Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS 2014 FOURTH QUARTER AND ANNUAL RESULTS
Fourteenth consecutive year of growth in net income

- **Sales of $1.25 billion, up 23.6% from $1.01 billion last year**
- **Operating income up 12.3% to $155.7 million, versus $138.7 million in 2013**
- **Net income up 12.2% to $103.8 million, compared to $92.5 million last year**
- **Diluted EPS of $1.50 versus $1.34 a year ago**

Montreal, Quebec – March 13, 2015 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its fourth quarter and fiscal year ended December 31, 2014.

"Driven by healthy demand for its core products and a strong market reach, 2014 marked the fourteenth consecutive year of growth for Stella-Jones. Moreover, a relentless focus on improving the efficiency of our growing network partially mitigated headwinds from the tighter market for untreated railway ties that affected the industry for most of the year. We are pleased with these results which once again confirm Stella-Jones' solid reputation as a leading supplier to its core markets and as an enduring source of value creation for its shareholders," said Brian McManus, President and Chief Executive Officer.

Financial highlights (in millions of Canadian dollars, except per share data)	**Quarters ended Dec. 31,**		**Years ended Dec. 31,**	
	2014	**2013**	**2014**	**2013**
Sales	**289.9**	222.5	**1,249.5**	1,011.3
Operating income	**33.9**	29.5	**155.7**	138.7
Net income for the period	**23.0**	19.7	**103.8**	92.5
Per share - basic ($)	**0.33**	0.29	**1.51**	1.35
Per share - diluted ($)	**0.33**	0.29	**1.50**	1.34
Weighted average shares outstanding (basic, in '000s)	**68,687**	68,693	**68,802**	68,681

2014 RESULTS

Sales reached $1.25 billion, up 23.6% over last year's sales of $1.01 billion. The assets acquired from The Pacific Wood Preserving Companies® ("PWP") on November 15, 2013 contributed additional sales of $43.3 million over a ten-and-a-half-month period in 2014, while the wood treating facilities acquired from Boatright Railroad Products, Inc. ("Boatright") on May 22, 2014 generated sales of $33.4 million. The conversion effect from fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, versus the U.S. dollar, increased the value of U.S. dollar denominated sales by about $59.2 million when compared with the previous year. Excluding these factors, sales increased approximately $102.3 million, or 10.1%.

Railway tie sales amounted to $530.0 million, up 34.5% from $394.0 million last year. Excluding sales from acquisitions and the foreign currency conversion effect, railway tie sales rose approximately 18.1%. Further adjusting for a negative timing effect of about $30.9 million on last year's sales resulting from the transition of a Class 1 railroad customer from a "treating services only" program to a "black-tie" program, year-over-year railway tie sales increased $40.3 million, or 10.2%, as a result of solid market demand from tie replacement programs and increased pricing.

Sales of utility poles reached $470.5 million in 2014, up 15.9% from $405.8 million in 2013. Excluding sales from acquisitions and the conversion effect, sales rose approximately $17.0 million, or 4.0%, reflecting sustained demand from replacement programs for distribution poles and from special projects for transmission poles.

Sales of residential lumber totalled $128.0 million, up from $112.3 million a year earlier, driven by solid demand in Western Canada and the United States due to the general improvement in the North American economy. Industrial product sales stood at $89.4 million, compared with $58.1 million last year, reflecting the contribution from acquisitions and increased sales of rail-related industrial products. Finally, non-pole-quality log sales were $31.6 million, down from $41.1 million a year ago due to the timing of timber harvesting.

Operating income rose 12.3% to $155.7 million, or 12.5% of sales, versus $138.7 million, or 13.7% of sales, last year. The reduction as a percentage of sales stems primarily from higher year-over-year costs for untreated railway ties. These factors were partially offset by greater efficiencies throughout the Company's plant network.

Net income for the year increased 12.2% to $103.8 million or $1.50 per share, fully diluted, compared with $92.5 million or $1.34 per share, fully diluted, in 2013.

