Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS THIRD QUARTER RESULTS

- **Sales of $357.3 million, up 25.2% from $285.3 million last year**
- **Operating income up 18.0% to $45.5 million, compared to $38.6 million last year**
- **Net income of $29.5 million, or $0.43 per share, fully diluted, versus $27.7 million, or $0.40, fully diluted, a year ago**
- **Debt repayment of $44.0 million resulting from solid cash flow generation**

Montreal, Quebec – November 7, 2014 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its third quarter ended September 30, 2014.

"We are pleased with Stella-Jones' solid sales growth in the third quarter, which reflects our expanding presence in our core markets and healthy industry demand. While margins remained affected by higher year-over-year costs for untreated railway ties, we have initiated certain selling price adjustments permitted in the majority of our multi-year contracts. Our focus on operating efficiency led to further growth in operating income, while a solid cash flow generation allowed Stella-Jones to substantially reduce its long-term debt," 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)	**2014**	**2013**	**2014**	**2013**
Sales	**357,285**	285,304	**959,579**	788,778
Operating income	**45,492**	38,550	**121,844**	109,180
Net income for the period	**29,541**	27,633	**80,880**	72,846
Per share - basic ($)	**0.43**	0.40	**1.18**	1.06
Per share - diluted ($)	**0.43**	0.40	**1.17**	1.05
Weighted average shares outstanding (basic, in '000s)	**68,829**	68,687	**68,780**	68,681

Effective January 1, 2014, the Company's sales of non-pole-quality logs are reported as revenue in the consolidated statement of income in a new product category and are no longer credited to cost of sales. Comparative figures have been restated to comply with the current year's presentation.

THIRD QUARTER RESULTS

Sales reached $357.3 million, up 25.2% from $285.3 million in the same period last year. The operating assets acquired from The Pacific Wood Preserving Companies® ("PWP") on November 15, 2013 and from Boatright Railroad Products, Inc. ("Boatright") on May 22, 2014 contributed sales of $11.2 million and $12.0 million, respectively. The conversion effect from fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, versus the U.S. dollar, increased the value of U.S.-dollar denominated sales by about $8.9 million when compared with the previous year. Excluding these factors, sales increased approximately $39.9 million, or 14.0%.

Railway tie sales amounted to $148.8 million, up 49.7% from $99.4 million a year earlier. Excluding sales from acquired assets and the conversion effect, railway tie sales rose approximately 34.7%. Further adjusting for the approximately $15.0 million negative effect on last year's third-quarter railway tie sales as a result of the transition of a Class 1 railroad customer from a "treating services only" program to a "black-tie" program, year-over-year sales increased $19.5 million, or 17.0%. This increase reflects solid market demand for tie replacement programs as well as increased pricing.

Sales of utility poles reached $127.6 million, up from $112.8 million last year. Excluding sales from acquisitions and the conversion effect, utility pole sales increased $4.0 million, or 3.5%, as a result of higher sales of distribution poles stemming from increased demand from replacement programs, partially offset by slightly lower sales of transmission poles due to the timing of certain special projects.

Sales in the residential lumber category totalled $43.5 million, up 10.6% from $39.3 million a year ago, mainly reflecting solid demand in Western Canada and the United States. Industrial product sales reached $29.7 million, versus $16.5 million last year due to the contribution from acquisitions and increased sales of rail-related products. Finally, non-pole-quality log sales amounted to $7.7 million, down from $17.2 million a year ago, as a result of the timing of timber harvesting.

Operating income stood at $45.5 million, or 12.7% of sales, versus $38.6 million, or 13.5% of sales, last year. The decrease as a percentage of sales is mainly due to higher year-over-year costs for untreated railway ties, partially offset by greater efficiencies throughout the Company's plant network. As the Company is gradually able to adjust its selling prices, as per provisions in most of its multi-year contracts, the year-over-year negative variation of operating income as a percentage of sales due to higher costs was less in the third quarter of 2014 than in the previous quarter.

Net income for the third quarter of 2014 increased 6.8% to $29.5 million or $0.43 per share, fully diluted, compared with $27.7 million or $0.40 per share, fully diluted, in the third quarter of 2013.

