Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS THIRD QUARTER RESULTS

- **Sales of $268.1 million, up 37.2% from $195.4 million last year**
- **Operating income rose 21.2% to $38.6 million, versus $31.8 million in Q3 2012**
- **33.7% increase in net income to $27.7 million, compared with $20.7 million last year**
- **Diluted EPS of $0.40, up from $0.32 a year ago**

MONTREAL, QUEBEC – November 8, 2013 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its third quarter ended September 30, 2013. In this press release, all references to common shares issued and outstanding, as well as per share data, reflect a 4-for-1 share split that took the form of a share dividend whereby shareholders received three additional common shares for each common share held. The payment date for the share dividend was October 25, 2013.

"Stella-Jones' focus on improving operating efficiency across its network produced solid operating results in the third quarter. A strong performance by the McFarland Cascade Holdings, Inc. ("McFarland") operations led to greater penetration of the utility pole market in the United States. Meanwhile, the transition of a Class 1 railroad customer from a "treating services only" program to a "black-tie" program, whereby the customer purchases an integrated product and service offering from Stella-Jones, created a lag in shipments resulting in lower year-over-year railway tie sales. Finally, we are pleased with the on-schedule start of wood treatment operations at our new facility in Cordele, Georgia, which contributed sales of approximately $2.3 million," said Brian McManus, President and Chief Executive Officer.

Financial highlights	**Quarters ended Sept. 30,**		**Nine months ended Sept. 30,**	
(in thousands of Canadian dollars, except per share data)	**2013**	**2012**	**2013**	**2012**
Sales	**268,087**	195,435	**758,287**	558,149
Operating income	**38,550**	31,799	**109,180**	88,469
Net income for the period	**27,663**	20,683	**72,846**	56,524
Per share - basic ($)	**0.40**	0.32	**1.06**	0.88
Per share - diluted ($)	**0.40**	0.32	**1.05**	0.88
Cash flow from operations [1]	**43,514**	35,291	**126,024**	98,434
Weighted average shares outstanding (basic, in '000s)	**68,687**	63,957	**68,681**	63,899

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

THIRD QUARTER RESULTS

Sales for the quarter ended September 30, 2013 totalled $268.1 million, up 37.2% over last year's sales of $195.4 million. The operating facilities acquired from McFarland on November 30, 2012 contributed sales of approximately $86.2 million, while the conversion effect from fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, versus the U.S. dollar, had a positive impact of $4.7 million on the value of U.S. dollar denominated sales when compared with the previous year's third quarter.

Railway tie sales reached $99.4 million, compared with $114.7 million last year, mainly reflecting the aforementioned transition of a Class 1 railroad customer to a "black-tie" program. Sales of utility poles amounted to $112.8 million, up from $53.1 million in the corresponding period in 2012. This increase is mainly attributable to utility pole sales of $59.9 million from the McFarland operations. Sales of residential lumber reached $39.3 million, up from $12.3 million a year earlier as a result of additional residential lumber sales of $25.0 million from the McFarland operations and unexpected strong demand in southern Alberta subsequent to flooding earlier in the year. Finally, industrial product sales totalled $16.5 million, compared with $15.4 million a year earlier, mainly reflecting a $1.3 million contribution from the McFarland operations.

Operating income rose 21.2% to $38.6 million, or 14.4% of sales, versus $31.8 million, or 16.3% of sales, last year. While the increase in monetary terms mainly reflects the addition of the McFarland operations, the reduction as a percentage of sales stems from a less favourable product mix and higher shipping cost due to the unexpected strong demand for residential lumber in southern Alberta, as greater shipments were made from Stella-Jones' eastern Canada facilities to adequately meet customer requirements.

Net income for the period increased 33.7% to $27.7 million or $0.40 per share, fully diluted, compared with $20.7 million or $0.32 per share, fully diluted, in the third quarter of 2012. Cash flow from operating activities before changes in non-cash working capital components and interest and income taxes paid rose 23.3% to $43.5 million.

NINE-MONTH RESULTS

For the nine-month period ended September 30, 2013, sales reached $758.3 million, up 35.9% from the same period a year earlier. The McFarland operations contributed sales of approximately $226.1 million while the year-over-year 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 $7.1 million.