FOURTH QUARTER RESULTS

Sales amounted to $289.9 million, up 30.3% from $222.5 million for the same period last year. The Boatright facilities contributed sales of $17.7 million, while assets acquired from PWP generated additional sales of $7.0 million over a 45-day period. The conversion effect from fluctuations in the value of the Canadian dollar, versus the U.S. dollar, increased the value of U.S. dollar denominated sales by $16.1 million when compared with last year. Excluding these factors, sales increased approximately $26.6 million, or 12.0%.

Sales of railway ties reached $131.1 million, versus $78.3 million last year. Excluding sales from acquisitions and the conversion effect, sales rose $27.1 million, or 34.7%. Further adjusting for a negative timing effect of approximately $13.4 million on last year's railway tie sales resulting from the program transition of a Class 1 railroad customer, year-over-year railway tie sales increased $13.7 million, or 17.5% as a result of solid market demand and price increases. Utility pole sales rose $6.7 million, or 6.2% to $113.8 million. Excluding sales from acquisitions and the conversion effect, sales declined by approximately $4.1 million due to the year-over-year timing difference for certain orders. Residential lumber sales reached $17.9 million, up from $13.8 million last year, driven by solid demand in most markets. Industrial product sales were $18.7 million, versus $12.7 million a year ago, as a result of acquisitions and higher sales of rail-related products. Finally, non-pole-quality log sales stood at $8.4 million, down from $10.6 million last year due to the timing of timber harvesting.

Operating income was $33.9 million, or 11.7% of sales, versus $29.5 million, or 13.3% of sales, last year. The variation as a percentage of sales reflects a less favourable year-over-year product mix, more heavily weighted towards railway ties in 2014, partially offset by greater efficiencies throughout the Company's plant network. During the fourth quarter, the Company has continued to adjust its railway tie selling prices, as permitted in most of the multi-year contracts.

Net income for the period rose 16.6% to $23.0 million, or $0.33 per share, fully diluted, compared with $19.7 million, or $0.29 per share, fully diluted, last year.

SOLID FINANCIAL POSITION

As at December 31, 2014, the Company's long-term debt, including the current portion, stood at $444.6 million compared with $372.9 million at the end of 2013. The increase essentially reflects additional long-term debt to finance the acquisition of Boatright and the effect of local currency translation on U.S. dollar denominated long-term debt. Despite this acquisition, Stella-Jones total debt to total capitalization ratio of 0.39:1 as at December 31, 2014 was stable from a year earlier.

Subsequent to year end, on March 3, 2015, the existing revolving credit agreement was amended and restated to make available a committed revolving credit facility in the amount of US$450.0 million, versus Cdn$450.0 million previously. Conditions and the maturity date of December 13, 2018 remain unchanged.

QUARTERLY DIVIDEND OF $0.08 PER SHARE

On March 12, 2015, the Board of Directors approved a quarterly dividend of $0.08 per common share payable on April 30, 2015 to shareholders of record at the close of business on April 2, 2015.

OUTLOOK

"As economic activity remains healthy in most of our markets, we expect solid demand for our core products in 2015 and we are planning further capacity additions to our network to meet future demand. We believe that lower oil prices will have a slightly favourable effect on Stella-Jones' overall business, as a reduction in the cost of certain raw materials should more than offset potential delays on certain projects requiring our core products. As conditions in the untreated railway tie market stabilized in late 2014, product availability has returned to more appropriate levels. Therefore, consistent supply in the coming months will be an important factor in rebuilding inventory. We believe the strength of our procurement network should allow Stella-Jones to meet demand at the most optimal cost," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on March 13, 2015, at 10:00 AM Eastern Time. Interested parties can join the call by dialing 647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a tape recording of the meeting by calling 1-800-585-8367 and entering the passcode 68345709. This tape recording will be available on Friday, March 13, 2015 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Friday, March 20, 2015.

NON-IFRS FINANCIAL MEASURES

Operating income and cash flow from operating activities before changes in non-cash working capital components and interest and income tax paid are financial measures not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Management considers these non-IFRS measures to be useful information to assist knowledgeable investors regarding the Company's financial condition and results of operations as they provide additional measures of its performance.

