Source: **Stella-Jones Inc.**

Contacts: **Éric Vachon, CPA, CA**
Senior Vice-President and
Chief Financial Officer
Tel.: (514) 940-3903
evachon@stella-jones.com

Pierre Boucher, CPA, CMA
Jennifer McCaughey, CFA
MaisonBrison Communications
Tel.: (514) 731-0000
pierre@maisonbrison.com
jennifer@maisonbrison.com

STELLA-JONES REPORTS 2019 FIRST QUARTER RESULTS

Annual meeting of shareholders later this morning

- **Sales increased 10.5% to $440.7 million**
- **EBITDA up 45% to $63.8 million, explained by increased margins as well as by the adoption of IFRS 16 and a non-cash mark-to-market gain of $4.4 million on derivative commodity contracts**
- **Net income and diluted EPS increased to $29.5 million and $0.43 per share**
- **Acquired Shelburne Wood Protection Ltd., located in Ontario, following the end of the quarter**

On January 1, 2019, the Company retrospectively adopted IFRS 16, Leases, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. For the three-month period ended March 31, 2019, instead of lease expenses, $7.8 million in right-of-use asset depreciation and $1.0 million in financing expenses were recorded in the consolidated statement of income. Please refer to the impact of new accounting pronouncements and interpretation section of the quarterly Management's Discussion and Analysis for further details.

Montreal, Quebec – May 2, 2019 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its first quarter ended March 31, 2019.

"First quarter results demonstrated strong sales and profitability growth, which were primarily driven by the sales price and market demand increases in the utility pole and railway tie product categories, as well as acquisitions completed last year combined with the currency conversion effect. These factors were partially offset by lower lumber costs which impacted sales in the residential lumber and logs and lumber product categories. We continued to follow our strategy of continental expansion, having completed a tuck-in acquisition in Ontario in April which further expands our network of residential lumber treating facilities in Canada. Stella-Jones continues to build on its healthy financial position. Looking forward, we expect to generate higher year-over-year sales and margin improvement over last year. As always, we will continue to remain focused on optimizing our operations across the organization while diligently seeking market opportunities in all product categories," said Brian McManus, President and Chief Executive Officer.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	**Q1-19**	**Q1-18**
Sales	440.7	398.8
EBITDA	63.8	44.0
EBITDA margin (%)	14.5%	11.0%
Operating income	45.7	35.5
Net income for the period	29.5	23.1
Per share – basic and diluted ($)	0.43	0.33
Weighted average shares outstanding (basic, in '000s)	69,136	69,343

FIRST QUARTER RESULTS

Sales for the first quarter of 2019 reached $440.7 million, up 10.5% versus sales of $398.8 million for the corresponding period last year. Acquisitions completed in 2018 contributed sales of approximately $11.6 million, while the currency conversion effect had a positive impact of $18.6 million. Excluding these factors, sales increased approximately $11.7 million, or 2.9%.

Utility pole sales reached $170.5 million in the first quarter of 2019, up 11.5% from sales of $153.0 million for the corresponding period last year. Acquisitions completed in 2018 contributed sales of $0.5 million, while the currency conversion effect increased sales by about $7.6 million. Excluding the contribution from acquisitions and the currency conversion effect, utility pole sales increased approximately $9.4 million, or 6.2%, primarily driven by increased sales prices coupled with a healthy demand in the South East United States.

Railway tie sales for the first quarter of 2019 amounted to $161.4 million, representing an increase of 10.2%, from sales of $146.4 million in the corresponding period last year. The currency conversion effect increased sales by about $8.4 million. Excluding the currency conversion effect, railway tie sales increased approximately $6.6 million, or 4.5%, primarily as a result of price increases.

Sales in the residential lumber category totalled $57.6 million in the first quarter of 2019, up 14.6% from sales of $50.3 million in the corresponding period last year. Acquisitions completed in 2018 contributed sales of approximately $7.3 million, while the currency conversion effect increased sales by about $1.4 million. Excluding these factors, residential lumber sales decreased approximately $1.4 million. This variance is primarily explained by lower demand due to unfavourable weather conditions in the Eastern Canada and Eastern United States regions as well as reduced selling prices due to lower lumber costs.

