Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS FIRST QUARTER RESULTS
Annual Meeting of Shareholders to be held later this morning

- **Sales increased 23% to a first quarter record of $623 million**
- **EBITDA rose 57% to $99 million, or a margin of 15.9%**
- **Net income doubled to reach $56 million or $0.85 per share**
- **Solid financial position with a net debt-to-EBITDA ratio of 2.2x**
- **Annual 2021 EBITDA guidance raised to $450 to $480 million**
- **Entered into a new senior unsecured credit agreement of up to US$350 million, subsequent to quarter-end**

Montreal, Quebec – May 3, 2021 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its first quarter ended March 31, 2021.

"We had an exceptionally robust start to the year, continuing our momentum of growth. Our first quarter performance was fueled by record pricing and volume gains in the residential lumber product category, solid utility poles results, and strong railway ties demand tempered by pricing pressures in certain markets. EBITDA grew by 57% to an all-time first quarter high of $99 million and net income doubled to $56 million compared to the same period last year," stated Éric Vachon, President and CEO of Stella-Jones.

"In anticipation of continued strong market conditions for residential lumber and solid demand in the other core product categories, we leveraged our healthy balance sheet this quarter to increase working capital and invest in our network. In April, we increased our available liquidity with a new senior unsecured credit facility, further enhancing our financial flexibility. Together with our resilient business model and solid competitive position, we are well positioned to take advantage of the momentum in demand, create opportunities to grow our core businesses and deliver EBITDA in the mid-to-high $400 million range in 2021," concluded Mr. Vachon.

Financial Highlights (in millions of Canadian dollars, except per share data and margin)	**Q1-21**	**Q1-20**
Sales(1)	623	508
Gross profit(2)	112	83
Gross profit margin(2)	17.9%	16.4%
EBITDA(2)	99	63
EBITDA margin (2)	15.9%	12.4%
Operating income	82	45
Operating income margin(2)	13.1%	8.8%
Net income for the period	56	28
Earnings per share - basic and diluted	0.85	0.41
Weighted average shares outstanding (basic, in '000s)	65,711	67,469

(1) Prior period figures have been adjusted to conform to the current period presentation.
(2) This is a non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers.

FIRST QUARTER RESULTS

Sales for the first quarter reached $623 million, up $115 million, versus sales of $508 million for the corresponding period last year. Excluding the negative impact of the currency conversion of $23 million, pressure-treated wood sales rose $102 million, or 21%, driven by pricing and volume gains in the residential lumber product category and improved pricing for utility poles, offset in part by a reduction in sales price for railway ties, particularly for the non-Class 1 business. The increase in logs and lumber sales stems from the significant rise in the market price of lumber.

Pressure-treated wood products:

- **Utility poles (33% of Q1-21 sales)**: Sales were $206 million in the first quarter of 2021, in line with the corresponding period last year. Excluding the negative currency conversion effect, utility poles sales increased by nine million dollars, or 4%, driven by higher pricing, mainly in response to raw material cost increases and due to a favourable sales mix, including the impact of greater fire-resistant wrapped poles sales volume. More project-related volume this quarter was offset by lower maintenance demand, particularly in the U.S. Southeast due to extreme winter weather conditions.

- **Railway ties (25% of Q1-21 sales)**: Sales were $158 million in the first quarter of 2021, down 8% compared to sales of $172 million in the same period last year. Excluding the negative currency conversion effect, railway ties sales decreased by six million dollars, or 3%, largely due to lower pricing which more than offset the increase in volumes. The reduction in sales price is attributable to continued pricing pressures and an unfavourable product mix for the non-Class 1 business, as well as downward pricing adjustments in response to lower fibre costs for Class 1 customers. While volumes were lower this quarter for Class 1 customers due to the timing of shipments, overall volumes increased as a result of the robust demand from non-Class 1 customers.

- **Residential lumber (27% of Q1-21 sales)**: Sales rose to $166 million in the first quarter of 2021, up 134% from sales of $71 million in the corresponding period last year. Excluding the negative currency conversion effect, residential lumber sales increased $99 million, or 139%. The significant increase in sales was in large part driven by the higher market price of lumber. Continued strong demand, an earlier start of the season for home improvement projects, as well as the increase in market reach as the Company gained a greater proportion of customers' annual programs, further contributed to the exceptional sales growth this quarter.