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 and timbers, and the continent's electrical utilities and telecommunication companies with utility poles. Stella-Jones also provides residential lumber to retailers and wholesalers for outdoor applications, as well as industrial products for construction and marine applications. The Company's common shares are listed on the Toronto Stock Exchange.

HEAD OFFICE 3100 de la Côte-Vertu Blvd. Suite 300 Saint-Laurent, Québec H4R 2J8 Tel.: (514) 934-8666 Fax: (514) 934-5327	**EXCHANGE LISTINGS** The Toronto Stock Exchange Stock Symbol: SJ **TRANSFER AGENT AND REGISTRAR** Computershare Investor Services Inc.	**INVESTOR RELATIONS** Éric Vachon Senior Vice-President and Chief Financial Officer Tel.: (514) 940-3903 Fax: (514) 934-5327 evachon@stella-jones.com

NOTICE

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the fourth quarter ended December 31, 2014 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
March 12, 2015

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
December 31, 2014 and 2013

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

(expressed in thousands of Canadian dollars)

	Note	As at December 31, 2014 $	As at December 31, 2013 $
Assets			
Current assets			
Cash	3	-	3,191
Accounts receivable		127,545	107,987
Inventories		547,215	458,616
Prepaid expenses		20,750	12,102
Income taxes receivable		1,986	-
		697,496	581,896
Non-current assets			
Property, plant and equipment		281,607	234,234
Intangible assets		110,325	93,988
Goodwill		195,015	156,208
Derivative financial instruments	6	1,423	2,119
Other assets		1,630	3,478
		1,287,496	1,071,923
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		69,719	58,054
Income taxes payable		-	1,007
Current portion of long-term debt	4	5,754	2,732
Current portion of provisions and other long-term liabilities		6,939	3,060
		82,412	64,853
Non-current liabilities			
Long-term debt	4	438,803	370,159
Deferred income taxes		54,173	46,200
Provisions and other long-term liabilities		14,027	13,671
Employee future benefits		5,104	3,724
Derivative financial instruments	6	706	1,133
		595,225	499,740
Shareholders' equity			
Capital stock	5	213,858	211,162
Contributed surplus		954	1,353
Retained earnings		427,834	345,532
Accumulated other comprehensive gain		49,625	14,136
		692,271	572,183
		1,287,496	1,071,923

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 twelve-month periods ended December 31, 2014 and 2013

(expressed in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive gain: Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrealized gains on cash flow hedges	Total	Total shareholders' equity
	$	$	$	$	$	$	$	$
Balance – January 1, 2014	211,162	1,353	345,532	29,214	(15,844)	766	14,136	572,183
Comprehensive income (loss)								
Net income for the period	-	-	103,847	-	-	-	-	103,847
Other comprehensive loss	-	-	(2,278)	60,468	(24,763)	(216)	35,489	33,211
Comprehensive income (loss) for the period	-	-	101,569	60,468	(24,763)	(216)	35,489	137,058
Dividends on common shares	-	-	(19,267)	-	-	-	-	(19,267)
Exercise of stock options	1,758	(504)	-	-	-	-	-	1,254
Employee share purchase plans	938	-	-	-	-	-	-	938
Stock-based compensation	-	105	-	-	-	-	-	105
	2,696	(399)	(19,267)	-	-	-	-	(16,970)
Balance – December 31, 2014	213,858	954	427,834	89,682	(40,607)	550	49,625	692,271

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 twelve-month periods ended December 31, 2014 and 2013

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive gain				
	Capital stock	**Contributed surplus**	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term debts designated as net investment hedges**	**Unrealized gains (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 (loss)								
Net income for the period	-	-	92,536	-	-	-	-	92,536
Other comprehensive income (loss)	-	-	2,522	38,164	(18,621)	1,918	21,461	23,983
Comprehensive income (loss) for the period	-	-	95,058	38,164	(18,621)	1,918	21,461	116,519
Dividends on common shares	-	-	(13,737)	-	-	-	-	(13,737)
Employee share purchase plans	526	-	-	-	-	-	-	526
Stock-based compensation	-	124	-	-	-	-	-	124
	526	124	(13,737)	-	-	-	-	(13,087)
Balance – December 31, 2013	211,162	1,353	345,532	29,214	(15,844)	766	14,136	572,183