Industrial product sales reached $25.5 million in the first quarter of 2019, compared with $20.8 million last year. Acquisitions completed in 2018 contributed sales of approximately $3.8 million, while the currency conversion effect increased sales by about $0.9 million. Excluding the contribution from acquisitions and the currency conversion effect, sales were stable.

Sales in the logs and lumber product category totalled $25.7 million in the first quarter of 2019, compared with $28.3 million in the corresponding period last year. Excluding the contribution from acquisitions completed in 2018 and the currency conversion effect, sales for this product category decreased by $2.9 million. This variance is a result of reduced selling prices due to lower lumber costs, coupled with decreased lumber transaction volumes. These factors were partially offset by stronger log sales generated as part of the increased harvesting activities to procure raw material to support robust pole sales.

Operating income was $45.7 million, or 10.4% of sales, compared with $35.5 million, or 8.9% of sales, in the first quarter of the previous year. The increase versus last year is explained by greater sales volumes, improving margins and a non-cash mark-to-market gain on derivative commodity contracts.

Net income for the first quarter of 2019 reached $29.5 million, or $0.43 per diluted share, versus net income of $23.1 million, or $0.33 per diluted share, in the corresponding period last year.

SUBSEQUENT EVENT

On April 1, 2019, the Company completed the acquisition of substantially all of the assets of Shelburne Wood Protection Ltd. (“SWP”), located in Shelburne, Ontario. The SWP plant is specialized in the treatment of residential lumber. The total consideration for the acquisition was approximately $9.2 million of which $8.5 million was financed through the Company’s syndicated credit facilities and $0.7 million was recorded as a balance of purchase price. The balance of purchase price bears no interest, will be paid to the seller in two equal amounts on the first and second anniversary of the transaction and was recorded at fair value using an effective interest rate of 3.31%. The SWP acquisition will be accounted as an acquisition of a group of assets.

SOLID FINANCIAL POSITION

As at March 31, 2019, the Company's long-term debt, including the current portion, stood at $601.7 million compared with $513.5 million as at December 31, 2018. The increase mainly reflects higher working capital requirements, as per normal seasonal demand patterns, partially offset by the effect of local currency translation on U.S. dollar denominated long-term debt.

QUARTERLY DIVIDEND

On May 1, 2019, the Board of Directors declared a quarterly dividend of $0.14 per common share, payable on June 27, 2019 to shareholders of record at the close of business on June 6, 2019. This dividend is designated to be an eligible dividend.

NORMAL COURSE ISSUER BID

In the three-month period ended March 31, 2019, as part of its Normal Course Issuer Bid, the Company repurchased 146,000 common shares for cancellation in consideration of $5.8 million. Since the launch of the Normal Course Issuer Bid on December 20, 2018, the Company repurchased 251,000 common shares for cancellation in consideration of $9.8 million.

OUTLOOK

The outlook remains unchanged. Management expects higher year-over-year sales, based on current market conditions, assuming stable currencies and the current level of lumber prices. This increase is driven by stronger pricing for railway ties and utility poles as well as increased market reach for the residential lumber and utility pole product categories. Management also expects improved year-over-year margins across all product categories. Higher margins will be primarily driven by increased pricing and volume for railway ties coupled with improved product mix for utility poles. Furthermore, it is important to note that the 2019 EBITDA will be positively impacted by the adoption of IFRS 16.

For additional details per product category, please refer to the Management's Discussion and Analysis for the quarter.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on May 2, 2019, at 1:30 PM Eastern Time. Interested parties can join the call by dialing 1-647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-585-8367 and entering the passcode 3329309. This recording will be available on Thursday, May 2, 2019 as of 4:30 PM Eastern Time until 11:59 PM Eastern Time on Thursday, May 9, 2019.

NON-IFRS FINANCIAL MEASURES

EBITDA (operating income before depreciation of property, plant and equipment and amortization of intangible assets), operating income and operating margins 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 it provides an additional measure of its performance. Please refer to the non-IFRS financial measures section in the Management's Discussion and Analysis.

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 manufactures and distributes residential lumber and accessories to retailers 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.

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.