NINE-MONTH RESULTS

For the nine-month period ended September 30, 2014, sales amounted to $959.6 million, versus $788.8 million for the same period in 2013. Acquisitions accounted for total sales of $52.0 million, while the conversion effect from fluctuations in the value of the Canadian dollar versus the U.S. dollar had a positive year-over-year impact of $43.2 million on the value of U.S. dollar denominated sales. Excluding these factors, sales increased approximately $75.6 million, or 9.6%.

Operating income was $121.8 million, or 12.7% of sales, up from $109.2 million, or 13.8% of sales, last year. Net income reached $80.9 million, or $1.17 per share, fully diluted, compared with $72.8 million, or $1.05 per share, fully diluted, a year ago.

FINANCIAL POSITION

As at September 30, 2014, the Company's long-term debt, including the current portion, stood at $433.6 million down from $456.8 million three months earlier. The reduction reflects the repayment of approximately $44.0 million in long-term debt during the quarter, driven by a strong cash flow generation, partially offset by the effect of currency conversion on U.S.-dollar denominated debt. As at September 30, 2014, an amount of $365.9 million had been drawn against the Company's committed revolving credit facility of $450.0 million.

As a result of this lower debt, Stella-Jones' total debt to total capitalization ratio was 0.40:1 as at September 30, 2014, down from 0.43:1 three months earlier.

QUARTERLY DIVIDEND OF $0.07 PER SHARE

On November 6, 2014, the Board of Directors declared a quarterly dividend of $0.07 per common share payable on December 18, 2014 to shareholders of record at the close of business on December 2, 2014.

OUTLOOK

"Driven by continuing economic growth and sound fundamentals, we expect demand for Stella-Jones' core products to remain healthy for the remainder of 2014 and through 2015. For this reason, our established reputation as a reliable provider of high-quality treated wood products should allow the Company to gain further momentum in its core markets across North America. In the short-term, we continue to adjust selling prices in response to higher untreated railway tie costs and we are pleased with the progress achieved so far. Over the longer term, a continuous focus on enhancing efficiency and productivity across our continental network should allow Stella-Jones to sustain profitability and cash flow growth to the benefit of its shareholders," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on November 7, 2014, 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 5046375. This tape recording will be available on Friday, November 7, 2014 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Friday, November 14, 2014.

NON-IFRS FINANCIAL MEASURE

Operating income is a financial measure not prescribed by IFRS and is not likely to be comparable to similar measures presented by other issuers. Management considers this non-IFRS measure 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.

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.

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Stock Symbol: SJ

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NOTICE

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the third quarter ended September 30, 2014 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
November 6, 2014

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
September 30, 2014 and 2013

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

(expressed in thousands of Canadian dollars)

	Note	As at September 30, 2014 $	As at December 31, 2013 $
Assets			
Current assets			
Cash	3	-	3,191
Restricted cash	3	22,400	-
Accounts receivable		175,749	107,987
Inventories		476,365	458,616
Prepaid expenses		21,499	12,102
		696,013	581,896
Non-current assets			
Property, plant and equipment		268,283	234,234
Intangible assets		110,220	93,988
Goodwill		188,315	156,208
Derivative financial instruments	6	2,113	2,119
Other assets		1,900	3,478
		1,266,844	1,071,923
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		98,609	58,054
Income taxes payable		7,873	1,007
Current portion of long-term debt	4	5,460	2,732
Current portion of provisions and other long-term liabilities		5,885	3,060
		117,827	64,853
Non-current liabilities			
Long-term debt	4	428,107	370,159
Deferred income taxes		44,091	46,200
Provisions and other long-term liabilities		13,918	13,671
Employee future benefits		3,263	3,724
Derivative financial instruments	6	734	1,133
		607,940	499,740
Shareholders' equity			
Capital stock	5	212,905	211,162
Contributed surplus		1,134	1,353
Retained earnings		410,724	345,532
Accumulated other comprehensive gain		34,141	14,136
		658,904	572,183
		1,266,844	1,071,923

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

Stella-Jones Inc.

