVLP"), a limited partnership beneficially owned by the Huu-ay-aht First Nations, will acquire a majority ownership interest in TFL 44 Limited Partnership ("TFL 44 LP") and an ownership interest in a newly formed limited partnership that will own the Alberni Pacific Division Sawmill ("APD Sawmill") for total consideration of $36.2 million (the "Transaction").

TFL 44 LP holds certain assets in Port Alberni, British Columbia, including Tree Farm Licence 44 and other associated assets and liabilities. HVLP will acquire an incremental 44% ownership interest in TFL 44 LP from Western for $35.2 million. On completion of the Transaction, HVLP will own 51% of TFL 44 LP and Western will own 49% of TFL 44 LP. Western may sell other area First Nations, including HVLP, a further incremental ownership interest of up to 26% in TFL 44 LP, under certain conditions. Western and TFL 44 LP will enter into a long-term fibre agreement to continue to supply Western's British Columbia coastal manufacturing operations, which have undergone significant capital investment over the past several years.

Western will transfer its APD Sawmill into a limited partnership ("APD LP") along with certain other assets and liabilities. HVLP will acquire a 7% ownership interest in APD LP from Western for $1.0 million, and subject to further negotiations, HVLP will have an option to purchase an incremental ownership interest in APD LP, which may include a majority interest.

The completion of the Transaction is subject to satisfaction of customary closing conditions, financing, and certain third-party consents. COVID-19 restrictions and other impacts have delayed the administration of certain closing conditions.

COVID-19

Western is committed to the health and safety of our employees, contractors and the communities where we operate. To help mitigate the spread of COVID-19, we have implemented strict health and safety protocols across our business that are based on guidance from health officials and experts, and in compliance with regulatory orders and standards.

Health and safety protocols currently being enforced include travel restrictions; self-isolation instructions for those who have travelled, are ill, exhibiting symptoms of COVID-19 or have come in direct contact with someone with COVID-19; implementing physical distancing measures; restricting site access to essential personnel and activities; increasing cleaning and sanitization in workplaces; and where possible, providing those who can work from home the ability to exercise that option. We continue to monitor and review the latest guidance from health officials and experts to ensure our protocols meet the current required standards.

In response to the impacts of the COVID-19 pandemic, the Company also curtailed its BC manufacturing facilities for up to a one-week period effective March 23, 2020. After implementing enhanced health and safety protocols and re-evaluating operating conditions, we resumed all previously active operations, except at our Ladysmith and Cowichan Bay sawmills. By continuing to operate timberlands operations and increasing saw log purchases despite uncertainty arising from COVID-19, we rebuilt sufficient log inventory to resume manufacturing operations at our Cowichan Bay sawmill on May 4, 2020 and at our Ladysmith sawmill on August 4, 2020.

State of Emergency declarations and other restrictions relating to travel, business operations and isolation have been made by governing bodies in the regions that Western operates and sells its products. Western's business activities have been designated an essential service in Canada and the US, and we will continue to monitor and adjust our operations as required to ensure the health and safety of our employees, contractors and the communities where we operate and to address changes in customer demand. In addition, governments in Canada and the US have announced various financial relief programs for businesses. In the nine months ended September 30, 2020, we recognized $13.0 million in CEWS as a reduction to cost of goods sold and selling and administrative expense. Western's eligibility for CEWS concluded in early June 2020, but we continue to evaluate our eligibility for relief programs as they are announced to help mitigate the financial impacts of COVID-19.

With the potential negative impacts to the global economy from COVID-19 and with dynamic global economic conditions, in the near-term we remain focused on maintaining financial flexibility, protecting the health and safety of our employees and contractors, and servicing our customers.

Operations Update

On August 4, 2020, we restarted production at our Ladysmith sawmill, which had remained curtailed after the end of the Strike due to limited log supply. We rebuilt log inventory to support this restart by continuing log harvest production through uncertainty arising from COVID-19 and by increasing saw log purchases. The ongoing operation of our Ladysmith sawmill is dependent on log supply and continued strong commodity market conditions.

Our Somass sawmill remains indefinitely curtailed as a result of a fibre supply deficit arising from years of tenure takebacks and government land use decisions, and rising costs associated with the US Softwood Lumber dispute. As of November 5, 2020, our other manufacturing and timberlands operations are actively operating.

BC Government Forest Policies Update

During 2019, the BC Provincial Government (the "Province") introduced various policy initiatives that will impact the BC forest sector regulatory framework as part of their Coastal Revitalization Initiative.

On January 21, 2020, the Province announced changes to the Manufactured Forest Products Regulation ("Regulation"), which was intended to come into effect July 1, 2020. The amendments to the Regulation require lumber that is made from WRC or Cypress ("CYP") to be fully manufactured in BC to be eligible for export from Canada. Fully manufactured is defined as lumber that will not be kiln-dried, planed or re-sawn at a facility outside of BC.

