Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS 2015 THIRD QUARTER RESULTS

- **Sales of $433.1 million, up 21.2% from $357.3 million last year**
- **Operating income increased 38.4% to $62.9 million, or 14.5% of sales, up from 12.7% of sales, a year ago**
- **Net income up 33.2% to $39.3 million, compared to $29.5 million last year**
- **Diluted EPS of $0.57, versus $0.43 in the prior year**

Montreal, Quebec – November 6, 2015 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its third quarter ended September 30, 2015.

"Stella-Jones' solid performance in the third quarter was driven by our ability to respond to healthy demand in the railway tie and residential lumber categories. Our growing profitability reflects evolving market conditions in the untreated railway tie market and efficiency gains throughout our continental network. Moreover, we further expanded our reach through a strategic acquisition in Arkansas on September 1, 2015 and the conclusion of the Ram Forest Group Inc. and Ramfor Lumber Inc. ("Ram") acquisition on October 1, 2015," said Brian McManus, President and Chief Executive Officer.

Financial highlights (in millions of Canadian dollars, except per share data)	**Quarters ended Sept. 30,** 2015	2014	**Nine months ended Sept. 30,** 2015	2014
Sales	**433.1**	357.3	**1,201.8**	959.6
Operating income	**62.9**	45.5	**171.8**	121.8
Net income for the period	**39.3**	29.5	**108.4**	80.9
Per share - basic ($)	**0.57**	0.43	**1.57**	1.18
Per share - diluted ($)	**0.57**	0.43	**1.57**	1.17
Weighted average shares outstanding (basic, in '000s)	**69,025**	68,829	**68,989**	68,780

THIRD QUARTER RESULTS

Sales reached $433.1 million, up 21.2% from $357.3 million a year ago. 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 $57.2 million on the value of U.S. dollar denominated sales when compared with last year. Excluding this factor, sales increased approximately $18.6 million, or 5.2%.

Railway tie sales amounted to $200.6 million, up 34.8% from $148.8 million last year. Excluding the foreign currency conversion effect, railway tie sales rose approximately 14.7% as a result of selling price adjustments and healthy industry demand.

Sales of utility poles reached $142.3 million, representing an increase of 11.6% over sales of $127.6 million last year. Factoring out the foreign currency conversion effect, sales decreased approximately 1.5% reflecting lower sales of transmission poles due to a decrease in demand for special projects as a result of the weakness in the oil and gas as well as mining industries, partially offset by a steady rise in sales of distribution poles stemming from regular maintenance projects.

Sales of residential lumber totalled $53.2 million, up from $43.5 million last year, reflecting higher sales in the United States due to a healthier economy in certain sectors, as well as in Western Canada, reflecting the Company's increasing reach in British Columbia. Industrial product sales were $28.4 million, compared with $29.7 million a year ago, mainly due to lower sales of laminated poles, as demand for this product is mainly project driven. Non-pole-quality log sales were $8.5 million, versus $7.7 million last year, mainly due to the timing of timber harvesting.

Gross profit reached $87.5 million, or 20.2% of sales, up from $62.4 million, or 17.5% of sales, last year. The increase in absolute dollars essentially stems from higher business activity and the effect of currency translation. As a percentage of sales, gross profit increased mainly as a result of adjusted pricing for railway ties and greater efficiencies throughout the Company's network. As a result of higher gross profit, operating income increased 38.4% to $62.9 million, or 14.5% of sales, versus $45.5 million, or 12.7% of sales, last year.

Net income for the third quarter of 2015 increased 33.2% to $39.3 million or $0.57 per share, fully diluted, compared with $29.5 million or $0.43 per share, fully diluted, in the third quarter of 2014.

NINE-MONTH RESULTS

For the nine-month period ended September 30, 2015, sales totalled $1,201.8 million, versus $959.6 million for the corresponding period a year earlier. The wood treating facilities acquired from Boatright Railroad Products, Inc. on May 22, 2014 contributed additional sales of $48.4 million, while the conversion effect from fluctuations in the value of the Canadian dollar versus the U.S. dollar increased the value of U.S. dollar denominated sales by $124.7 million. Excluding these factors, sales increased approximately $69.1 million, or 7.2%.

Operating income reached $171.8 million, or 14.3% of sales, up from $121.8 million, or 12.7% of sales, a year ago. Net income amounted to $108.4 million, or $1.57 per share, fully diluted, compared with $80.9 million, or $1.17 per share, fully diluted, last year.