Interim Consolidated Statements of Change in Shareholders' Equity
(Unaudited)
For the nine-month periods ended September 30, 2014 and 2013

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive gain				
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debt designated as net investment hedges	Unrealized gains on cash flow hedges	Total	Total shareholders' equity
	$	$	$	$	$	$	$	$
Balance – January 1, 2014	211,162	1,353	345,532	29,214	(15,844)	766	14,136	572,183
Comprehensive income (loss)								
Net income for the period	-	-	80,880	-	-	-	-	80,880
Other comprehensive loss	-	-	(1,241)	37,390	(17,653)	268	20,005	18,764
Comprehensive income (loss) for the period	-	-	79,639	37,390	(17,653)	268	20,005	99,644
Dividends on common shares	-	-	(14,447)	-	-	-	-	(14,447)
Exercise of stock options	1,032	(299)	-	-	-	-	-	733
Employee share purchase plans	711	-	-	-	-	-	-	711
Stock-based compensation	-	80	-	-	-	-	-	80
	1,743	(219)	(14,447)	-	-	-	-	(12,923)
Balance – September 30, 2014	212,905	1,134	410,724	66,604	(33,497)	1,034	34,141	658,904

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, 2014 and 2013

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive gain				
	Capital stock	**Contributed surplus**	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term 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 (loss)								
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 (loss) for the period	-	-	75,583	18,609	(9,109)	1,669	11,169	86,752
Dividends on common shares	-	-	(10,302)	-	-	-	-	(10,302)
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 Income
(Unaudited)

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

	Note	For the three-month periods ended September 30, 2014 $	2013 $	For the nine-month periods ended September 30, 2014 $	2013 $
Sales		357,285	285,304	959,579	788,778
Expenses (income)					
Cost of sales		294,861	232,155	786,821	634,649
Selling and administrative		16,649	14,329	49,893	42,520
Other losses, net		283	270	1,021	2,429
		311,793	246,754	837,735	679,598
Operating income		45,492	38,550	121,844	109,180
Financial expenses		3,289	2,575	9,205	7,958
Income before income taxes		42,203	35,975	112,639	101,222
Provision for income taxes					
Current		15,455	8,273	35,217	27,916
Deferred		(2,793)	39	(3,458)	460
		12,662	8,312	31,759	28,376
Net income for the period		29,541	27,663	80,880	72,846
Basic earnings per common share	5	0.43	0.40	1.18	1.06
Diluted earnings per common share	5	0.43	0.40	1.17	1.05

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,	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Net income for the period	29,541	27,663	80,880	72,846
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	37,396	(12,072)	37,390	18,609
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	(16,360)	5,529	(16,832)	(9,105)
Income taxes on change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	(544)	261	(821)	(4)
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	1,170	(838)	393	2,362
Income taxes on change in gains (losses) on fair value of derivatives designated as cash flow hedges	(327)	212	(125)	(693)
Items that will not subsequently be reclassified to net income				
Change in actuarial gains (losses) on post-retirement benefit obligations	(538)	1,062	(1,682)	3,848
Income taxes on change in actuarial gains (losses) on post-retirement benefit obligations	47	(312)	441	(1,111)
	20,844	(6,158)	18,764	13,906
Comprehensive income	50,385	21,505	99,644	86,752

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, 2014 and 2013

(expressed in thousands of Canadian dollars)