- **Industrial products (5% of Q1-21 sales)**: Sales were $28 million in the first quarter of 2021, relatively unchanged compared to sales of $29 million in the first quarter last year. Lower bridge sales, mainly timing-related, were offset in large part by increased demand for pilings.

Logs and lumber:

Logs and lumber (10% of Q1-21 sales): Sales were $65 million in the first quarter of 2021, more than double the sales of $29 million generated in the corresponding period in 2020. In the course of procuring residential lumber volume, excess lumber is obtained and resold. The increase in sales this quarter is largely attributable to the significant rise in the market price of lumber.

The strong sales growth led to an increase in gross profit, which grew 35% to $112 million, compared to the prior year period, while operating income was $82 million, or 13.1% of sales, compared with $45 million, or 8.8% of sales last year. EBITDA rose to $99 million, up 57%, compared to $63 million reported in the first quarter of 2020. The increase was primarily driven by sales price increases for residential lumber, which exceeded the higher cost of lumber, stronger residential lumber demand, as well as operational efficiency gains. Improved pricing for utility poles and volume gains for railway ties were largely offset by pricing pressures for the non-Class 1 railway ties business.

Net income for the first quarter of 2021 was $56 million, or $0.85 per share, double the net income of $28 million, or $0.41 per share, in the corresponding period of 2020.

LIQUIDITY AND CAPITAL RESOURCES

During the period ended March 31, 2021, Stella-Jones used its liquidity to support higher working capital requirements, invest in its property, plant and equipment and repurchase shares. Net debt increased to $935 million by quarter-end and included $137 million of short-term debt. During the quarter, the Company, through its wholly-owned U.S subsidiary ("U.S. Subsidiary"), borrowed US$50 million under a new bridge term loan agreement. A second US$50 million installment was advanced in April 2021. Borrowings under the bridge term loan were presented as short-term debt.

As at March 31, 2021, the Company maintained a solid financial position with a net debt-to-EBITDA ratio of 2.2x.

Subsequent to quarter-end, the U.S subsidiary entered into a credit agreement with a syndicate of lenders within the United States farm credit system pursuant to which senior unsecured credit facilities in an aggregate amount of up to US$350 million were made available, including a term loan facility of up to US$250 million and a revolving credit facility of US$100 million. On April 29, 2021, a drawdown of US$100 million was made under the revolving credit facility to repay the bridge term loan in full.

NORMAL COURSE ISSUER BID

On March 9, 2021, the Company received approval from the Toronto Stock Exchange ("TSX") to amend the Normal Course Issuer Bid ("NCIB") accepted by the TSX on August 4, 2020 in order to increase the maximum number of common shares that may be repurchased for cancellation by the Company from 2,500,000 to 3,500,000 common shares during the 12-month period commencing August 10, 2020 and ending August 9, 2021. The amendment to the NCIB was effective on March 15, 2021.

In the three-month period ended March 31, 2021, the Company repurchased 801,261 common shares for cancellation in consideration of $37 million. Since the start of the NCIB on August 10, 2020, the Company has repurchased 2,132,716 common shares for cancellation in consideration of $97 million.

QUARTERLY DIVIDEND

On May 2, 2021, the Board of Directors declared a quarterly dividend of $0.18 per common share payable on June 22, 2021 to shareholders of record at the close of business on June 1, 2021. This dividend is designated to be an eligible dividend.

UPDATED OUTLOOK

The Company's financial outlook provided in the MD&A for the year ended December 31, 2020 is updated to reflect the strong quarterly performance, largely attributable to the unprecedented rise in the market price of lumber, and the expectation that the higher levels of pricing for lumber will continue to favourably impact the profitability of the residential lumber product category during the seasonal peak demand period.

Stella-Jones is now targeting to deliver EBITDA in the range of $450 to $480 million in 2021, up from the previously disclosed guidance of $385 to $410 million. This updated guidance anticipates a reduction of approximately $90 million in sales from the depreciation of the value of the U.S. dollar relative to the Canadian dollar to C$1.27 per U.S. dollar.