On June 11, 2020, the Province announced the deferral of the implementation of the changes to the Regulation to September 30, 2020. The Province also updated the requirement to fully manufacture WRC and CYP to only apply to the BC coastal region.

On September 16, 2020, the Province provided additional information with respect to the implementation of amendments to the Regulation, including the application of a tax on WRC and CYP exported from BC to any location outside of Canada and within 3,000 miles. Requirements under the Regulation require provincial export permit applications and, where fully manufactured requirements are not met, payment of a tax in lieu of manufacture to be eligible for export. The amount of the tax factors in the extent of processing completed prior to export application, with the rate calculated as a proportion of the combined CVD and AD US export tax all others duty rate. For products shipped within the 3,000-mile export zone, the applicable BC export duty rate decreases by one third for each process performed prior to the export, with no fee applicable upon completing three processes. Certain other exemptions apply including rough appearance products ready for retail sale prior to export. These changes were effective September 30, 2020.

While the application of Provincial export tax was not effective until November 1, 2020, we were compliant with permitting requirements that became effective October 1, 2020 and continue to take steps to limit any potential financial impact and mitigate any potential unintended consequences of the amended Regulation. Our mitigating actions include the use of exemptions, maximizing our planer capacity utilization, pursuing additional market processing capacity, reducing mill operating hours and increasing our export log volumes where necessary to manage inventory risk.

Western will continue to sustainably harvest and manufacture lumber from the full BC coastal forest profile.

Timber Tenure Reduction

Approximately 89% of Western's 5,956,000 cubic metre sustainable allowable annual cut ("AAC") is in the form of Tree Farm Licenses ("TFL"). TFLs are granted for 25-year terms and are replaced by the Province every five to ten years with a new TFL with a 25-year term.

In the first half of 2021, we expect that 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 18% or approximately 130,000 cubic meters. 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.

Strategy and Outlook

Western's long-term business objective is to create superior value for shareholders by building a margin-focused specialty log and lumber business of scale to compete successfully in global softwood markets. We believe this will be achieved by maximizing the sustainable utilization of our forest tenures, operating safe, efficient, low-cost manufacturing facilities and 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.

Sales & Marketing Strategy Update

We continue to make progress with the execution of our sales and marketing strategy that focuses on the production and sale of targeted, high-margin products of scale to selected customers. We supplement our key product offerings with purchased lumber to deliver the suite of products our customers require.

During the quarter we created a new product branding strategy that will differentiate our high-quality products in what is generally an unbranded sector. Our branding initiative is designed to drive increased demand for our products and increased sales for our customers, which we believe will bring more value to our products.

As the third quarter progressed, we redirected lumber production from relatively weak export markets to the improving North American market. We purposely targeted sales to selected customers in the treating sector where our product mix could provide the most value. In the near term we anticipate North American pricing to remain above trend levels and will look to grow our presence in the important treated lumber sector.

Market Outlook

Lumber pricing in North America reached all-time highs in the third quarter of 2020, driven by a combination of rising demand from new home construction and a very strong repair and renovation segment. Supply was constrained due to permanent mill closures in BC and temporary production disruptions resulting from COVID-19. Despite a recent correction we expect pricing to remain above trend levels in North America in the near term, as supply lags increased demand. We are anticipating lumber pricing to improve marginally in China as we enter the seasonally more active fall and early winter.

Demand and pricing for our WRC products in North America are expected to remain strong as buyers position their inventories for the first half of 2021. We are closely monitoring the resurgence of COIVD-19 in Europe, which could temporarily impact the demand for high priced appearance WRC products.

In Japan, declining housing starts reduced demand for our products. Despite weaker demand and increased competition from lower priced, subsidized Japanese domestic species, inventories of North American sourced lumber in Japan have normalized and we expect pricing to improve.

Demand for Niche lumber products targeted to the treating segment in North America has been strong, while demand for timbers consumed in the industrial segment has remained weak. We expect continued strength in the treated segment, stable demand for our Niche appearance products and continued weakness in the industrial sector.

The domestic log market remains undersupplied and pricing is expected to remain strong through the end of the year. In contrast we expect the export log market to remain competitive and pricing to remain relatively weak. Due to the weak export markets we have re-directed some log volume to the domestic market.

Coastal pulp and paper operations have been negatively impacted by reduced demand for their products due to COVID-19. In turn, pulp and paper mill operating curtailments have led to reduced demand and a weaker price environment for coastal pulp logs. We expect pricing for pulp logs to remain relatively weak until demand for pulp and paper improves and the mills return to full production.

As we look forward, the potential resurgence in COVID-19 cases around the globe may lead to the reintroduction of government actions that could impact lumber demand and pricing. We plan to utilize our flexible operating platform to adjust to market conditions and will continue to align our production volumes to match market demand.

