Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS SOLID FIRST QUARTER RESULTS
Annual meeting of shareholders later this morning

- **Sales of $217.0 million, up 36.7% from $158.8 million a year ago**
- **25.0% increase in net income to $18.8 million, or $1.09 per share, fully diluted, versus $15.0 million, or $0.94 per share, fully diluted, in the prior year**
- **Cash flow from operating activities before changes in non-cash working capital components and interest and income tax paid increased $7.2 million, or 26.3%**

MONTREAL, QUEBEC – May 2, 2013 - Stella-Jones Inc. (TSX: SJ) today announced financial results for its first quarter ended March 31, 2013. This represents the first full quarter that includes the operating results of McFarland Cascade Holdings, Inc. (“McFarland”), acquired on November 30, 2012.

“First-quarter results showed sustained demand for Stella-Jones’ core railway tie and utility pole products, although seasonal patterns proved more normal in 2013, compared to last year. The operating facilities acquired from McFarland produced solid revenues. As anticipated, lower margins from these operations resulted in a reduction of operating income as a percentage of sales. We are progressing according to plan in regards to the integration of McFarland’s activities into our network, as well as with the construction and ramp-up of our new wood treating facility in Cordele, Georgia. These initiatives will further enhance our presence in the market for treated wood products,” said Brian McManus, President and Chief Executive Officer.

Financial highlights (in thousands of Canadian dollars, except per share data)	**Quarters ended March 31,** **2013**	**2012**
Sales	**217,039**	158,795
Operating income	**29,671**	24,090
Net income for the period	**18,757**	15,006
Per share – basic and diluted ($)	**1.09**	0.94
Cash flow from operating activities [1]	**34,339**	27,180
Weighted average shares outstanding (basic, in ‘000s)	**17,169**	15,959

[1] Before changes in non-cash working capital components and interest and income tax paid.

FIRST QUARTER RESULTS

Sales reached $217.0 million, an increase of $58.2 million, or 36.7%, over last year’s sales for the same period of $158.8 million. The operating facilities acquired from McFarland contributed sales of approximately $65.0 million, while the conversion effect from fluctuations in the value of the Canadian dollar, Stella-Jones’ reporting currency, versus the U.S. dollar, had a positive impact of $0.5 million on the value of U.S. dollar denominated sales when compared with the previous year’s first quarter. Excluding these factors, sales decreased approximately $7.3 million, as a result of a slower start for rail related industrial products and more traditional seasonal demand patterns for utility poles and residential lumber in the first quarter of 2013, compared with the same period last year.

Railway tie sales amounted to $96.5 million, an increase of 0.5% over sales of $96.0 million a year earlier, reflecting steady market demand. Utility pole sales amounted to $90.8 million, up from $43.5 million in the corresponding period last year. The increase is mainly attributable to utility pole sales of $50.7 million from the McFarland operations. Industrial product sales reached $11.9 million, compared with $15.2 million last year, mainly as a result of a slower start in rail projects requiring industrial products, as compared to the first quarter of last year. Finally, sales in the residential lumber category totalled $17.9 million, up from $4.2 million a year earlier. The increase reflects additional residential lumber sales of $14.1 million from the McFarland operations.

Operating income amounted to $29.7 million, or 13.7% of sales, versus $24.1 million, or 15.2% of sales a year earlier. The increase in absolute dollars essentially reflects the addition of the McFarland operations, while the decrease as a percentage of sales mainly stems from lower margins at the McFarland facilities.

Net income for the first quarter of 2013 totalled $18.8 million, or $1.09 per share, fully diluted, versus $15.0 million, or $0.94 per share, fully diluted, in the first quarter of 2012, representing a year-over-year increase of 25.0%. Cash flow from operating activities before changes in non-cash working capital components and interest and income tax paid rose 26.3% to $34.3 million.

SOUND FINANCIAL POSITION

As at March 31, 2013, Stella-Jones' financial position remained healthy with total debt of $382.6 million. At that same date, the ratio of total debt to total capitalization was 0.44:1, stable in comparison with December 31, 2012.