Excluding the impact of the currency conversion, the Company is projecting 2021 sales growth of 15% to low 20% range compared to 2020. The projected 2021 sales for utility poles, railways ties and industrial products remain unchanged. Utility poles sales are expected to increase in the mid to high-single digit range compared to 2020, due to sustained healthy replacement demand, including an increase in value-added fire-resistant wrapped pole sales, while railway ties and industrial product sales are projected to be relatively comparable to those generated in 2020. For residential lumber, sales are now forecasted to increase in the range of 45% to 65%

compared to 2020, driven by the current trend of higher pricing, which is projected to continue during the seasonal peak demand period for this product category.

The Company's financial guidance is based on its current outlook for 2021 and takes into account a number of economic and market assumptions. Please refer to management's discussion and analysis for a complete list of assumptions.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on May 3, 2021, at 1:30 p.m. Eastern Daylight Time. Interested parties can join the call by dialing 1-647-362-9671 (Toronto or overseas) or 1-800-599-2055 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-770-2030 and entering the passcode 4899896. This recording will be available on Monday, May 3, 2021 as of 4:30 p.m. Eastern Daylight Time until 11:59 p.m. Eastern Daylight Time on Monday, May 10, 2021.

NON-IFRS FINANCIAL MEASURES

Gross profit, gross profit margin, EBITDA (operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets), EBITDA margin, operating income margin, net debt and net debt-to-EBITDA 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 understand the Company's operating results, financial condition and cash flows as they provide an additional measure about its performance. Please refer to the non-IFRS financial measures described 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 electrical utilities and telecommunication companies with utility poles, and the continent's railroad operators with railway ties and timbers. 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.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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, general economic and business conditions (including the impact of the coronavirus pandemic), evolution in customer demand for the Company's products and services, product selling prices, availability and cost of raw materials, changes in foreign currency rates, and the ability of the Company to raise capital. As a result, readers are advised that actual results may differ from expected results. Unless required to do so under applicable securities legislation, the Company does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes after the date hereof.

-30-

Note to readers: **Condensed interim unaudited consolidated financial statements for the first quarter ended March 31, 2021 as well as management's discussion and analysis are available on Stella-Jones' website at www.stella-jones.com.**

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** Silvana Travaglini Senior Vice-President and Chief Financial Officer Tel.: (514) 940-8660 Fax: (514) 934-5327 stravaglini@stella-jones.com

NOTICE

The comparative figures for the three-month period ended March 31, 2020 have not been reviewed by the Company's external auditors.

(Signed)

Silvana Travaglini
Senior Vice-President and Chief Financial Officer

Montréal, Québec
May 2, 2021

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
March 31, 2021 and 2020

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

(expressed in millions of Canadian dollars)

	Note	As at March 31, 2021 $	As at December 31, 2020 $
Assets			
Current assets			
Accounts receivable		376	208
Inventories		1,166	1,075
Other current assets		34	36
		1,576	1,319
Non-current assets			
Property, plant and equipment		573	574
Right-of-use assets		130	135
Intangible assets		117	115
Goodwill		276	280
Other non-current assets		3	3
		2,675	2,426
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term debt	3	137	-
Accounts payable and accrued liabilities		201	137
Income taxes payable		21	19
Derivative financial instruments	6	1	2
Current portion of long-term debt		74	11
Current portion of lease liabilities		33	33
Current portion of provisions and other long-term liabilities	4	20	16
		487	218
Non-current liabilities			
Long-term debt		589	595
Lease liabilities		102	106
Deferred income taxes		102	104
Provisions and other long-term liabilities	4	13	15
Employee future benefits		11	15
		1,304	1,053
Shareholders' equity			
Capital stock	5	212	214
Retained earnings		1,091	1,079
Accumulated other comprehensive income		68	80
		1,371	1,373
		2,675	2,426
Subsequent events	9		

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, 2021 and 2020

(expressed in millions of Canadian dollars)