Operating income was $109.2 million or 14.4% of sales, compared with $88.5 million or 15.9% of sales last year. Net income for the period reached $72.8 million or $1.05 per share, fully diluted, up 28.9% from $56.5 million or $0.88 per share, fully diluted, a year earlier. Cash flow from operating activities before changes in non-cash working capital components and interest and income taxes paid rose 28.0% to $126.0 million.

LONG-TERM DEBT REDUCTION OF $55.3 MILLION

As at September 30, 2013, the Company's long-term debt, including the current portion, stood at $318.4 million, down $55.3 million from $373.7 million three months ago. The decrease essentially reflects lower working capital requirements in the third quarter of 2013. As a result, the ratio of total debt to total capitalization was 0.37:1 as at September 30, 2013, down from 0.41:1 three months earlier.

During the third quarter of 2013, Stella-Jones invested $6.9 million in purchases of property, plant and equipment, primarily for the addition of various equipment upgrades and incremental capacity in anticipation of strong demand. This amount includes $2.0 million to complete the construction of the Cordele, Georgia facility and an amount of $0.9 million for a new treating cylinder at the New Westminster, British Columbia facility.

QUARTERLY DIVIDEND OF $0.05 PER SHARE

On November 7, 2013, the Board of Directors declared a quarterly dividend of $0.05 per common share payable on December 20, 2013 to shareholders of record at the close of business on December 2, 2013.

OUTLOOK

"Demand for Stella-Jones' products and services should remain healthy for the upcoming quarters, as fundamentals in our core markets remain favourable. While the transition to a "black tie" program will create a short-term lag effect on sales to one of our customers until the first quarter of 2014, we are pleased with this opportunity to demonstrate our ability to provide this customer with a comprehensive product and service offering. Over the long-term, our strategy focused on continental expansion remains intact, as evidenced by the proposed acquisition of three wood treating facilities in Oregon, Nevada and Arizona. Should this transaction be completed, Stella-Jones would benefit from greater market penetration, synergies and additional operating efficiencies from a larger network," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on November 8, 2013, at 10:00 AM Eastern Time. Interested parties can join the call by dialing 647-427-7450 (Toronto or overseas) or 1-888-231-8191 (elsewhere in North America). Parties unable to call in at this time may access a tape recording of the meeting by calling 1-855-859-2056 and entering the passcode 74539942. This tape recording will be available on Friday, November 8, 2013 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Friday, November 15, 2013.

NON-IFRS FINANCIAL MEASURES

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

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is a leading producer and marketer of pressure treated wood products. The Company supplies North America’s railroad operators with railway ties 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.

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

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EXCHANGE LISTINGS
The Toronto Stock Exchange
Stock Symbol: SJ

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<u>NOTICE</u>

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the third quarter ended September 30, 2013 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
November 7, 2013

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
September 30, 2013 and 2012

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

(expressed in thousands of Canadian dollars)

	Note	As at September 30, 2013 $	As at December 31, 2012 $
Assets			
Current assets			
Cash		-	14,000
Accounts receivable		128,857	89,563
Inventories		403,236	413,400
Prepaid expenses		10,207	10,014
Income taxes receivable		627	7,886
		542,927	534,863
Non-current assets			
Property, plant and equipment		203,661	189,028
Intangible assets		88,912	93,105
Goodwill		141,825	135,834
Derivative financial instruments	7	1,868	198
Other assets		1,197	2,835
		980,390	955,863
Liabilities and Shareholders' Equity			
Current liabilities			
Bank indebtedness		-	14,000
Accounts payable and accrued liabilities		58,102	65,836
Current portion of long-term debt	4	673	6,358
Current portion of provisions and other long-term liabilities	5	3,827	3,862
		62,602	90,056
Non-current liabilities			
Long-term debt	4	317,705	343,250
Deferred income taxes		42,293	38,809
Provisions and other long-term liabilities	5	9,566	8,297
Employee future benefits		1,290	4,774
Derivative financial instruments	7	1,234	1,926
		434,690	487,112
Shareholders' equity			
Capital stock	6	211,048	210,636
Contributed surplus		1,316	1,229
Retained earnings		329,492	264,211
Accumulated other comprehensive gain (loss)		3,844	(7,325)
		545,700	468,751
		980,390	955,863

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

Stella-Jones Inc.