Reflecting higher business activity near the end of the first quarter as per historical seasonal demand patterns, accounts receivable rose to $128.5 million as at March 31, 2013, up from $89.6 million three months earlier. Inventories stood at $425.6 million as at March 31, 2013, versus $413.4 million as at December 31, 2012, due to the normal seasonal inventory build-up ahead of peak demand in the second and third quarters.

QUARTERLY DIVIDEND OF $0.20 PER SHARE

On May 1, 2013, the Board of Directors declared a quarterly dividend of $0.20 per common share payable on June 28, 2013 to shareholders of record at the close of business on June 3, 2013.

OUTLOOK

"Stella-Jones' role as a supplier of basic infrastructure will continue to serve us well and we expect demand for our core products to remain healthy for the remainder of 2013. In the short-term, the integration of the McFarland operations into our network and the ramp-up of our new facility in Georgia are our main priorities. We will use our enhanced abilities from an expanded network to better serve our customers and capture new business opportunities. Over the long run, we remain committed to our disciplined approach to network expansion, as well as to unlocking synergies and achieving maximum efficiency from such initiatives. Precise execution of this strategy will create further value for our shareholders," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on Thursday, May 2, 2013, at 1:30 PM Eastern Time. Interested parties can join the call by dialling 647-427-7450 (Toronto or overseas) or 1-888-231-8191 (elsewhere in North America). Parties unable to call in at this time may access a tape recording of the meeting by calling 1-855-859-2056 and entering the passcode 34056092. This tape recording will be available on Thursday, May 2, 2013 as of 5:30 PM Eastern Time until 11:59 PM Eastern Time on Thursday, May 9, 2013.

NON-IFRS FINANCIAL MEASURES

Operating income and cash flow from operations are financial measures not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Management considers these measures to be useful information to assist knowledgeable investors in evaluating the cash generating capabilities of the Company.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is a leading producer and marketer of pressure treated wood products. The Company supplies North America's railroad operators with railway ties, timbers and recycling services; and the continent's electrical utilities and telecommunications companies with utility poles. Stella-Jones also provides industrial products and services for construction and marine applications, as well as residential lumber to retailers and wholesalers for outdoor applications. The Company's common shares are listed on the Toronto Stock Exchange.

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Company's products and services, the impact of price pressures exerted by competitors, the ability of the Company to raise the capital required for acquisitions, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

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EXCHANGE LISTINGS
The Toronto Stock Exchange
Stock Symbol: SJ

TRANSFER AGENT AND REGISTRAR
Computershare Investor Services Inc.

INVESTOR RELATIONS
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NOTICE

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the first quarter ended March 31, 2013 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
May 1, 2013

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
March 31, 2013 and 2012

Stella-Jones Inc.
Interim Consolidated Statements of Financial Position
(Unaudited)

(expressed in thousands of Canadian dollars)

	Note	As at March 31, 2013 $	As at December 31, 2012 $
Assets			
Current assets			
Cash		-	14,000
Accounts receivable		128,529	89,563
Inventories		425,553	413,400
Prepaid expenses		6,381	10,014
Income taxes receivable		4,794	7,886
		565,257	534,863
Non-current assets			
Property, plant and equipment		195,124	189,028
Intangible assets		92,429	93,105
Goodwill		139,065	135,834
Derivative financial instruments	6	560	198
Other assets		2,766	2,835
		995,201	955,863
Liabilities and Shareholders' Equity			
Current liabilities			
Bank indebtedness		-	14,000
Accounts payable and accrued liabilities		61,413	65,836
Current portion of long-term debt	4	910	6,358
Current portion of provisions and other long-term liabilities		3,932	3,862
		66,255	90,056
Non-current liabilities			
Long-term debt	4	381,696	343,250
Deferred income taxes		41,844	38,809
Provisions and other long-term liabilities		8,559	8,297
Employee future benefits		4,846	4,774
Derivative financial instruments	6	1,784	1,926
		504,984	487,112
Shareholders' equity			
Capital stock	5	210,749	210,636
Contributed surplus		1,249	1,229
Retained earnings		279,535	264,211
Accumulated other comprehensive loss		(1,316)	(7,325)
		490,217	468,751
		995,201	955,863

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Change in Shareholders' Equity
(Unaudited)