			Accumulated other comprehensive income				
	Capital stock	**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, 2021	214	1,079	179	(98)	(1)	80	1,373
Comprehensive income (loss)							
Net income for the period	-	56	-	-	-	-	56
Other comprehensive income (loss)	-	3	(15)	3	-	(12)	(9)
Comprehensive income (loss) for the period	-	59	(15)	3	-	(12)	47
Dividends on common shares	-	(12)	-	-	-	-	(12)
Repurchase of common shares (note 5)	(2)	(35)	-	-	-	-	(37)
	(2)	(47)	-	-	-	-	(49)
Balance – March 31, 2021	212	1,091	164	(95)	(1)	68	1,371

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, 2021 and 2020

(expressed in millions of Canadian dollars)

			Accumulated other comprehensive income				
	Capital stock	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, 2020	217	968	191	(89)	1	103	1,288
Comprehensive income (loss)							
Net income for the period	-	28	-	-	-	-	28
Other comprehensive income (loss)	-	-	114	(33)	(3)	78	78
Comprehensive income (loss) for the period	-	28	114	(33)	(3)	78	106
Dividends on common shares	-	(10)	-	-	-	-	(10)
	-	(10)	-	-	-	-	(10)
Balance – March 31, 2020	217	986	305	(122)	(2)	181	1,384

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, 2021 and 2020

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

	Note	2021 $	2020 $
Sales		623	508
Expenses			
Cost of sales (including depreciation and amortization of $14 (2020 - $15))		511	425
Selling and administrative (including depreciation and amortization of $3 (2020 - $3))		30	31
Other losses, net		-	7
		541	463
Operating income		82	45
Financial expenses		6	7
Income before income taxes		76	38
Provision for (recovery of) income taxes			
Current		22	11
Deferred		(2)	(1)
		20	10
Net income for the period		56	28
Basic and diluted earnings per common share	5	0.85	0.41

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-months periods ended March 31, 2021 and 2021

(expressed in millions of Canadian dollars)

	2021 $	2020 $
Net income for the period	56	28
Other comprehensive income (loss)		
Items that may subsequently be reclassified to net income		
Net change in (losses) gains on translation of financial statements of foreign operations	(15)	114
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	3	(33)
Change in losses on fair value of derivatives designated as cash flow hedges	-	(4)
Income taxes on change in losses on fair value of derivatives designated as cash flow hedges	-	1
Items that will not subsequently be reclassified to net income		
Remeasurements of post-retirement benefit obligations	4	-
Income taxes on remeasurements of post-retirement benefit obligations	(1)	-
	(9)	78
Comprehensive income	47	106

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-months periods ended March 31, 2021 and 2020

(expressed in millions of Canadian dollars)

	Note	2021 $	2020 $
Cash flows provided by (used in)			
Operating activities			
Net income for the period		56	28
Adjustments for			
Depreciation of property, plant and equipment		6	6
Depreciation of right-of-use assets		9	9
Amortization of intangible assets		2	3
Gain on derivative financial instruments		-	6
Financial expenses		6	7
Current income taxes expense		22	11
Deferred income taxes		(2)	(1)
Provisions and other long-term liabilities		1	-
		100	69
Changes in non-cash working capital components			
Accounts receivable		(171)	(94)
Inventories		(99)	(86)
Other current assets		2	-
Accounts payable and accrued liabilities		55	27
		(213)	(153)
Interest paid		(8)	(8)
Income taxes paid		(20)	(1)
		(141)	(93)
Financing activities			
Increase in short-term debt		137	-
Net change in syndicated credit facilities		63	108
Repayment of long-term debt		-	(1)
Repayment of lease liabilities		(8)	(8)
Repurchase of common shares	5	(37)	-
		155	99
Investing activities			
Purchase of property, plant and equipment		(10)	(5)
Additions of intangible assets		(4)	(1)
		(14)	(6)
Net change in cash and cash equivalents during the period		-	-
Cash and cash equivalents – Beginning of period		-	-
Cash and cash equivalents – End of period		-	-

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

1 Description of the business

Stella-Jones Inc. (with its subsidiaries, either individually or collectively, referred to as the “Company”) is a leading producer and marketer of pressure-treated wood products. The Company supplies North America’s electrical utilities and telecommunication companies with utility poles, and the continent’s railroad operators with railway ties and timbers. 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 as issued by the International Accounting Standards Board (“IFRS”) and Chartered Professional Accountants Canada Handbook Accounting - 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 May 2, 2021.