Interim Consolidated Statements of Change in Shareholders' Equity

(Unaudited)

For the nine-month periods ended September 30, 2013 and 2012

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive gain (loss)				
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debt 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								
Net income for the period	-	-	72,846	-	-	-	-	72,846
Other comprehensive income (loss)	-	-	2,737	18,609	(9,109)	1,669	11,169	13,906
Comprehensive income for the period	-	-	75,583	18,609	(9,109)	1,669	11,169	86,752
Dividends on common shares	-	-	(10,302)	-	-	-	-	(10,302)
Stock option plan	-	-	-	-	-	-	-	-
Exercise of stock options	-	-	-	-	-	-	-	-
Employee share purchase plans	412	-	-	-	-	-	-	412
Stock-based compensation	-	87	-	-	-	-	-	87
	412	87	(10,302)	-	-	-	-	(9,803)
Balance – September 30, 2013	211,048	1,316	329,492	9,659	(6,332)	517	3,844	545,700

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 nine-month periods ended September 30, 2013 and 2012

(expressed in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive gain (loss): Foreign currency translation adjustment	Translation of long-term debt designated as net investment hedges	Unrealized losses on cash flow hedges	Total	Total shareholders' equity
	$	$	$	$	$	$	$	$
Balance – January 1, 2012	131,272	1,342	201,268	(2,239)	1,046	(777)	(1,970)	331,912
Comprehensive income								
Net income for the period	-	-	56,524	-	-	-	-	56,524
Other comprehensive income (loss)	-	-	(780)	(10,569)	3,509	(429)	(7,489)	(8,269)
Comprehensive income for the period	-	-	55,744	(10,569)	3,509	(429)	(7,489)	48,255
Dividends on common shares	-	-	(7,351)	-	-	-	-	(7,351)
Stock option plan	719	-	-	-	-	-	-	719
Exercise of stock options	-	(231)	-	-	-	-	-	(231)
Employee share purchase plans	332	-	-	-	-	-	-	332
Stock-based compensation	-	92	-	-	-	-	-	92
	1,051	(139)	(7,351)	-	-	-	-	(6,439)
Balance – September 30, 2012	132,323	1,203	249,661	(12,808)	4,555	(1,206)	(9,459)	373,728

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 September 30, 2013 $	2012 $	For the nine-month periods ended September 30, 2013 $	2012 $
Sales		268,087	195,435	758,287	558,149
Expenses (income)					
Cost of sales		214,938	152,629	604,158	439,483
Selling and administrative		14,329	11,356	42,520	29,894
Other losses (gains), net		270	(349)	2,429	303
		229,537	163,636	649,107	469,680
Operating income		38,550	31,799	109,180	88,469
Financial expenses					
Interest on long-term debt		2,575	1,807	7,958	5,935
		2,575	1,807	7,958	5,935
Income before income taxes		35,975	29,992	101,222	82,534
Provision for (recovery of) income taxes					
Current		8,273	10,077	27,916	27,363
Deferred		39	(768)	460	(1,353)
		8,312	9,309	28,376	26,010
Net income for the period		27,663	20,683	72,846	56,524
Basic earnings per common share	6	0.40	0.32	1.06	0.88
Diluted earnings per common share	6	0.40	0.32	1.05	0.88

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 September 30,		For the nine-month periods ended September 30,	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Net income for the period	27,663	20,683	72,846	56,524
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	(12,072)	(11,161)	18,609	(10,569)
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	5,529	3,950	(9,105)	3,826
Income taxes on change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	261	(525)	(4)	(317)
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	(838)	(98)	2,362	(626)
Income taxes on change in gains (losses) on fair value of derivatives designated as cash flow hedges	212	24	(693)	197
Items that will not subsequently be reclassified to net income				
Change in actuarial gains (losses) on post-retirement benefit obligations	1,062	(524)	3,848	(1,036)
Income taxes on change in actuarial gains (losses) on post-retirement benefit obligations	(312)	131	(1,111)	256
	(6,158)	(8,203)	13,906	(8,269)
Comprehensive income	21,505	12,480	86,752	48,255

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 nine-month periods ended September 30, 2013 and 2012