For the three-month periods ended March 31, 2013 and 2012

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive loss				
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrealized losses on cash flow hedges	Total	Total shareholders' equity
	$	$	$	$	$	$	$	$
Balance – January 1, 2013	210,636	1,229	264,211	(8,950)	2,777	(1,152)	(7,325)	468,751
Comprehensive income								
Net income for the period	-	-	18,757	-	-	-	-	18,757
Other comprehensive income (loss)	-	-	-	11,113	(5,426)	322	6,009	6,009
Comprehensive income for the period	-	-	18,757	11,113	(5,426)	322	6,009	24,766
Dividends on common shares	-	-	(3,433)	-	-	-	-	(3,433)
Stock option plan	-	-	-	-	-	-	-	-
Exercise of stock options	-	-	-	-	-	-	-	-
Employee share purchase plans	113	-	-	-	-	-	-	113
Stock-based compensation	-	20	-	-	-	-	-	20
	113	20	(3,433)	-	-	-	-	(3,300)
Balance – March 31, 2013	210,749	1,249	279,535	2,163	(2,649)	(830)	(1,316)	490,217

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Change in Shareholders' Equity…*continued*

(Unaudited)

For the three-month periods ended March 31, 2013 and 2012

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive loss				
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrealized losses on cash flow hedges	Total	Total shareholders' equity
	$	$	$	$	$	$	$	$
Balance – January 1, 2012	131,272	1,342	201,268	(2,239)	1,046	(777)	(1,970)	331,912
Comprehensive income								
Net income for the period	-	-	15,006	-	-	-	-	15,006
Other comprehensive income (loss)	-	-	-	(5,685)	2,104	315	(3,266)	(3,266)
Comprehensive income for the period	-	-	15,006	(5,685)	2,104	315	(3,266)	11,740
Dividends on common shares	-	-	(2,395)	-	-	-	-	(2,395)
Stock option plan	165	-	-	-	-	-	-	165
Exercise of stock options	-	(54)	-	-	-	-	-	(54)
Employee share purchase plans	101	-	-	-	-	-	-	101
Stock-based compensation	-	32	-	-	-	-	-	32
	266	(22)	(2,395)	-	-	-	-	(2,151)
Balance – March 31, 2012	131,538	1,320	213,879	(7,924)	3,150	(462)	(5,236)	341,501

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Income
(Unaudited)
For the three-month periods ended March 31, 2013 and 2012

(expressed in thousands of Canadian dollars, except earnings per common share)

	Note	2013 $	2012 $
Sales		217,039	158,795
Expenses (income)			
Cost of sales		173,838	125,280
Selling and administrative		13,455	9,485
Other losses (gains), net		75	(60)
		187,368	134,705
Operating income		29,671	24,090
Financial expenses			
Interest on long-term debt		2,731	2,040
		2,731	2,040
Income before income taxes		26,940	22,050
Provision for (recovery of) income taxes			
Current		5,997	7,227
Deferred		2,186	(183)
		8,183	7,044
Net income for the period		18,757	15,006
Basic earnings per common share	5	1.09	0.94
Diluted earnings per common share	5	1.09	0.94

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Comprehensive Income
(Unaudited)
For the three-month periods ended March 31, 2013 and 2012

(expressed in thousands of Canadian dollars)

	2013 $	2012 $
Net income for the period	18,757	15,006
Other comprehensive income (loss)		
Items that may subsequently be reclassified to net income		
Net change in gains (losses) on translation of financial statements of foreign operations	11,113	(5,685)
Change in gains (losses) on translation of long-term debts designated as hedges of net investment in foreign operations	(5,426)	2,207
Income tax on change in gains (losses) on translation of long-term debts designated as hedges of net investment in foreign operations	-	(103)
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	504	456
Income tax on change in gains (losses) on fair value of derivatives designated as cash flow hedges	(182)	(141)
	6,009	(3,266)
Comprehensive income	24,766	11,740

The accompanying notes are an integral part of these interim consolidated financial statements.

Stella-Jones Inc.