Softwood Lumber Dispute and US Market Update

The US application of duties on Canadian lumber imports continues a long-standing pattern of US protectionist action against Canadian lumber producers. We disagree with the inclusion of specialty lumber products, particularly WRC and Yellow 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 are predominantly high-value, appearance grade lumber, we are disproportionately impacted by these duties.

Western expensed $11.0 million of export duties in the third quarter of 2020, comprised of CVD and AD at a combined rate of 20.23% on all lumber it sold into the US. On February 3, 2020, the US Department of Commerce ("DoC") issued preliminary revised rates in the CVD and AD first administrative review of shipments for the years ended December 31, 2017 and 2018. The combined preliminary revised rates were 8.37% for 2017 and 8.21% for 2018. The DoC may revise these rates between preliminary and final determination. On July 22, 2020, the DoC again announced an administrative review extension that is expected to delay the final rate determination until late November 2020. Cash deposits continue at the current rate of 20.23% until the final determinations are published, at which time the 2018 rate will apply to US-destined lumber sales.

The tolling of all administrative reviews on July 22, 2020 also extended the DoC's second administrative review for fiscal year 2019. Western was not selected as a mandatory respondent in the second administrative review and will therefore be subject to the "all others" rate once preliminary review findings are finalized.

At September 30, 2020, Western had USD $85.5 million (CAD $113.9 million) of cash on deposit with the US Department of Treasury in respect of these softwood lumber duties.

Including wholesale lumber shipments, our sales to the US market represented approximately 29% of our total revenue in 2020. 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 Measures

Reference is made in this press release to the following non-GAAP measures: Adjusted EBITDA, Adjusted EBITDA margin, and Net debt to capitalization 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. The following table provides a reconciliation of these non-GAAP measures to figures as reported in our audited annual consolidated financial statements:

(millions of Canadian dollars except where otherwise noted)	Q3 2020	Q3 2019	Q2 2020	YTD 2020	YTD 2019
Adjusted EBITDA					
Net income (loss)	$ 11.5	$ (18.7)	$ 8.5	$ (1.0)	$ (17.5)
Add:					
Amortization	14.0	9.2	14.2	39.2	33.0
Changes in fair value of biological assets, net	0.6	(1.4)	0.6	1.2	0.9
Operating restructuring items	0.5	0.3	0.6	1.5	1.4
Other (income) expense (1)	0.6	(0.7)	(0.2)	(1.2)	0.1
Finance costs	2.0	1.9	2.2	6.4	5.6
Current income tax expense (recovery)	-	(9.6)	-	(0.1)	(9.6)
Deferred income tax expense (recovery)	4.4	2.6	3.5	(0.4)	2.9
Adjusted EBITDA	$ 33.7	$ (16.6)	$ 29.5	$ 45.7	$ 16.6
Adjusted EBITDA margin					
Total revenue	$ 290.6	$ 141.6	$ 256.3	$ 646.0	$ 727.6
Adjusted EBITDA	33.7	(16.6)	29.5	45.7	16.6
Adjusted EBITDA margin	12%	-12%	12%	7%	2%
Net debt to capitalization					
Net debt					
Total debt, net of deferred financing costs	$ 121.3	$ 112.0	$ 154.2		
Cash and cash equivalents	(1.9)	(5.1)	(2.1)		
Net debt	$ 119.4	$ 106.9	$ 152.1		
Capitalization					
Net debt	$ 119.4	$ 106.9	$ 152.1		
Add: Equity	471.1	519.1	461.4		
Capitalization	$ 590.5	$ 626.0	$ 613.5		
Net debt to capitalization	20%	17%	25%		

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 costs to sell of biological 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”, “estimate”, “expect”, “anticipate”, “plan”, “intend”, “believe”, “seek”, “should”, “may”, “likely”, “continue” 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 the Coronavirus pandemic; the timing or anticipated closing of the Transaction; and the selling of additional incremental ownership interest in TFL 44 LP and APD LP 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, international demand for forest products, competition and selling prices, international trade disputes, changes in foreign currency exchange rates, labour disputes and disruptions, natural disasters, relations with First Nations groups, the availability of fibre and allowable annual cut, development and changes in laws and regulations affecting the forest industry, changes in the price of key materials for our products, changes in opportunities, future developments in the Coronavirus pandemic and other factors referenced under the “Risks and Uncertainties” section of our MD&A in our 2019 Annual Report dated February 11, 2020. 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, 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 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 1.1 billion board feet from eight 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:

Friday, November 6, 2020 at 9:00 a.m. PDT (12:00 p.m. EDT)

To participate in the teleconference please dial 416-406-0743 or 1-800-806-5484 (passcode: 3294802#). This call will be taped, available one hour after the teleconference, and on replay until December 7, 2020 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: 3748255#).

For further information, please contact:
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