	Note	2014	2013
		$	$
Cash flows provided by (used in)			
Operating activities			
Net income for the period		80,880	72,846
Adjustments for			
Depreciation of property, plant and equipment		7,118	5,803
Amortization of intangible assets		7,603	6,325
Interest accretion		887	462
Loss on disposal of property, plant and equipment		1,297	2,349
Impairment of assets		2,217	-
Employee future benefits		(264)	266
Stock-based compensation		80	87
Financial expenses		8,318	7,958
Income taxes		35,217	27,916
Deferred income taxes		(3,458)	460
Restricted stock units obligation		3,396	1,605
Other		320	(53)
		143,611	126,024
Changes in non-cash working capital components and others			
Accounts receivable		(62,082)	(36,799)
Inventories		8,232	19,999
Prepaid expenses		(8,655)	102
Income taxes receivable		256	(571)
Accounts payable and accrued liabilities		19,176	(1,556)
Asset retirement obligations		(2,924)	455
Provisions and other long-term liabilities		(790)	(154)
		(46,787)	(18,524)
Interest paid		(9,120)	(7,334)
Income taxes paid		(28,756)	(19,831)
		58,948	80,335
Financing activities			
Decrease in bank indebtedness		-	(14,000)
Increase in long-term debt		29,284	-
Repayment of long-term debt		(2,228)	(42,573)
Non-competes payable		(822)	(1,179)
Dividend on common shares		(14,447)	(10,302)
Proceeds from issuance of common shares		1,444	412
		13,231	(67,642)
Investing activities			
Decrease (increase) in other assets		(412)	466
Increase in restricted cash	3	(21,830)	-
Business acquisition	3	(39,221)	(8,689)
Increase in intangible assets		(337)	(370)
Purchase of property, plant and equipment		(13,968)	(18,650)
Proceeds from disposal of property, plant and equipment		398	550
		(75,370)	(26,693)
Net change in cash and cash equivalents during the period		(3,191)	(14,000)
Cash and cash equivalents – Beginning of period		3,191	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") and Chartered Professional Accountants Canada Handbook Part I, applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 6, 2014.

The same accounting policies, methods of computation and presentation have been followed in the preparation of these condensed interim consolidated financial statements as were applied in the annual consolidated financial statements for the year ended December 31, 2013, except as described below in the *Changes in accounting policies* section.

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

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

Principles of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The Company owns 100% of the equity interest of its subsidiaries.

The significant subsidiaries are as follows:

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

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

Changes in accounting policies

The Company has increasingly been ensuring its own pole sourcing and, as a result, non-pole-quality log sales have become more significant to the consolidated operations. Accordingly, the Company believes it is more representative to treat the sale of non-pole-quality logs as a joint product of its pole harvesting efforts and no longer as a by-product. Therefore, effective January 1, 2014, sales of non-pole-quality logs will be presented in revenues in the consolidated statement of income and are no longer credited to cost of sales. The comparative figures have been restated to comply with the current year's presentation. The amount of non-pole-quality logs recognized as revenue for the nine-month period ended September 30, 2014 was $23,174 ($30,493 for 2013) and $7,679 for the three-month period ($17,223 for 2013).

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

The Company has also adopted the following revised standard, along with any consequential amendments, effective January 1, 2014. This change was made in accordance with the applicable transitional provisions.

IAS 32 - Financial Instruments: Presentation

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

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

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

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

3 Business acquisition

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

   Total cash outlay associated with the acquisition was approximately $37,000 (US$33,898), excluding acquisition costs of approximately $616 (US$563), recognized in the interim consolidated statement of income under selling and administrative expenses.

   The following fair value determination of the assets acquired and liabilities assumed is preliminary and is based on Management's best estimates and information known at the time of preparing these interim consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to intangible assets, goodwill and deferred income taxes. During the third quarter of 2014, the site remediation provision was reduced by $3,116 and the adjustment was mainly offset against goodwill.

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

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

Assets acquired	**$**
Inventories	9,718
Property, plant and equipment	22,527
Customer relationships	17,486
Customer backlog	1,463
Goodwill	23,316
Deferred income tax assets	935
	75,445
Liabilities assumed	
Accounts payable and accrued liabilities	160
Site remediation provision	3,029
Total net assets acquired and liabilities assumed	72,256
Consideration transferred	
Cash	37,000
Unsecured promissory note	13,426
Consideration payable for the purchase of the Montevallo plant assets	21,830
Consideration transferred	72,256

The Company's valuation of intangible assets has identified customer relationships and customer backlog. The assigned useful lives are 20 years for customer relationships and 6 months for customer backlog. Significant assumptions used in the determination of intangible assets, as defined by Management, include year-over-year sales growth, discount rate and operating income before depreciation and amortization margin. Goodwill is amortized and deductible for U.S. tax purposes, and represents the future economic value associated with the increased distribution network, acquired workforce and synergies with the Company's operations. For impairment test purposes, goodwill is allocated to cash generating units, which are defined as either plants specialized in the treatment of utility poles or plants specialized in the treatment of railway ties. In the case of the Boatright acquisition, goodwill is allocated to plants specialized in the treatment of railway ties.