Interim Consolidated Statements of Cash Flows
(Unaudited)

For the three-month periods ended March 31, 2013 and 2012

(expressed in thousands of Canadian dollars)

	2013	2012
	$	$
Cash flows provided by (used in)		
Operating activities		
Net income for the period	18,757	15,006
Adjustments for		
Depreciation of property, plant and equipment	1,921	1,232
Amortization of intangible assets	2,283	1,186
Interest accretion	173	193
Gain on disposal of property, plant and equipment	-	(10)
Employee future benefits	15	141
Stock-based compensation	20	32
Financial expenses	2,731	2,040
Income taxes	5,997	7,227
Deferred income taxes	2,186	(183)
Restricted stock units obligation	233	244
Other	23	72
	34,339	27,180
Changes in non-cash working capital components and others		
Accounts receivable	(37,509)	(7,897)
Inventories	(6,752)	(17,370)
Prepaid expenses	3,809	924
Income taxes receivable	(35)	28
Accounts payable and accrued liabilities	(8,466)	2,730
Asset retirement obligations	182	734
Provisions and other long-term liabilities	-	(168)
	(48,771)	(21,019)
Interest paid	(3,055)	(2,202)
Income tax paid	(2,710)	(5,717)
	(20,197)	(1,758)
Financing activities		
Increase (decrease) in bank indebtedness	(14,000)	277
Increase in long-term debt	31,885	3,224
Repayment of long-term debt	(5,638)	(591)
Non-competes payable	(343)	(313)
Proceeds from issuance of common shares	113	212
	12,017	2,809
Investing activities		
Decrease in other assets	85	47
Increase in intangible assets	(91)	(85)
Purchase of property, plant and equipment	(5,814)	(1,013)
	(5,820)	(1,051)
Net change in cash and cash equivalents during the period	(14,000)	-
Cash and cash equivalents – Beginning of period	14,000	-
Cash and cash equivalents – End of period	-	-

The accompanying notes are an integral part of these interim consolidated financial statements.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

1 Description of the business

Stella-Jones Inc. (the “Company”) is a North American producer and marketer of industrial treated wood products, specializing in the production of railway ties and timbers as well as wood poles supplied to electrical utilities and telecommunication companies. The Company manufactures the wood preservative creosote and other coal tar-based products and provides the railroad industry with used tie pickup and disposal services. The Company also provides treated residential lumber products and customized services to lumber retailers and wholesalers for outdoor applications. Other treated wood products include marine and foundation pilings, construction timbers, highway guardrail posts and treated wood for bridges. The Company has treating and pole peeling facilities across Canada and the United States and sells its products primarily in these two countries. The Company’s headquarters are located at 3100 de la Côte-Vertu Blvd., in Saint-Laurent, Quebec, Canada. The Company is incorporated under the *Canada Business Corporations Act*, and its common shares are listed on the Toronto Stock Exchange (“TSX”) under the stock symbol SJ.

2 Significant accounting policies

Basis of presentation

The Company’s condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 1, 2013.

The same accounting policies, methods of computation and presentation have been followed in the preparation of these condensed interim consolidated financial statements as were applied in the annual consolidated financial statements for the year ended December 31, 2012, except as described below in the *Changes in accounting policies* section.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

Principles of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The significant subsidiaries are as follows: Guelph Utility Pole Company Ltd., I.P.B.- W.P.I. International Inc., 4552822 Canada Inc., 4552831 Canada Inc., Stella-Jones Canada Inc., Stella-Jones U.S. Holding Corporation ("SJ Holding"), Stella-Jones Corporation ("SJ Corp"), Stella-Jones U.S. Finance Corporation and Canadalux S.à.r.l. The foreign operations that have a different functional currency from that of the Company are SJ Holding, SJ Corp, Stella-Jones U.S. Finance Corporation and Canadalux S.à.r.l.

Following the acquisition of McFarland Cascade Holdings, Inc. ("MCHI") on November 30, 2012, (Note 3), in addition to MCHI, the Company added the following significant subsidiaries which are foreign operations that have a different functional currency from that of the Company: Electric Mills Wood Preserving LLC, Shelby County Forest Products L.L.C., Cascade Pole and Lumber Company, McFarland Cascade Pole & Lumber Company, L. D. McFarland Company, Limited and Forest Products Research Laboratory, LLC. Also as part of the MCHI acquisition, the Company added the following Canadian significant subsidiaries: Selkirk Forest Products Company, MCP Acquisition Holdings Ltd., Kanaka Creek Pole Company Limited and Selkirk Timber Company.