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, 2020.

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, 2020, which have been prepared in accordance with IFRS.

Principles of consolidation

The condensed interim consolidated financial statements include the accounts of Stella-Jones Inc. and its controlled subsidiaries. Intercompany transactions and balances between these companies have been eliminated. All consolidated subsidiaries are wholly owned. The significant subsidiaries within the legal structure of the Company 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

3 Short-term debt

(Amounts in millions of Canadian dollars)	Note	2021	2020
Demand loan facility	3(a)	74	-
Bridge credit facility	3(b)	63	-
		137	-

a) On February 15, 2021, the demand loan agreement, which contains terms and conditions similar to those under the existing syndicated credit agreement, was amended to increase the amount available under the demand loan facility from US$50 to US$100 million until June 30, 2021. As at March 31, 2021, the Company had $52 million (US$41 million) available on the demand loan facility. The fair value of the demand loan facility (Level 2) approximated its carrying value as at March 31, 2021.

b) On March 12, 2021, Stella-Jones Corporation ("SJC") entered into a letter loan agreement with a lender within the United States farm credit system, pursuant to which a term loan of US$100 million (the "Bridge Loan") was made available to SJC. The first installment of US$50 million under the Bridge Loan was advanced in March 2021 and the second US$50 million installment was advanced in April 2021. SJC, as borrower, was eligible for patronage refunds. The Bridge Loan was guaranteed by the Company. Prior to its repayment in full on April 29, 2021, the Bridge Loan bore interest at a floating rate based on the London Interbank Offered Rate ("LIBOR") plus 1.75%. The fair value of the Bridge Loan (Level 2) approximated its carrying value as at March 31, 2021.

On April 29, 2021, SJC as borrower, entered into a credit agreement (the "US Credit Agreement") with a syndicate of lenders within the United States farm credit system pursuant to which senior unsecured credit facilities in an aggregate amount of up to US$350 million were made available, including a term loan facility of up to US$250 million and a revolving credit facility of US$100 million. The US Credit Agreement includes representations, warranties, covenants and events of default substantially similar to those under the existing syndicated credit agreement. On April 29, 2021, a drawdown of US$100 million was made under the revolving credit facility, and the proceeds thereof were used to repay the Bridge Loan in full. The obligations of the borrower under the US Credit Agreement are guaranteed by the Company and several of its subsidiaries.

4 Provisions and other long-term liabilities

(Amounts In millions of Canadian dollars)	**As at March 31, 2021**	**As at December 31, 2020**
Site remediation	12	12
Share-based payment plans	12	10
Other	9	9
	33	31
Less: Current portion of provisions and long-term liabilities	20	16
	13	15

The Company's share-based payment plans consist of cash-settled restricted stock unit, performance stock unit and deferred share unit plans.

Restricted stock units (RSUs) and Performance stock units (PSUs)

Under the Stock Unit Plan (SUP) approved by Company's Board of Directors in December 2019, RSUs and PSUs are granted to certain executives and key employees of the Company. Under the SUP, RSUs and PSUs entitle the holders to receive a cash payment equal to the average closing price on the TSX of the Company's common shares for the five trading days preceding the vesting date multiplied by a factor which ranges from 0% to 200% based on the attainment of performance criteria and/or market conditions set out pursuant to the plan, provided individual is still employed by the Company at time of vesting. RSUs vest ratably over a period of three years and PSUs are paid three years after the grant date. The SUP replaces the previous long-term incentive plan.

Changes in outstanding RSUs are as follows:

	2021	2020
RSUs outstanding - Beginning of period	266,750	270,238
Granted	64,517	-
Vested	(206,223)	-
RSUs outstanding - End of period	125,044	270,238

As at March 31, 2021, the outstanding RSUs included 60,527 RSUs (March 2020- 270,238 RSUs) granted under the previous plan. The 206,223 RSUs granted under the previous plan that vested during the quarter were not settled as at March 31, 2021.

During the quarter ended March 31, 2021, 32,258 PSUs were granted under the SUP.