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

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

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

	Note	For the three-month periods ended December 31, 2014 $	2013 $	For the twelve-month periods ended December 31, 2014 $	2013 $
Sales		289,914	222,512	1,249,493	1,011,290
Expenses (income)					
Cost of sales		238,496	179,310	1,025,317	813,959
Selling and administrative		19,221	14,646	69,114	57,166
Other losses (gains), net		(1,664)	(963)	(643)	1,466
		256,053	192,993	1,093,788	872,591
Operating income		33,861	29,519	155,705	138,699
Financial expenses		3,802	2,934	13,007	10,892
Income before income taxes		30,059	26,585	142,698	127,807
Provision for (recovery of) income taxes					
Current		(1,280)	4,629	33,937	32,545
Deferred		8,372	2,266	4,914	2,726
		7,092	6,895	38,851	35,271
Net income for the period		22,967	19,690	103,847	92,536
Basic earnings per common share	5	0.33	0.29	1.51	1.35
Diluted earnings per common share	5	0.33	0.29	1.50	1.34

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

Stella-Jones Inc.

Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(expressed in thousands of Canadian dollars)

	For the three-month periods ended December 31,		For the twelve-month periods ended December 31,	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Net income for the period	22,967	19,690	103,847	92,536
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	28,402	19,555	65,792	38,164
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	(11,608)	(9,008)	(28,440)	(18,113)
Income taxes on change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations and translation of foreign operations	(826)	(504)	(1,647)	(508)
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	(663)	353	(270)	2,715
Income taxes on change in gains (losses) on fair value of derivatives designated as cash flow hedges	179	(104)	54	(797)
Items that will not subsequently be reclassified to net income				
Change in actuarial gains (losses) on post-retirement benefit obligations	(1,660)	(305)	(3,342)	3,543
Income taxes on change in actuarial gains (losses) on post-retirement benefit obligations	622	90	1,064	(1,021)
	14,446	10,077	33,211	23,983
Comprehensive income	37,413	29,767	137,058	116,519

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 twelve-month periods ended December 31, 2014 and 2013

(expressed in thousands of Canadian dollars)

	Note	2014	2013
		$	$
Cash flows provided by (used in)			
Operating activities			
Net income for the period		103,847	92,536
Adjustments for			
Depreciation of property, plant and equipment		9,691	7,760
Amortization of intangible assets		10,885	8,562
Interest accretion		1,267	492
Loss (gain) on disposal of assets		(221)	2,173
Employee future benefits		(155)	320
Stock-based compensation		105	124
Financial expenses		11,740	10,892
Income taxes		33,937	32,545
Deferred income taxes		4,914	2,726
Restricted stock units expense		5,015	2,593
Other		441	(92)
		181,466	160,631
Changes in non-cash working capital components and others			
Accounts receivable		(5,828)	(4,663)
Inventories		(48,163)	(8,438)
Prepaid expenses		(7,306)	(1,481)
Income taxes receivable		362	(348)
Accounts payable and accrued liabilities		12,755	(10,376)
Asset retirement obligations		(4,525)	1,099
Provisions and other long-term liabilities		168	(50)
		(52,537)	(24,257)
Interest paid		(14,928)	(9,075)
Income taxes paid		(37,071)	(23,081)
		76,930	104,218
Financing activities			
Decrease in bank indebtedness		-	(14,000)
Increase in deferred financing costs		(160)	(364)
Increase in long-term debt		26,776	4,814
Repayment of long-term debt		(3,543)	(9,328)
Non-competes payable		(947)	(1,694)
Dividend on common shares		(19,267)	(13,737)
Proceeds from issuance of common shares		2,192	526
		5,051	(33,783)
Investing activities			
Decrease in other assets		11	529
Business acquisition	3	(61,051)	(57,538)
Increase in intangible assets		(412)	(466)
Purchase of property, plant and equipment		(24,214)	(26,157)
Proceeds from disposal of assets		494	2,388
		(85,172)	(81,244)
Net change in cash and cash equivalents during the period		(3,191)	(10,809)
Cash and cash equivalents – Beginning of period		3,191	14,000
Cash and cash equivalents – End of period		-	3,191