Changes in accounting policies

The company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements

IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 13, Fair value measurement

IFRS 13, *Fair value measurement,* provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis.

The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

IAS 19, Employee Benefits (amended in 2011)

IAS 19, *Employee Benefits (amended in 2011)*, amends certain accounting requirements for defined benefit plans and termination benefits

IAS 19 (amended in 2011) requires the net defined benefit liability (asset) to be recognized on the balance sheet without any deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in net income when incurred. Expected returns on plan assets are no longer included in post-employment benefits' expense. Instead, post-employment benefits' expense includes the net interest on the net defined benefit liability (asset) calculated using a discount rate based on market yields on high quality bonds. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are recognized in other comprehensive income. The Company continues to immediately recognize in retained earnings all pension adjustments recognized in other comprehensive income.

IAS 19 (amended in 2011) also clarified that benefits are classified as long-term employee benefits if payments are not expected to be made within the next 12 months. The Company has reviewed the classification of its benefits. The standard also requires termination benefits to be recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs. Termination benefits that require future services are required to be recognized over the periods the future services are provided.

The Company adopted these amendments as of January 1, 2013. The adoption of these amendments to pension plans didn't result in any adjustment to the opening equity. The review of the classification of the benefits and the termination benefits didn't result either in any adjustment to the consolidated statement of financial position.

3 Business acquistion

a) On November 30, 2012, the Company completed the acquisition of 100% of the shares of MCHI, a provider of treated wood products based in the state of Washington.

MCHI is a supplier of utility poles, as well as crossarms, piling and crane mats. It is also a provider of treated lumber for outdoor home projects, including composite decking, railings and related accessories. It serves its customer base through four wood treating facilities located in Tacoma, Washington; Eugene, Oregon; Electric Mills, Mississippi and Galloway, British Columbia as well as through an extensive distribution network.

Total cash outlay associated with the acquisition was approximately $230,165 (US$231,647), excluding acquisition costs of approximately $2,979 (US$2,877), recognized in the consolidated statement of income under selling and administrative expenses. This amount includes $162,888 (US$163,936) paid to MCHI's shareholders and $67,277 (US$67,711) used to reimburse MCHI's debts with financial institutions.

The following fair value determination of the assets acquired and liabilities assumed is preliminary and is based on management's best estimates and information known at the time of preparing these consolidated financial statements. This fair value determination is expected to be completed within 12 months of the

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

acquisition date and consequently, significant changes could occur mainly with respect to intangible assets, non-cash working capital, goodwill, consideration payable and deferred income tax. In the first quarter of 2013, no significant adjustments were made to the preliminary fair value determination.

The following is a summary of the assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date. The original transaction was made in U.S. dollars and converted into Canadian dollars as at the acquisition date.

	$
Assets acquired	
Non-cash working capital	153,005
Property, plant and equipment	59,636
Cutting rights	1,159
Customer relationships	27,427
Customer backlog	379
Goodwill	44,873
Deferred income tax assets	1,867
	288,346
Liabilities assumed	
Bank indebtedness	18,500
Accounts payable and accrued liabilities	22,550
Long-term debt	67,277
Site remediation provision	5,910
Employee future benefits	2,765
Deferred income tax liabilities	1,308
Total net assets acquired and liabilities assumed	170,036
Consideration transferred	
Cash	230,165
Payment of long-term debt	(67,277)
Consideration payable	7,148
Consideration transferred for shares	170,036

The Company's valuation of intangible assets has identified customer relationships and customer backlog. The assigned useful lives are 20 years for customer relationships and 4 months for customer backlog. Significant assumptions used in the determination of intangible assets, as defined by management, are year-over-year sales growth, discount rate and operating income before depreciation and amortization margin. Goodwill is amortized and deductible for tax purposes, and represents the future economic value associated with the increased distribution network, acquired workforce and synergies with the Company's operations. For impairment test purposes, goodwill is allocated to cash generating units. In the case of the MCHI acquisition, goodwill is allocated to plants specialized in the treatment of utility poles.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

The fair value of trade receivable, included in non-cash working capital, is $35,527 and the contractual amount is $35,876, of which $349 is expected to be uncollectible.