Deferred share units

DSUs entitle non-executive directors of the Company to receive a minimum participation amount in the form of DSUs and may elect to participate in the DSU plan for a portion of their Board fees. Such deferred remuneration is converted to DSUs based on the average closing price of the Company's common shares on the TSX of the five trading days immediately preceding the date such renumeration becomes payable to the non-employee director. All DSUs vest and are settled for cash when a non-employee director ceases to act as a director.

As at March 31, 2021, a total of 6,375 DSUs (March 2020- 2,126 DSUs) were outstanding.

5 Capital stock

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

	2021	2020
Number of common shares outstanding – Beginning of period	66,187,404	67,466,709
Common shares repurchased	(801,261)	-
Employee share purchase plans	6,307	9,807
Number of common shares outstanding – End of period	65,392,450	67,476,516

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, as at March 31, between basic earnings per common share and diluted earnings per common share:

(Amounts in millions of Canadian dollars, except per share amounts)	**2021**	**2020**
Net income applicable to common shares	$56	$28
Weighted average number of common shares outstanding*	65.7	67.5
Effect of dilutive stock options*	-	-
Weighted average number of diluted common shares outstanding*	65.7	67.5
Basic and diluted earnings per common share **	$0.85	$0.41

* Number of shares is presented in millions.

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

c) Normal Course Issuer Bid

On March 9, 2021, the Company received approval from the TSX to amend the Normal Course Issuer Bid ("NCIB") accepted by the TSX on August 4, 2020 in order to increase the maximum number of common shares that may be repurchased for cancellation from 2,500,000 to 3,500,000 common shares during the 12- month period commencing August 10, 2020 and ending August 9, 2021. The amendment to the NCIB was effective on March 15, 2021.

During the three-month period ended March 31, 2021, the Company repurchased for cancellation 801,261 common shares for a cash consideration of $37 million, representing an average price of $46.54 per common share. As at March 31, 2021, the total number of common shares repurchased for cancellation under the NCIB amounted to 2,132,716 for total consideration of $97 million.

6 Fair value measurement and financial instruments

As at March 31, 2021, the fair value of interest swap agreements was one million dollars, recognized as current liabilities in the consolidated statement of financial position (December 31, 2020 - two million dollars).

The fair value of this financial instrument 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, short-term debt 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 $663 million (December 31, 2020 – $606 million) and a fair value of $670 million (December 31, 2020 – $619 million).

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 utility poles, railway ties and residential lumber are typically highest in the first quarter in advance of the summer shipping season.

8 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 utility poles, railway ties, 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.

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:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Canada	219	119
U.S.	404	389
	623	508

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

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Utility poles	206	207
Railway ties	158	172
Residential lumber	166	71
Industrial products	28	29
Pressure-treated wood	558	479
Logs and lumber	65	29
	623	508

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

(Amounts in millions of Canadian dollars)	**As at March 31, 2021**	**As at December 31, 2020**
Property, plant and equipment		
Canada	163	160
U.S.	410	414
	573	574
Right-of-use assets		
Canada	18	18
U.S.	112	117
	130	135
Intangible assets		
Canada	44	40
U.S.	73	75
	117	115
Goodwill		
Canada	19	19
U.S.	257	261
	276	280

9 Subsequent events

a) On April 29, 2021, SJC entered into a US Credit Agreement pursuant to which senior unsecured credit facilities in an aggregate amount of up to US$350 million were made available by a syndicate of lenders within the United States farm credit system, as further discussed in Note 3, *Short-Term Debt*.

b) On May 2, 2021, the Board of Directors declared a quarterly dividend of $0.18 per common share payable on June 22, 2021 to shareholders of record at the close of business on June 1, 2021.

10 Reclassification of prior period presentation

Certain prior period figures have been adjusted to conform to the current period presentation. An adjustment has been made to the consolidated statements of income to recognize customer freight revenues on a gross basis when the Company is the principal with respect to freight services. These amounts have been previously presented on a net basis against freight expenses in cost of sales. This change in classification does not affect previously reported operating income and net income in the consolidated statements of income. For the three-month period ended March 31, 2020, freight revenue of five million dollars has been reclassified from cost of sales to sales.