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 leading producer and marketer of pressure treated wood products. The Company supplies North America’s railroad operators with railway ties and timbers, and the continent’s electrical utilities and telecommunication companies with utility poles. Stella-Jones Inc. also provides residential lumber and customized services to retailers and wholesalers for outdoor applications, as well as industrial products which include marine and foundation pilings, construction timbers, wood for bridges and coal tar based products. 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”) and Chartered Professional Accountants Canada Handbook Part I, 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 March 12, 2015.

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, 2013, 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, 2013, 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 Company owns 100% of the equity interest of its subsidiaries.

The significant subsidiaries are as follows:

Subsidiary	Parent	Country of incorporation
Guelph Utility Pole Company Ltd.	Stella-Jones Inc.	Canada
4552822 Canada Inc.	Stella-Jones Inc.	Canada
4552831 Canada Inc.	Stella-Jones Inc.	Canada
Stella-Jones Canada Inc.	Stella-Jones Inc.	Canada
Stella-Jones U.S. Holding Corporation ("SJ Holding")	Stella-Jones Inc.	United States
Stella-Jones U.S. Finance Corporation	Stella-Jones U.S. Holding Corporation	United States
Stella-Jones Corporation	Stella-Jones U.S. Holding Corporation	United States
McFarland Cascade Holdings, Inc.	Stella-Jones Corporation	United States
Electric Mills Wood Preserving LLC	McFarland Cascade Holdings, Inc.	United States
Cascade Pole and Lumber Company	McFarland Cascade Holdings, Inc.	United States
McFarland Cascade Pole & Lumber Company	McFarland Cascade Holdings, Inc.	United States
Canadalux S.à.r.l.	4552822 Canada Inc.	Luxembourg

On January 1, 2014, Stella-Jones Canada Inc., Selkirk Forest Products Company, MCP Acquisition Holdings Ltd., Kanaka Creek Pole Company Limited and Selkirk Timber Company merged and the surviving corporation was Stella-Jones Canada Inc. On the same day, Stella-Jones Inc. and I.P.B. – W.P.I. International Inc. merged and the surviving corporation was Stella-Jones Inc.

On January 1, 2015, Stella-Jones Inc., Guelph Utility Pole Company Ltd. and Stella-Jones Canada Inc. merged and the surviving corporation was Stella-Jones Inc.

Changes in accounting policies

Non-pole-quality log sales

The Company has increasingly been ensuring its own pole sourcing and, as a result, non-pole-quality log sales have become more significant to the consolidated operations. Accordingly, the Company believes it is more representative to treat the sale of non-pole-quality logs as a joint product of its pole harvesting efforts and no longer as a by-product. Therefore, effective January 1, 2014, sales of non-pole-quality logs are presented under revenues in the consolidated statement of income and are no longer credited to cost of sales. The comparative figures have been restated to comply with the current year's presentation. The amount of non-pole-quality logs recognized as revenue for the twelve-month period ended December 31, 2014 was $31,591 ($41,141 for 2013) and $8,417 for the three-month period ended December 31, 2014 ($10,648 for 2013).

The Company has also adopted the following new and revised standards, along with any consequential

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

amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 - Financial Instruments: Presentation

The IAS 32 amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position.

The current offsetting model in IAS 32 requires an entity to offset a financial asset and financial liability only when the entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The amendments clarify that the right of set-off must be available immediately and legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

The adoption of this revised standard had no significant impact on the Company's consolidated financial statements.

IFRIC 21 - Levies

In May 2013, the IASB issued IFRIC 21, *Levies*, which is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on the accounting of levies imposed by governments. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. The Company adopted this new standard as at January 1, 2014 and this change had no significant impact on the Company's consolidated financial statements.