FINANCIAL POSITION

As at September 30, 2015, the Company's long-term debt, including the current portion, stood at $536.9 million compared with $538.1 million three months earlier. This reduction reflects a solid cash flow generation, partially offset by the effect of local currency translation on U.S. dollar denominated long-term debt. As at September 30, 2015, Stella-Jones' total debt to total capitalization ratio was 0.38:1, versus 0.41:1 as at June 30, 2015.

ACQUISITION OF TREATED MATERIALS CO., INC.

During the third quarter, on September 1, 2015, Stella-Jones completed, through its wholly owned U.S. subsidiary, the acquisition of substantially all the operating assets employed in the wood treating facility of Treated Materials Co., Inc. located in Rison, Arkansas. This facility manufactures, sells and distributes treated utility poles and was acquired for synergistic reasons. Total cash outlay associated with the acquisition was approximately $5.4 million (US$4.1 million).

QUARTERLY DIVIDEND OF $0.08 PER SHARE

On November 5, 2015, the Board of Directors declared a quarterly dividend of $0.08 per common share, payable on December 21, 2015 to shareholders of record at the close of business on December 2, 2015.

OUTLOOK

"Looking ahead to the remainder of 2015 and into 2016, railway tie demand is expected to remain healthy, driven by solid fundamental factors. With respect to utility poles, lower resource prices continue to create headwinds, mainly through a decrease in demand for special projects, while regular maintenance demand should hold. Over the mid-term, we believe that utility pole demand should improve, as an increasing number of poles are approaching the end of their service life and will have to be replaced. In addition, the Ram acquisition will allow Stella-Jones to leverage its reach in the residential lumber category. Our ability to methodically expand our presence in the wood treating industry by capturing accretive and synergistic opportunities underlines our commitment to create shareholder value," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on Friday, November 6, 2015, at 10:00 AM Eastern Time. Interested parties can join the call by dialing 647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a recording of the meeting by calling 1-800-585-8367 and entering the passcode 56328938. This tape recording will be available on Friday, November 6, 2015 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Friday, November 13, 2015.

NON-IFRS FINANCIAL MEASURES

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

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is a leading producer and marketer of pressure treated wood products. The Company supplies North America's railroad operators with railway ties and timbers, and the continent's electrical utilities and telecommunication companies with utility poles. Stella-Jones also provides residential lumber to retailers and wholesalers for outdoor applications, as well as industrial products for construction and marine applications. The Company's common shares are listed on the Toronto Stock Exchange.

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HEAD OFFICE	EXCHANGE LISTINGS	INVESTOR RELATIONS
3100 de la Côte-Vertu Blvd.	The Toronto Stock Exchange	Éric Vachon
Suite 300	Stock Symbol: SJ	Senior Vice-President and
Saint-Laurent, Québec		Chief Financial Officer
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NOTICE

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the third quarter ended September 30, 2015 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
November 5, 2015

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
September 30, 2015 and 2014

Stella-Jones Inc.

Interim Consolidated Statements of Financial Position
(Unaudited)

(expressed in thousands of Canadian dollars)

	Note	As at September 30, 2015 $	As at December 31, 2014 $
Assets			
Current assets			
Accounts receivable		215,070	127,545
Inventories		669,801	547,215
Prepaid expenses		26,254	20,750
Income taxes receivable		5,005	1,986
		916,130	697,496
Non-current assets			
Property, plant and equipment		337,599	281,607
Intangible assets		115,168	110,325
Goodwill		228,154	195,015
Derivative financial instruments	5	-	1,423
Other assets		2,326	1,630
		1,599,377	1,287,496
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		103,173	69,719
Current portion of long-term debt		60,424	5,754
Current portion of provisions and other long-term liabilities		13,689	6,939
		177,286	82,412
Non-current liabilities			
Long-term debt		476,515	438,803
Deferred income taxes		66,910	54,173
Provisions and other long-term liabilities		11,005	14,027
Employee future benefits		5,069	5,104
Derivative financial instruments	5	1,376	706
		738,161	595,225
Shareholders' equity			
Capital stock	4	215,782	213,858
Contributed surplus		617	954
Retained earnings		519,796	427,834
Accumulated other comprehensive gain		125,021	49,625
		861,216	692,271
		1,599,377	1,287,496