- 30 -

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 first quarter ended March 31, 2019 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
May 1, 2019

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
March 31, 2019 and 2018

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

(expressed in thousands of Canadian dollars)

	Note	As at March 31, 2019 $	As at December 31, 2018 $
Assets			
Current assets			
Accounts receivable		249,071	192,380
Inventories		904,740	838,558
Income taxes receivable		1,398	1,882
Other current assets		34,446	35,567
		1,189,655	1,068,387
Non-current assets			
Property, plant and equipment		544,811	551,785
Right-of-use assets	2	115,122	-
Intangible assets		125,226	131,658
Goodwill		292,567	298,270
Derivative financial instruments	4	5,312	7,545
Other non-current assets		4,670	4,559
		2,277,363	2,062,204
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		152,013	133,259
Derivative financial instruments	4	1,566	4,381
Current portion of long-term debt		9,603	9,714
Current portion of lease liabilities	2	26,609	-
Current portion of provisions and other long-term liabilities		11,831	12,016
		201,622	159,370
Non-current liabilities			
Long-term debt		592,134	503,767
Lease liabilities	2	88,167	-
Deferred income taxes		93,110	92,557
Provisions and other long-term liabilities		14,877	13,959
Employee future benefits		8,943	7,393
Derivative financial instruments	4	1,746	3,748
		1,000,599	780,794
Shareholders' equity			
Capital stock	3	221,288	221,328
Contributed surplus		375	348
Retained earnings		923,920	909,060
Accumulated other comprehensive income		131,181	150,674
		1,276,764	1,281,410
		2,277,363	2,062,204
Subsequent events	7		

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, 2019 and 2018

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive income				
	Capital stock	**Contributed surplus**	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term debts designated as net investment hedges**	**Unrealized gains on cash hedges**	**Total**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance – January 1, 2019	221,328	348	909,060	252,149	(107,023)	5,548	150,674	1,281,410
Comprehensive income (loss)								
Net income for the period	-	-	29,457	-	-	-	-	29,457
Other comprehensive income (loss)	-	-	(1,129)	(25,523)	7,672	(1,642)	(19,493)	(20,622)
Comprehensive income (loss) for the period	-	-	28,328	(25,523)	7,672	(1,642)	(19,493)	8,835
Dividends on common shares	-	-	(9,678)	-	-	-	-	(9,678)
Employee share purchase plans	293	-	-	-	-	-	-	293
Repurchase of common shares (note 3)	(333)	-	(3,790)	-	-	-	-	(4,123)
Share-based compensation	-	27	-	-	-	-	-	27
	(40)	27	(13,468)	-	-	-	-	(13,481)
Balance – March 31, 2019	221,288	375	923,920	226,626	(99,351)	3,906	131,181	1,276,764

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, 2019 and 2018

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive income				
	Capital stock	**Contributed surplus**	**Retained earnings**	**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, 2018	220,467	298	809,022	150,620	(69,421)	4,559	85,758	1,115,545
Comprehensive income (loss)								
Net income for the period	-	-	23,066	-	-	-	-	23,066
Other comprehensive income (loss)	-	-	835	31,989	(10,185)	2,191	23,995	24,830
Comprehensive income (loss) for the period	-	-	23,901	31,989	(10,185)	2,191	23,995	47,896
Dividends on common shares	-	-	(8,322)	-	-	-	-	(8,322)
Employee share purchase plans	277	-	-	-	-	-	-	277
Share-based compensation	-	14	-	-	-	-	-	14
	277	14	(8,322)	-	-	-	-	(8,031)
Balance – March 31, 2018	220,744	312	824,601	182,609	(79,606)	6,750	109,753	1,155,410

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, 2019 and 2018

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

	Note	2019 $	2018 $
Sales		440,741	398,790
Expenses			
Cost of sales (including depreciation and amortization of 14,501 (2018 - 5,245))		370,835	339,039
Selling and administrative (including depreciation and amortization of 3,610 (2018 - 3,282))		28,308	25,485
Other gains, net		(4,054)	(1,210)
		395,089	363,314
Operating income		45,652	35,476
Financial expenses		5,626	4,340
Income before income taxes		40,026	31,136
Provision for income taxes			
Current		7,543	5,850
Deferred		3,026	2,220
		10,569	8,070
Net income for the period		29,457	23,066
Basic earnings per common share	3	0.43	0.33
Diluted earnings per common share	3	0.43	0.33

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, 2019 and 2018

(expressed in thousands of Canadian dollars)