The consideration payable of $21,830 (US$20,000), recorded under accounts payable and accrued liabilities in the interim consolidated statement of financial position, is the counterpart of a cash amount held

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

in escrow pending the formal title transfer of the Montevallo plant assets, which shall occur concurrently with the issue, to the Company, of certain governmental permits relating to the facility. The balance held in escrow was recorded under restricted cash in the interim consolidated statement of financial position as at September 30, 2014.

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

In the period from May 22 to September 30, 2014, Montevallo and Clanton plant sales and loss before income taxes amounted to $15,868 and $514, respectively. Pro forma information for the period ending September 30, 2014, had the Boatright acquisition occurred as of January 1, 2014, cannot be estimated as Management does not have all the required discrete financial information for the four first months of the year.

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

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

The following fair value determination of the assets acquired and liabilities assumed is preliminary and is based on Management’s best estimates and information known at the time of preparing these interim consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to intangible assets, goodwill and deferred income taxes. In the first 9 months of 2014, no significant adjustments were made to the preliminary fair value determination.

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

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

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

The Company's valuation of intangible assets has identified customer relationships and customer backlog. The assigned useful lives are 20 years for customer relationships and 4 months for customer backlog. Significant assumptions used in the determination of intangible assets, as defined by Management, include year-over-year sales growth, discount rate and operating income before depreciation and amortization margin. Goodwill is amortized and deductible for U.S. tax purposes, and represents the future economic value associated with the increased distribution network, acquired workforce and synergies with the Company's operations. For impairment test purposes, goodwill is allocated to cash generating units. In the case of the PWP acquisition, goodwill values of $9,483 and $891 are allocated to plants specialized in the treatment of utility poles and plants specialized in the treatment of railway ties, respectively.

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

As at December 31, 2013, the Company had a consideration payable for the purchase of certain assets of the Nevada plant and an equivalent amount of $3,191 (US$3,000) was deposited in escrow and was

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

recorded under cash in the consolidated statement of financial position. On February 5, 2014, the consideration payable was settled.

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

4 Long-term debt

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

5 Capital stock

The following table provides the number of common share outstanding for the periods ending September 30:

	2014	**2013**
Number of common shares outstanding – Beginning of period*	68,697	68,674
Stock option plan*	129	-
Employee share purchase plans*	24	18
Number of common shares outstanding – End of period*	68,850	68,692

* 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 September 30, between basic earnings per common share and diluted earnings per common share:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2014	**2013**	**2014**	**2013**
Net income applicable to common shares	$29,541	$27,663	$80,880	$72,846
Weighted average number of common shares outstanding*	68,829	68,687	68,780	68,681
Effect of dilutive stock options*	306	392	305	374
Weighted average number of diluted common shares outstanding*	69,135	69,079	69,085	69,055
Basic earnings per common share **	$0.43	$0.40	$1.18	$1.06
Diluted earnings per common share **	$0.43	$0.40	$1.17	$1.05

* Number of shares is presented in thousands.

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

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

6 Fair value measurement and financial instruments

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

	As at September 30, 2014	As at December 31, 2013
	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 2)
	$	$
Recurring fair value measurements		
Assets		
Derivatives - Interest rate swap	2,113	2,119
	2,113	2,119
Liabilities		
Derivatives - Interest rate swap	734	1,133
	734	1,133

The fair value of these financial instruments has been estimated using the discounted future cash flow method and has been classified as Level 2 in the fair value hierarchy as per IFRS 7, *Financial Instruments: Disclosures*, as it is based mainly on observable market data, namely government bond yields and interest rates. A description of each level of the hierarchy is as follows:

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

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

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

Financial instruments that are not measured at fair value on the statement of financial position are represented by cash, restricted cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The fair values of cash equivalents, accounts receivable and accounts payable approximate their carrying values due to their short term nature. The long-term debt had a carrying value of $433,567 (December 31, 2013 – $372,891) and a fair value of $434,131 (December 31, 2013 – $373,231).

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

7 Seasonality

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

8 Segment information

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

9 Subsequent events

On November 6, 2014, the Board of Directors declared a quarterly dividend of $0.07 per common share payable on December 18, 2014 to shareholders of record at the close of business on December 2, 2014.