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, 2015 and 2014

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive gain				
	Capital stock	**Contributed surplus**	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term debts designated as net investment hedges**	**Unrealized gains (losses) on cash flow hedges**	**Total**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance – January 1, 2015	213,858	954	427,834	89,682	(40,607)	550	49,625	692,271
Comprehensive income (loss)								
Net income for the period	-	-	108,383	-	-	-	-	108,383
Other comprehensive income (loss)	-	-	138	126,541	(49,581)	(1,564)	75,396	75,534
Comprehensive income (loss) for the period	-	-	108,521	126,541	(49,581)	(1,564)	75,396	183,917
Dividends on common shares	-	-	(16,559)	-	-	-	-	(16,559)
Exercise of stock options	1,189	(367)	-	-	-	-	-	822
Employee share purchase plans	735	-	-	-	-	-	-	735
Stock-based compensation	-	30	-	-	-	-	-	30
	1,924	(337)	(16,559)	-	-	-	-	(14,972)
Balance – September 30, 2015	215,782	617	519,796	216,223	(90,188)	(1,014)	125,021	861,216

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, 2015 and 2014

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive gain				
	Capital stock	**Contributed surplus**	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term debts designated as net investment hedges**	**Unrealized gains (losses) on cash flow hedges**	**Total**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance – January 1, 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 income (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 Income
(Unaudited)

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

	Note	For the three-month periods ended September 30, 2015 $	For the three-month periods ended September 30, 2014 $	For the nine-month periods ended September 30, 2015 $	For the nine-month periods ended September 30, 2014 $
Sales		433,067	357,285	1,201,847	959,579
Expenses					
Cost of sales		345,613	294,861	963,823	786,821
Selling and administrative		24,065	16,649	64,337	49,893
Other losses, net		439	283	1,932	1,021
		370,117	311,793	1,030,092	837,735
Operating income		62,950	45,492	171,755	121,844
Financial expenses		4,139	3,289	12,246	9,205
Income before income taxes		58,811	42,203	159,509	112,639
Provision for (recovery of) income taxes					
Current		16,123	15,455	43,163	35,217
Deferred		3,349	(2,793)	7,963	(3,458)
		19,472	12,662	51,126	31,759
Net income for the period		39,339	29,541	108,383	80,880
Basic earnings per common share	4	0.57	0.43	1.57	1.18
Diluted earnings per common share	4	0.57	0.43	1.57	1.17

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

Stella-Jones Inc.
Interim Consolidated Statements of Comprehensive Income
(Unaudited)
For the three-month periods ended March 31, 2015 and 2014

(expressed in thousands of Canadian dollars)

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Net income for the period	39,339	29,541	108,383	80,880
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	63,651	37,396	126,541	37,390
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	(25,930)	(16,360)	(54,301)	(16,832)
Income taxes on change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations and translation of foreign operations	157	(544)	4,720	(821)
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	(910)	1,170	(2,092)	393
Income taxes on change in gains (losses) on fair value of derivatives designated as cash flow hedges	226	(327)	528	(125)
Items that will not subsequently be reclassified to net income				
Change in actuarial losses on post-retirement benefit obligations	(345)	(538)	530	(1,682)
Income taxes on change in actuarial losses on post-retirement benefit obligations	(409)	47	(392)	441
	36,440	20,844	75,534	18,764
Comprehensive income	75,779	50,385	183,917	99,644

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, 2015 and 2014

(expressed in thousands of Canadian dollars)

	Note	2015	2014
		$	$
Cash flows provided by (used in)			
Operating activities			
Net income for the period		108,383	80,880
Adjustments for			
Depreciation of property, plant and equipment		8,998	7,118
Amortization of intangible assets		8,085	7,603
Loss on disposal of assets		516	1,297
Impairment of assets		-	2,217
Employee future benefits		87	(264)
Stock-based compensation		30	80
Financial expenses		12,246	9,205
Current income taxes expense		43,163	35,217
Deferred income taxes		7,963	(3,458)
Restricted stock units expense		6,456	3,396
Other		378	320
		196,305	143,611
Changes in non-cash working capital components and others			
Accounts receivable		(67,016)	(62,082)
Inventories		(58,585)	8,232
Prepaid expenses		(2,570)	(8,655)
Income taxes receivable		35	256
Accounts payable and accrued liabilities		25,103	19,176
Asset retirement obligations		(1,108)	(2,924)
Provisions and other long-term liabilities		(3,405)	(790)
		(107,546)	(46,787)
Interest paid		(11,927)	(9,120)
Income taxes paid		(45,729)	(28,756)
		31,103	58,948
Financing activities			
Increase in deferred financing costs		204	-
Increase in long-term debt		25,028	29,284
Repayment of long-term debt		(5,961)	(2,228)
Non-competes payable		(476)	(822)
Dividend on common shares		(16,559)	(14,447)
Proceeds from issuance of common shares		1,557	1,444
		3,793	13,231
Investing activities			
Increase in other assets		(833)	(412)
Increase in restricted cash		-	(21,830)
Business acquisition	3	(9,784)	(39,221)
Increase in intangible assets		(217)	(337)
Purchase of property, plant and equipment		(26,455)	(13,968)
Proceeds from disposal of assets		2,393	398
		(34,896)	(75,370)
Net change in cash and cash equivalents during the period		-	(3,191)
Cash and cash equivalents – Beginning of period		-	3,191
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 5, 2015.