	2019 $	2018 $
Net income for the period	29,457	23,066
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	(25,523)	31,989
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	7,672	(11,692)
Income taxes on change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	-	1,507
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	(2,233)	2,978
Income taxes on change in gains (losses) on fair value of derivatives designated as cash flow hedges	591	(787)
Items that will not subsequently be reclassified to net income		
Remeasurements of post-retirement benefit obligations	(1,513)	1,120
Income taxes on remeasurements of post-retirement benefit obligations	384	(285)
	(20,622)	24,830
Comprehensive income	8,835	47,896

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, 2019 and 2018

(expressed in thousands of Canadian dollars)

	Note	2019 $	2018 $
Cash flows provided by (used in)			
Operating activities			
Net income for the period		29,457	23,066
Adjustments for			
Depreciation of property, plant and equipment		5,827	4,807
Amortization of intangible assets		4,443	3,720
Depreciation of right-of-use assets	2	7,841	-
Loss (gain) on derivative financial instruments		(4,817)	36
Financial expenses		5,626	4,340
Current income taxes expense		7,543	5,850
Deferred income taxes		3,026	2,220
Restricted stock units expense		1,292	1,246
Other		605	331
		60,843	45,616
Changes in non-cash working capital components and others			
Accounts receivable		(59,545)	(54,355)
Inventories		(77,544)	(60,180)
Income taxes receivable		(9)	7
Accounts payable and accrued liabilities		14,622	28,465
Asset retirement obligations		(278)	(1,388)
Provisions and other long-term liabilities		-	(385)
Other current assets		589	(10,505)
		(122,165)	(98,341)
Interest paid		(7,398)	(6,069)
Income taxes paid		(7,205)	(5,781)
		(75,925)	(64,575)
Financing activities			
Increase in deferred financing costs		(259)	(255)
Net change in syndicated credit facilities		98,066	96,520
Repayment of long-term debt		(198)	(186)
Repayment of lease liabilities	2	(8,165)	-
Repurchase of common shares	3	(5,750)	-
Proceeds from issuance of common shares		293	277
		83,987	96,356
Investing activities			
Decrease (increase) in other assets		215	(226)
Business acquisitions		-	(26,494)
Addition of intangible assets		(63)	(98)
Purchase of property, plant and equipment		(8,247)	(11,483)
Proceeds from disposal of assets		33	90
		(8,062)	(38,211)
Net change in cash and cash equivalents during the period		-	(6,430)
Cash and cash equivalents – Beginning of period		-	6,430
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 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. The Company also manufactures and distributes residential lumber and accessories to retailers 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 - Accounting, 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, 2019.

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, 2018, 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, 2018, 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
Stella-Jones U.S. Holding Corporation	Stella-Jones Inc.	United States
Stella-Jones Corporation	Stella-Jones U.S. Holding Corporation	United States
McFarland Cascade Holdings, Inc.	Stella-Jones Corporation	United States
Cascade Pole and Lumber Company	McFarland Cascade Holdings, Inc.	United States
McFarland Cascade Pole & Lumber Company	McFarland Cascade Holdings, Inc.	United States
Stella-Jones CDN Finance Inc.	Stella-Jones Inc.	Canada
Stella-Jones U.S. Finance II Corporation	Stella-Jones U.S. Holding Corporation	United States
Stella-Jones U.S. II LLC	Stella-Jones U.S. Holding Corporation	United States
Stella-Jones U.S. Finance III Corporation	Stella-Jones U.S. Holding Corporation	United States
Stella-Jones U.S. III LLC	Stella-Jones U.S. Holding Corporation	United States
Kisatchie Midnight Express, L.L.C.	McFarland Cascade Holdings, Inc.	United States
Lufkin Creosoting Co., Inc.	McFarland Cascade Holdings, Inc.	United States

Changes in accounting policies

The Company has adopted the following new standard, amended standard and new interpretation, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IFRS 16 - Lease

On January 1, 2019, the Company retrospectively adopted IFRS 16, *Leases*, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. In applying IFRS 16 for the first time, the Company has used the exemption for short-term leases and leases for which the underlying asset is of low value. The adjustments arising from the new leasing rules are therefore recognized in the opening balance of the statement of financial position on January 1, 2019.