(expressed in thousands of Canadian dollars)

	Note	2013 $	2012 $
Cash flows provided by (used in)			
Operating activities			
Net income for the period		72,846	56,524
Adjustments for			
Depreciation of property, plant and equipment		5,803	3,837
Amortization of intangible assets		6,325	3,824
Interest accretion		462	569
Loss on disposal of property, plant and equipment		2,349	655
Employee future benefits		266	(436)
Stock-based compensation		87	92
Financial expenses		7,958	5,935
Income taxes		27,916	27,363
Deferred income taxes		460	(1,353)
Restricted stock units obligation		1,605	1,380
Other		(53)	44
		126,024	98,434
Changes in non-cash working capital components and others			
Accounts receivable		(36,799)	(24,759)
Inventories		19,999	(27,313)
Prepaid expenses		102	(3,479)
Income taxes receivable		(571)	(192)
Accounts payable and accrued liabilities		(1,556)	(1,173)
Asset retirement obligations		455	18
Provisions and other long-term liabilities		(154)	(1,684)
		(18,524)	(58,582)
Interest paid		(7,334)	(4,821)
Income taxes paid		(19,831)	(27,601)
		80,335	7,430
Financing activities			
Increase (decrease) in bank indebtedness		(14,000)	873
Increase in long-term debt		-	11,277
Repayment of long-term debt		(42,573)	(1,708)
Non-competes payable		(1,179)	(941)
Dividend on common shares		(10,302)	(7,351)
Proceeds from issuance of common shares		412	820
		(67,642)	2,970
Investing activities			
Decrease in other assets		466	524
Business acquisition	3	(8,689)	(4,396)
Increase in intangible assets		(370)	(362)
Purchase of property, plant and equipment		(18,650)	(6,275)
Proceeds from disposal of property, plant and equipment		550	109
		(26,693)	(10,400)
Net change in cash and cash equivalents during the period		(14,000)	-
Cash and cash equivalents – Beginning of period		14,000	-
Cash and cash equivalents – End of period		-	-

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

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

1 Description of the business

Stella-Jones Inc. (the "Company") is a 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") 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 November 7, 2013.

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

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

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

Principles of consolidation

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

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

On May 1, 2013, Shelby County Forest Products L.L.C. was merged with Electric Mills Wood Preserving LLC and the surviving corporation was Electric Mills Wood Preserving LLC. On the same date, L. D. McFarland Company, Limited was merged with MCHI and the surviving corporation was MCHI.

Changes in accounting policies

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

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

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

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

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

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

IAS 19, Employee Benefits (amended in 2011)

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

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

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

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

3 Business acquisition

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

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

Total cash outlay associated with the acquisition was $238,854 (US$240,393), excluding acquisition costs of approximately $2,979 (US$2,877), recognized in the consolidated statement of income under selling and administrative expenses. This amount includes $171,577 (US$172,683) paid to MCHI's shareholders and $67,277 (US$67,710) used to reimburse MCHI's debts with financial institutions.

(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 adjustments 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	153,093
Property, plant and equipment	59,902
Cutting rights	1,159
Customer relationships	27,099
Customer backlog	379
Goodwill	44,952
Deferred income tax assets	1,752
	288,336
Liabilities assumed	
Bank indebtedness	18,500
Accounts payable and accrued liabilities	20,999
Long-term debt	67,277
Site remediation provision	5,910
Employee future benefits	2,765
Deferred income tax liabilities	1,308
Total net assets acquired and liabilities assumed	171,577
Consideration transferred	
Cash	238,854
Payment of long-term debt	(67,277)
Consideration transferred for shares	171,577

The Company's valuation of intangible assets has identified customer relationships and customer backlog. The assigned useful lives are 20 years for customer relationships and 4 months for customer backlog. Significant assumptions used in the determination of intangible assets, as defined by management, are year-over-year sales growth, discount rate and operating income before depreciation and amortization margin. Goodwill is amortized and deductible for 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. In the case of the MCHI acquisition, goodwill is allocated to plants specialized in the treatment of utility poles.

The fair value of trade receivable acquired, included in non-cash working capital, is $35,779 and the contractual amount is $35,876, of which $97 is expected to be uncollectible.