The same accounting policies, methods of computation and presentation have been followed in the preparation of these condensed interim consolidated financial statements as were applied in the annual consolidated financial statements for the year ended December 31, 2014.

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, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

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

Principles of consolidation

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

The significant subsidiaries are as follows:

Subsidiary	Parent	Country of incorporation
Stella-Jones U.S. Holding Corporation	Stella-Jones Inc.	United States
Stella-Jones Corporation	Stella-Jones U.S. Holding Corporation	United States
McFarland Cascade Holdings, Inc.	Stella-Jones Corporation	United States
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.	Stella-Jones Inc.	Luxembourg
Stella-Jones CDN Finance Inc.	Stella-Jones Inc.	Canada
Stella-Jones U.S. Finance II Corporation	Stella-Jones U.S. Holding Corporation	United States
Stella-Jones U.S. II LLC	Stella-Jones U.S. Holding Corporation	United States

On April 1, 2015, Stella-Jones U.S. Holding Corporation and Stella-Jones U.S. Finance Corporation merged and the surviving corporation was Stella-Jones U.S. Holding Corporation. On the same day, Stella-Jones U.S. Holding Corporation and Stella-Jones U.S. LLC merged and the surviving corporation was Stella-Jones U.S. Holding Corporation.

Impact of accounting pronouncements not yet implemented

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and other revenue related interpretations. In September 2015, the IASB issued an amendment to IFRS 15 to defer the effective date by one year to 2018. Earlier application of IFRS 15 continues to be permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

3 Business acquisition

a) On September 1, 2015, the Company completed, through its wholly owned U.S. subsidiary, the acquisition of substantially all the operating assets employed in the wood treating facility of Treated Materials Co.,Inc. ("Treated Materials") located in Rison, Arkansas. This facility manufactures, sells and distributes utility poles and was acquired for synergistic reasons.

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

Total cash outlay associated with the acquisition was approximately $5,393 (US$4,052), excluding acquisition costs of approximately $142, 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, in particular the evaluation of intangible assets, and consequently, significant changes could occur mainly with respect to goodwill and deferred income taxes.

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

Assets acquired	**$**
Accounts receivable	1,650
Inventories	1,079
Property, plant and equipment	5,866
Goodwill	721
	9,316
Liabilities assumed	
Deferred income taxes	46
Site remediation provision	602
Total net assets acquired and liabilities assumed	8,668
Consideration transferred	
Cash	5,393
Unsecured promissory note	3,275
Consideration transferred	8,668

Goodwill is amortized and deductible for U.S. tax purposes, and represents the future economic value associated with the enhanced procurement 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 Treated Materials acquisition, goodwill is allocated to plants specialized in the treatment of utility poles.

The Company financed the acquisition through a combination of its existing committed revolving credit facility and an unsecured promissory note. The unsecured promissory note of $3,993 (US$3,000) bears no interest, is repayable in five equal instalments over a five-year period and was fair valued at $3,275, using an interest rate of 7.0%.

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

In the period from September 1 to September 30, 2015, sales and loss before income taxes for the Rison plant amounted to $629 (US$478) and $13 (US$10), respectively. Pro forma information for the period ending September 30, 2015, had the Treated Materials acquisition occurred as of January 1, 2015, cannot be estimated as Management does not have all the required discrete financial information for the nine first months of the year.

b) On April 7, 2015, the Company completed, through its wholly-owned U.S. subsidiary, the acquisition of certain assets of McCormick Piling and Lumber Co. (“McCormick”), a provider of untreated wood poles. McCormick operates a wood pole peeling yard located in Warren, Oregon. This acquisition enhances the Company’s wood procurement operations.

Total cash outlay associated with the acquisition was approximatively $4,391 (US$3,516), excluding acquisition costs of approximately $226, 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 the respect to intangible assets and goodwill.

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	**$**
Accounts receivable	701
Inventories	1,486
Property, plant and equipment	727
Customer relationships	849
Goodwill	3,069
	6,832
Liabilities assumed	
Accounts payable and accrued liabilities	294
Total net assets acquired and liabilities assumed	6,538
Consideration transferred	
Cash	4,391
Unsecured promissory note - 12 months	1,342
Unsecured promissory note - 24 months	805
Consideration transferred	6,538

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

The Company's valuation of intangible assets has identified customer relationships. The assigned useful life for the customer relationships is 3 years. 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 enhanced procurement 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 McCormick acquisition, goodwill is allocated to plants specialized in the treatment of utility poles.