Impact of accounting pronouncements not yet implemented

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and other revenue related interpretations. The standard will be effective on January 1, 2017 for the Company with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 9 - Financial Instruments

In July 2014, the IASB amended IFRS 9, *Financial Instruments*, to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard supersedes all previous versions of IFRS 9 and will be effective on January 1, 2018 for the Company with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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

3 Business acquisition

a) On May 22, 2014, the Company completed, through its wholly-owned U.S. subsidiaries, the acquisition of substantially all of the operating assets employed in the wood treating facilities of Boatright Railroad Products, Inc. ("Boatright") located in Montevallo and Clanton, Alabama. These facilities manufacture, sell and distribute creosote and borate-treated crossties as well as switch ties, tie plugs and bridge timbers to the railroad industry and was acquired for synergistic reasons.

Total cash outlay associated with the acquisition was approximately $58,830 (US$53,898), excluding acquisition costs of approximately $753 (US$690), recognized in the interim consolidated statement of income under selling and administrative expenses.

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 interim consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to intangible assets, goodwill and deferred income taxes.

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	**$**
Inventories	9,718
Property, plant and equipment	22,527
Customer relationships	17,486
Customer backlog	1,463
Goodwill	23,316
Deferred income tax assets	935
	75,445
Liabilities assumed	
Accounts payable and accrued liabilities	160
Site remediation provision	3,029
Total net assets acquired and liabilities assumed	72,256
Consideration transferred	
Cash	58,830
Unsecured promissory note	13,426
Consideration transferred	72,256

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

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 6 months for customer backlog. Significant assumptions used in the determination of intangible assets, as defined by Management, include year-over-year sales growth, discount rate and operating income before depreciation and amortization margin. Goodwill is amortized and deductible for U.S. 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, which are defined as either plants specialized in the treatment of utility poles or plants specialized in the treatment of railway ties. In the case of the Boatright acquisition, goodwill is allocated to plants specialized in the treatment of railway ties.

As of the acquisition date, the Company had a consideration payable of $21,830 (US$20,000), that was recorded under accounts payable and accrued liabilities in the consolidated statement of financial position. This consideration payable was the counterpart of a cash amount held in escrow pending the formal title transfer of the Montevallo plant assets, which was planned to occur concurrently with the issue, to the Company, of certain governmental permits relating to the facility. The balance held in escrow was recorded under restricted cash in the consolidated statement of financial position. In December 2014, the consideration payable was settled.

The Company financed the acquisition through a combination of its existing committed revolving credit facility, which was increased from $400,000 to $450,000 as at May 12, 2014, and an unsecured promissory note of $15,466 (US$14,169), bearing interest at 1.93% and repayable in 5 equal instalments over a 5-year period. The unsecured promissory note was fair-valued at $13,426 (US$12,301), using an interest rate of 7.0%.

In the period from May 22 to December 31, 2014, Montevallo and Clanton plant sales and loss before income taxes amounted to $33,589 and $211, respectively. Pro forma information for the period ended December 31, 2014, had the Boatright acquisition occurred as of January 1, 2014, cannot be estimated as Management does not have all the required discrete financial information for the first four months of the year.

b) On November 15, 2013 the Company completed, through its wholly-owned U.S. subsidiaries, the acquisition of substantially all of the operating assets employed in the businesses of Arizona Pacific Wood Preserving, Inc., Nevada Wood Preserving, Inc. and Pacific Wood Preserving of Oregon, Inc. (commonly referred to as The Pacific Wood Preserving Companies® ["PWP"]) conducted at their wood treating plants in Oregon, Nevada and Arizona and their wood concentration yard in Texas. These businesses consist of the manufacture of treated wood utility poles and railway ties, along with a variety of lumber related products and were acquired for synergistic reasons.

Total cash outlay associated with the acquisition was $51,071 (US$48,886), excluding acquisition costs of approximately $1,245 (US$1,207), recognized in the interim consolidated statement of income under selling and administrative expenses.

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

The following fair value determination of the assets acquired and liabilities assumed is based on Management's best estimates. No significant adjustment were made to the preliminary fair value determination.