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

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

4 Long-term debt

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

5 Provisions and other long-term liabilities

On May 6, 2013, as part of a five-year incentive agreement and pursuant to the Stella-Jones Long-Term Incentive Plan, the Company granted 400,000 restricted stock units ("RSUs") to the President and Chief Executive Officer (the "President"). The RSUs are full-value phantom shares payable in cash on the third anniversary of their date of grant, provided the executive is still employed by the Company. The amount to be paid is determined by multiplying the number of RSUs by the six-month average trading price of the Company's common shares on the TSX immediately preceding the anniversary. As part of the agreement, in the event that the President voluntarily leaves the employment of the Company prior to the fifth anniversary of the RSUs grant date, any amounts paid to him will be reimbursed to the Company. In the event that the President is required to cease his functions prior to the fifth anniversary of the RSUs grant date due to long-term disability or death, he shall be entitled to a prorated payment.

The Company measures the liability incurred and the compensation expenses at fair value by applying the Black-Scholes valuation model. The compensation expense will be recognized in the statement of income over a five-year period. As at September 30, 2013, the provision related to the RSUs under the five-year incentive agreement was valued at $581.

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

6 Capital stock

	2013	**2012**
Number of common shares outstanding – Beginning of period*	68,674	63,821
Stock option plan*	-	115
Employee share purchase plans*	18	26
Number of common shares outstanding – End of period*	68,692	63,962

* Number of common shares is presented in thousands.

On October 1, 2013 the Board of Directors approved a share split of the Company's outstanding common shares on a 4-for-1 basis. The share split took the form of a share dividend whereby shareholders received three additional common shares for each common share held. The record date for the share dividend was October 21, 2013 and the share dividend payment date was October 25, 2013. The Company's common shares commenced trading on a split basis on October 28, 2013. All references to common share issued and outstanding, stock options outstanding, as well as per data share have been adjusted to reflect the share split.

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 between basic earnings per common share and diluted earnings per common share (as restated to consider the share split):

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2013	**2012**	**2013**	**2012**
Net income applicable to common shares	$27,663	$20,683	$72,846	$56,524
Weighted average number of common shares outstanding*	68,687	63,957	68,681	63,899
Effect of dilutive stock options*	392	294	374	259
Weighted average number of diluted common shares outstanding*	69,079	64,251	69,055	64,158
Basic earnings per common share **	$0.40	$0.32	$1.06	$0.88
Diluted earnings per common share **	$0.40	$0.32	$1.05	$0.88

* 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)

7 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 September 30, 2013	As at December 31, 2012
	Significant other observable inputs (Level 2)	**Significant other observable inputs (Level 2)**
	$	**$**
Recurring fair value measurements		
Assets		
Derivatives - Interest rate swap	1,868	198
	1,868	198
Liabilities		
Derivatives - Interest rate swap	1,234	1,926
	1,234	1,926

The fair value of these financial instruments has been determined by obtaining mark-to-market values as at September 30, 2013 from different third parties. This type of measurement falls under Level 2 in the fair value hierarchy as per IFRS 7, *Financial Instruments: Disclosures*. A description of each level of the hierarchy is as follows:

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

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

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

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash equivalents, accounts receivable and accounts payable approximate their carrying values due to their short term nature. The long-term debt had a carrying value of $318,378 (December 31, 2012 – $349,608) and a fair value of $318,998 (December 31, 2012 – $350,194).

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

8 Seasonality

The Company's operations follow a seasonal pattern, with pole, 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.

9 Segment information

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

10 Subsequent events

- On November 7, 2013, the Board of Directors declared a quarterly dividend of $0.05 per common share payable on December 20, 2013 to shareholders of record at the close of business on December 2, 2013.

- On October 8, 2013, the Company announced that it has signed a definitive agreement to acquire, through its wholly-owned U.S. subsidiaries, 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®) 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.

  The definitive agreement provides for a purchase price of approximately US$33,000 plus the sellers' net working capital at closing (estimated at approximately US$24,000). The transaction is expected to close in November 2013 and is subject to satisfactory completion of environmental due diligence, assignment of certain governmental authorizations and permits and other customary closing conditions. The Company plans to finance the acquisition through a combination of its existing credit facilities and a vendor note of US$7,000.