The Company leases various rolling stock (mobile equipment, road vehicles and rail cars), land and other assets. Leases are typically made for fixed periods and may have extension options that are considered when it is reasonably certain that the option will be exercised. Lease terms are negotiated on an individual basis and contain

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

a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to January 1, 2019, the Company's leases were mainly composed of operating leases for which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee. Payments made under operating leases were charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Starting on January 1, 2019, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

A lease liability includes the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments);
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.30%.

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statements of financial position as at December 31, 2018.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

Extension and termination options are included in a number of leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

As at January 1, 2019, the following right-of-use assets and lease liabilities by type of assets were recorded in the consolidated statements of financial position:

Type of assets	**Right-of-use assets and lease liabilities $**	**Average remaining months under lease agreements**
Rolling stock	79,588	53
Land	33,334	147
Other assets	7,809	42
Total	120,731	81

As at December 31, 2018, the Company reported future minimum payments under operating leases of $132,775 which corresponds to the present value of lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019 of $120,731.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The allocation between current lease liabilities and non-current lease liabilities is as follows:

	January 1, 2019 $	**March 31, 2019 $**
Current lease liabilities	28,263	26,609
Non-current lease liabilities	92,468	88,167
Total	120,731	114,776

The following table provides a reconciliation of the right-of-use assets, presented in the consolidated statements of financial position, for the three-month period ended March 31, 2019:

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

	Right-of-use: rolling stock	**Right-of-use: land**	**Right-of-use: other assets**	**Total right-of-use assets**
	$	**$**	**$**	**$**
Balance as at January 1, 2019	79,588	33,334	7,809	120,731
Additions	3,998	245	69	4,312
Disposals	(338)	-	-	(338)
Depreciation	(6,283)	(938)	(620)	(7,841)
Remeasurement	400	(113)	99	386
Exchange differences	(1,440)	(622)	(66)	(2,128)
Balance as at March 31, 2019	75,925	31,906	7,291	115,122

The following table provides a reconciliation of the lease liabilities, presented in the consolidated statements of financial position, for the three-month period ended March 31, 2019:

	Lease liabilities: rolling stock	**Lease liabilities: land**	**Lease liabilities: other**	**Total lease liabilities**
	$	**$**	**$**	**$**
Balance as at January 1, 2019	79,588	33,334	7,809	120,731
Payments under lease agreements	(7,416)	(1,052)	(662)	(9,130)
Finance cost	633	271	61	965
Additions	3,998	245	69	4,312
Lease termination payment	(338)	-	-	(338)
Remeasurement	400	(113)	99	386
Exchange differences	(1,460)	(626)	(64)	(2,150)
Balance as at March 31, 2019	75,405	32,059	7,312	114,776

IFRS 3 – Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations*. The objective of the amendments is to assist entities in determining whether a transaction should be accounted for as a business combination or as an asset. On January 1, 2019, the Company early adopted, as permitted, the amendments prospectively to acquisitions that will occur from that date.

IFRIC 23 – Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation specifies that if an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it shall determine the tax result consistently with the tax treatment used or planned to be used in its income tax filing. If it is not probable, the entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either

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

of the following methods, depending on which one the entity expects to better predict the resolution of the uncertainty:

- most likely amount: single most likely amount in a range of possible outcomes;
- expected value: sum of the probability-weighted amounts in a range of possible outcomes.

The Company applied IFRIC 23 beginning on January 1, 2019. The application of this new interpretation had no significant impact on the Company's consolidated financial statements.

3 Capital stock

The following table provides the number of common share outstanding for the three-month periods ended March 31:

	2019	**2018**
Number of common shares outstanding – Beginning of period*	69,268	69,342
Employee share purchase plans*	7	7
Repurchase of common shares*	(146)	-
Number of common shares outstanding – End of period*	69,129	69,349

* Number of common shares is presented in thousands.

a) Capital stock consists of the following:

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

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

b) Earnings per share

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

	2019	2018
Net income applicable to common shares	$29,457	$23,066
Weighted average number of common shares outstanding*	69,136	69,343
Effect of dilutive stock options*	7	8
Weighted average number of diluted common shares outstanding*	69,143	69,351
**Basic earnings per common share ** **	$0.43	$0.33
**Diluted earnings per common share ** **	$0.43	$0.33

* Number of shares is presented in thousands.