Consideration payable represents a purchase consideration adjustment related to actual net working capital and certain other assets acquired on closing. As at March 31, 2013, management has not received all information required to finalize the amount payable and therefore it is considered preliminary. Adjustments to the estimated purchase consideration, if any, will affect the amount of goodwill recognized on the acquisition.

Financing for the acquisition was secured through private placements of subscription receipts which successfully closed on November 30, 2012, as well as a draw-down of $152,615 (US$153,598) on the Company's committed revolving credit facility. With respect to the private placements, the Company issued 1,176,500 subscription receipts at a price of $68.00 per subscription receipt for aggregate gross proceeds of $80,002. A syndicate of underwriters took up a private placement of 721,200 subscription receipts and Stella Jones International S.A. purchased 455,300 subscription receipts on a private placement basis. The subscription receipts were exchanged on the basis of one common share of the Company per subscription receipt. Total proceeds net of legal and underwriting fees of the subscription receipts were $77,550. The transaction was recorded at $78,202, net of a deferred income tax adjustment of $652.

4 Long-term debt

On March 31, 2013, the authorized amount under the Company's committed revolving credit facility was increased from $350,000 to $370,000. The Company and SJ Holding, as borrowers, obtained the increase from the syndicate of lenders under the same conditions as the November 21, 2012 agreement.

5 Capital stock

	2013	**2012**
Number of shares outstanding – Beginning of period*	17,168	15,955
Stock option plan*	-	7
Employee share purchase plans*	2	2
Number of shares outstanding – End of period*	17,170	15,964

* Number of shares is presented in thousands.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

a) Capital stock consists of the following:

Authorized
An unlimited number of preferred shares issuable in series
An unlimited number of common shares

b) Earnings per share

The following table provides the reconciliation between basic earnings per common share and diluted earnings per common share:

	2013	2012
Net income applicable to common shares	$18,757	$15,006
Weighted average number of common shares outstanding*	17,169	15,959
Effect of dilutive stock options*	88	65
Weighted average number of diluted common shares outstanding*	17,257	16,024
Basic earnings per common share **	$1.09	$0.94
Diluted earnings per common share **	$1.09	$0.94

* Number of shares is presented in thousands.

** Basic and diluted earnings per common share are presented in dollars per share.

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

6 Fair value measurement and financial instruments

The following table provides information about assets and liabilities measured at fair value in the statement of financial position and categorized by level according to the significance of the inputs used in making the measurements:

	As at March 31, 2013
	Significant other observable inputs (Level 2)
	$
Recurring fair value measurements	
Assets	
Derivatives - Interest rate swap	560
	560
Liabilities	
Derivatives - Interest rate swap	(1,784)
	(1,784)

	As at December 31, 2012
	Significant other observable inputs (Level 2)
	$
Recurring fair value measurements	
Assets	
Derivatives - Interest rate swap	198
	198
Liabilities	
Derivatives - Interest rate swap	(1,926)
	(1,926)

(amounts expressed in thousands of Canadian dollars, except as otherwise indicated)

The fair value of these financial instruments has been determined by obtaining mark-to-market values as at March 31, 2013 from different third parties. This type of measurement falls under Level 2 in the fair value hierarchy as per IFRS 7, *Financial Instruments: Disclosures*. A description of each level of the hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for these assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash equivalents, accounts receivable and accounts payable approximate their carrying values due to their short term nature. The long-term debt had a carrying value of $382,606 (December 31, 2012 – $349,608) and a fair value of $383,063 (December 31, 2012 – $350,194).

7 Seasonality

The Company's operations follow a seasonal pattern, with pole, tie and industrial lumber shipments strongest in the second and third quarters to provide industrial end-users with product for their summer maintenance projects. Consumer lumber sales follow the same seasonal pattern. Inventory levels of railway ties and utility poles are typically highest in the first quarter in advance of the summer shipping season. The first and fourth quarters usually generate similar sales.

8 Segment information

The Company operates within one business segment: the production and sale of pressure treated wood and related services.

9 Subsequent events

On May 1, 2013, the Board of Directors approved a quarterly dividend of $0.20 per common share payable on June 28, 2013 to shareholders of record at the close of business on June 3, 2013.