The Company financed the acquisition through a combination of its existing committed revolving credit facility and two unsecured promissory notes. The first unsecured promissory note of $1,429 (US$1,144) bears interest at 0.48%, is repayable in a single instalment on April 8, 2016 and was fair valued at $1,342, using an interest rate of 7.0%. The second unsecured promissory note of $928 (US$743) bears interest at 0.48%, is repayable in a single instalment on April 8, 2017 and was fair valued at $805, using an interest rate of 7.0%.

The newly acquired pole peeling assets have been integrated directly into the Company's existing operations and are now used for the Company's internal requirements. Accordingly, it is impractical to provide the required pro forma disclosures on post-acquisition sales and income before taxes for these assets as the Company does not maintain such detailed financial information.

c) 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 $58,830 (US$53,898), excluding acquisition costs of approximately $753 (US$690), recognized in 2014 in the interim consolidated statement of income under selling and administrative expenses.

The following fair value determination of the assets acquired and liabilities is based on Management's best estimates. 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 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	**$**
Inventories	9,718
Property, plant and equipment	22,527
Customer relationships	17,486
Customer backlog	1,463
Goodwill	23,316
Deferred income tax assets	935
	75,445
Liabilities assumed	
Accounts payable and accrued liabilities	160
Site remediation provision	3,029
Total net assets acquired and liabilities assumed	72,256
Consideration transferred	
Cash	58,830
Unsecured promissory note	13,426
Consideration transferred	72,256

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 Company financed the acquisition through a combination of its existing committed revolving credit facility 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%.

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

4 Capital stock

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

	2015	2014
Number of common shares outstanding – Beginning of period*	68,949	68,697
Stock option plan*	108	129
Employee share purchase plans*	19	24
Number of common shares outstanding – End of period*	69,076	68,850

* 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

b) Earnings per share

The following table provides the reconciliation, for the three-month and six-month periods ended 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,	
	2015	**2014**	**2015**	**2014**
Net income applicable to common shares	$39,339	$29,541	$108,383	$80,880
Weighted average number of common shares outstanding*	69,025	68,829	68,989	68,780
Effect of dilutive stock options*	191	306	189	305
Weighted average number of diluted common shares outstanding*	69,216	69,135	69,178	69,085
Basic earnings per common share **	$0.57	$0.43	$1.57	$1.18
Diluted earnings per common share **	$0.57	$0.43	$1.57	$1.17

* 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)

5 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, 2015	As at December 31, 2014
	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 2)
	$	$
Recurring fair value measurements		
Assets		
Derivatives - Interest rate swap	-	1,423
	-	1,423
Liabilities		
Derivatives - Interest rate swap	1,376	706
	1,376	706

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 $536,939 (December 31, 2014 – $444,557) and a fair value of $536,118 (December 31, 2014 – $444,575).

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

6 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.

7 Segment information

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

8 Subsequent events

a) On October 1, 2015, the Company completed the acquisition of the shares of Ram Forest Group Inc. and Ramfor Lumber Inc. Through its wholly-owned subsidiaries, Ram Forest Products Inc. and Trent Timber Treating Ltd., Ram Forest Group manufactures and sells pressure treated wood products and accessories to the retail building materials industry. Ram Forest Products operates a wood treating facility in Gormley, Ontario and Trent Timber Treating operates a wood treating facility in Peterborough, Ontario. Ramfor Lumber is a lumber purchasing entity serving Ram Forest Products and Trent Timber Treating.

   The purchase price was $60,000, of which $5,800 is deferred and will be paid over five years on the anniversary date in the amounts of $2,900 in 2016, $500 in 2017, $800 in 2018, $800 in 2019 and $800 in 2020. Acquisition costs of approximately $865 were recognized in the interim consolidated statement of income under selling and administrative expenses. The acquisition was financed through the Company's existing committed revolving credit facility.

   At the time of preparing these interim consolidated financial statements, Management did not have on hand all the required information to determine the fair value of assets acquired and liabilities assumed. Preliminary information indicates that property plant and equipment and working capital represent approximately $25,941 and $20,000 respectively from the total purchase price of $60,000.

b) On November 5, 2015, the Board of Directors declared a quarterly dividend of $0.08 per common share payable on December 21**,** 2015 to shareholders of record at the close of business on December 2, 2015.