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

c) Normal Course Issuer Bid

On December 18, 2018 the TSX accepted the Company's Notice of Intention to Make a Normal Course Issuer Bid. The Normal Course Issuer Bid was initiated for a twelve-month period starting on December 20, 2018. During this period, the Company may purchase for cancellation up to 3,000,000 common shares. In the first quarter of 2019, the Company repurchased 104,000 common shares for cancellation in consideration of $4,123 representing an average price of $39.53 per common share. As at December 31, 2018, the Company had unsettled transactions to repurchase 42,000 common shares for a cash consideration of $1,627 representing an average price of $39.05 per common share. As of December 31, 2018, the Company had recorded a financial liability with an offset amount in equity in the amount of $1,627. The settlement of these transactions occurred in early January 2019 and the cancellation of the corresponding common share was done at the same time.

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

4 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, 2019	As at December 31, 2018
	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 2)
	$	$
Recurring fair value measurements		
Non-current assets		
Interest rate swap agreements	5,312	7,545
	5,312	7,545
Current Liabilities		
Derivative commodity contracts	1,566	4,381
	1,566	4,381
Non-current liabilities		
Derivative commodity contracts	1,746	3,748
	1,746	3,748

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

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 which 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 has a carrying value of $601,737 (December 31, 2018 – $513,481) and a fair value of $596,613 (December 31, 2018 – $501,950).

5 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.

6 Segment information

The Company operates within two business segments which are the production and sale of pressure-treated wood and the procurement and sales of logs and lumber.

The pressure-treated wood segment includes railway ties, utility poles, residential lumber and industrial products.

The logs and lumber segment comprises of the sales of logs harvested in the course of the Company's procurement process that are determined to be unsuitable for use as utility poles. Also included in this segment is the sale of excess lumber to local home-building markets. Assets and net income related to the logs and lumber segment are nominal.

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

Operating plants are located in six Canadian provinces and nineteen American states. The Company also operates a large distribution network across North America.

Sales attributed to countries based on location of customer for the three-month periods ended March 31 are as follows:

	2019	2018
	$	$
Canada	102,200	99,789
U.S.	338,541	299,001
	440,741	398,790

Sales by product for the three-month periods ended March 31 are as follows:

	2019	2018
	$	$
Pressure-treated wood		
Utility poles	170,506	152,908
Railway ties	161,434	146,438
Residential lumber	57,643	50,316
Industrial products	25,471	20,781
Logs and lumber	25,687	28,347
	440,741	398,790

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

Property, plant and equipment, intangible assets, goodwill and right-of-use assets attributed to the countries based on location are as follows:

	As at March 31, 2019	As at December 31, 2018
Property, plant and equipment		
	$	$
Canada	123,890	124,246
U.S.	420,921	427,539
	544,811	551,785
Intangible assets		
	$	$
Canada	31,897	33,977
U.S.	93,329	97,681
	125,226	131,658
Goodwill		
	$	$
Canada	19,403	19,403
U.S.	273,164	278,867
	292,567	298,270
Right-of-use assets		
	$	$
Canada	15,983	-
U.S.	99,139	-
	115,122	-

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

7 Subsequent events

a) On April 1, 2019, the Company completed the acquisition of substantially all of the assets of Shelburne Wood Protection Ltd. ("SWP"), located in Shelburne, Ontario. The SWP plant is specialized in the treatment of residential lumber. The total consideration for the acquisition was approximately $9,167 of which $8,500 was financed through the Company's syndicated credit facilities and $667 was recorded as a balance of purchase price. The balance of purchase price bears no interest, will be paid to the seller in two equal amounts on the first and second anniversary of the transaction and was recorded at fair value using an effective interest rate of 3.31%.

The SWP acquisition will be accounted as an acquisition of a group of assets.

b) On May 1, 2019, the Board of Directors declared a quarterly dividend of $0.14 per common share payable on June 27, 2019 to shareholders of record at the close of business on June 6, 2019.

8 Comparative figures

Certain reclassifications have been made to the prior year's consolidated financial statements to enhance to comparability with the current year's consolidated financial statements. As a result, certain line items have been amended in the consolidated statement of income. Comparative figures have been adjusted to conform to the current year's presentation. For the three-month period ended March 31, 2018, an amortization expense for customer relationships and non-compete agreements of $3,282 has been reclassified from cost of sales to selling and administrative expenses.