The following is a final 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	25,663
Property, plant and equipment	19,591
Customer relationships	4,712
Customer backlog	146
Goodwill	10,374
Deferred income tax assets	89
	60,575
Liabilities assumed	
Accounts payable and accrued liabilities	1,249
Site remediation provision	1,710
Total net assets acquired and liabilities assumed	57,616
Consideration transferred	
Cash	51,071
Unsecured promissory note	6,545
Consideration transferred	57,616

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, include year-over-year sales growth, discount rate and operating income before depreciation and amortization margin. Goodwill is amortized and deductible for U.S. 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 which are defined as either plants specialized in the treatment of utility poles or plants specialized in the treatment of railway ties. In the case of the PWP acquisition, goodwill values of $9,483 and $891 are allocated to

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

plants specialized in the treatment of utility poles and plants specialized in the treatment of railway ties, respectively.

The fair value of trade receivables, included in non-cash working capital, was $8,737.

As at December 31, 2013, the Company had a consideration payable for the purchase of certain assets of the Nevada plant and an equivalent amount of $3,191 (US$3,000) deposited in escrow that was recorded under cash in the consolidated statement of financial position. On February 5, 2014, the consideration payable was settled.

The Company financed the acquisition through a combination of its existing committed revolving credit facility and an unsecured promissory note of $7,281 (US$6,969), bearing interest at 0.27% and repayable in 12 equal instalments over a 3-year period. The unsecured promissory note was fair-valued at $6,545 (US$6,265), using an interest rate of 7.0%.

4 Long-term debt

On May 12, 2014, the authorized amount under the Company’s committed revolving credit facility was increased from $400,000 to $450,000. The Company and SJ Holding, as borrowers, obtained the increase from the syndicate of lenders substantially under the same conditions as the December 13, 2013 agreement.

5 Capital stock

The following table provides the number of common share outstanding for the periods ending December 31:

	2014	**2013**
Number of common shares outstanding – Beginning of period*	68,697	68,674
Stock option plan*	222	-
Employee share purchase plans*	30	23
Number of common shares outstanding – End of period*	68,949	68,697

* Number of common 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

The following table provides the reconciliation, as at December 31, between basic earnings per common share and diluted earnings per common share:

	For the three-month periods ended December 31,		For the twelve-month periods ended December 31,	
	2014	**2013**	**2014**	**2013**
Net income applicable to common shares	$22,967	$19,690	$103,847	$92,536
Weighted average number of common shares outstanding*	68,687	68,693	68,802	68,681
Effect of dilutive stock options*	232	393	225	372
Weighted average number of diluted common shares outstanding*	68,919	69,086	69,027	69,053
Basic earnings per common share **	$0.33	$0.29	$1.51	$1.35
Diluted earnings per common share **	$0.33	$0.29	$1.50	$1.34

* 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 December 31, 2014	As at December 31, 2013
	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 2)
	$	$
Recurring fair value measurements		
Assets		
Derivatives - Interest rate swap	1,423	2,119
	1,423	2,119
Liabilities		
Derivatives - Interest rate swap	706	1,133
	706	1,133

The fair value of these financial instruments has been estimated using the discounted future cash flow method and has been classified as Level 2 in the fair value hierarchy as per IFRS 7, *Financial Instruments: Disclosures*, as it is based mainly on observable market data, namely government bond yields and interest rates. 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 statement of financial position are represented by cash, restricted 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 $444,557 (December 31, 2013 – $372,891) and a fair value of $444,575 (December 31, 2013 – $373,231).

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

7 Seasonality

The Company's operations follow a seasonal pattern, with utility pole, railway tie and industrial product shipments strongest in the second and third quarters to provide industrial end-users with product for their summer maintenance projects. Residential 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 which is the production and sale of pressure treated wood and related services.

9 Subsequent events

a) On March 3, 2015, the Company and SJ Holding, as borrowers, entered into an agreement to amend and restate in its entirety their existing revolving credit agreement dated November 21, 2012. This fourth restated and amended agreement makes available a committed revolving credit facility in the amount of US$450,000 (previously $450,000) with conditions similar to the third restated and amended agreement. The maturity date of December 13, 2018 remains unchanged.

b) On March 12, 2015, the Board of Directors approved a quarterly dividend of $0.08 per common share payable on April 30**,** 2015 to shareholders of record at the close of business on April 2, 2015.