Source: **Stella-Jones Inc.**

Contacts:

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

Martin Goulet, CFA
MaisonBrison Communications
Tel.: (514) 731-0000
martin@maisonbrison.com

STELLA-JONES REPORTS RECORD 2015 FOURTH QUARTER AND ANNUAL RESULTS

Fifteenth consecutive year of growth in net income

FOURTH QUARTER HIGHLIGHTS:

- **Sales of $357.5 million, up 23.3% from $289.9 million last year**
- **Operating income of $48.3 million, or 13.5% of sales, versus 11.7% of sales, a year ago**
- **43.7% increase in net income to $33.0 million, compared to $23.0 million last year**
- **Diluted EPS of $0.48, versus $0.33 in the prior year**

2015 HIGHLIGHTS:

- **Sales of $1.56 billion, up 24.8% from $1.25 billion last year**
- **Operating income of $220.1 million, or 14.1% of sales, versus 12.5% of sales, in 2014**
- **36.1% increase in net income to $141.4 million, compared to $103.8 million last year**
- **Diluted EPS of $2.04, versus $1.50 in 2014**

Montreal, Quebec – March 16, 2016 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its fourth quarter and fiscal year ended December 31, 2015.

"In 2015, Stella-Jones earned the highest revenues and net income in its history while continuing to position itself for future growth. The Company's continental production network once again expanded through strategic acquisitions, thus enhancing its already well-established role as a leading source and reliable supplier of treated wood products. By rigorously adhering to its business model and maintaining a relentless focus on maximizing network efficiency, Stella-Jones continues to create value for its shareholders," said Brian McManus, President and Chief Executive Officer.

Financial highlights	**Quarters ended Dec. 31,**		**Years ended Dec. 31,**	
(in millions of Canadian dollars, except per share data)	**2015**	**2014**	**2015**	**2014**
Sales	**357.5**	289.9	**1,559.3**	1,249.5
Operating income	**48.3**	33.9	**220.1**	155.7
Net income for the period	**33.0**	23.0	**141.4**	103.8
Per share - basic ($)	**0.48**	0.33	**2.05**	1.51
Per share - diluted ($)	**0.48**	0.33	**2.04**	1.50
Weighted average shares outstanding (basic, in '000s)	**69,101**	68,687	**69,018**	68,802

FOURTH QUARTER RESULTS

Sales reached $357.5 million, up 23.3% from $289.9 million a year ago. This increase primarily reflects the acquisition of Ram Forest Group Inc. and Ramfor Lumber Inc. (together "Ram") on October 1, 2015, which contributed sales of $14.8 million, while 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 $41.6 million when compared with last year. Excluding these factors, sales increased approximately $11.2 million, or 3.9%.

Railway tie sales amounted to $147.5 million, up 12.5% from $131.1 million last year. Excluding the conversion effect from currency fluctuations, railway tie sales declined approximately $4.3 million, mainly due to the year-over-year timing difference for certain deliveries.

Sales of utility poles rose 13.8% to $129.5 million, versus $113.8 million last year. Excluding the conversion effect from currency fluctuations, sales increased approximately $1.4 million, as higher sales of distribution poles stemming from regular replacement programs was partially offset by lower sales of transmission poles due to decreased demand in special projects as a result of the weakness in the oil and gas as well as mining industries.

Residential lumber sales reached $40.1 million, up from $17.9 million last year, reflecting the Ram acquisition. Industrial product sales amounted to $23.6 million, up from $18.7 million a year ago, as a result of higher sales of treated wood for bridge structures. Log and lumber sales were $16.7 million, versus $8.4 million last year due to the purchase and resale of lumber, as well as the timing of timber harvesting.

In the last quarter of 2015, Stella-Jones enlarged its procurement department to support residential lumber requirements. In order to procure sufficient lumber at competitive pricing for this product category, the Company is engaged in purchasing greater volumes and, subsequently, reselling excess product into local home-building markets. Margins on resold lumber are nominal, as they are performed at a value close to cost of sales. These lumber sales, along with non-pole-quality log sales, make up the logs and lumber product category.

Gross profit amounted to $69.3 million, or 19.4% of sales, in the fourth quarter of 2015, versus $51.4 million, or 17.7% of sales, in the fourth quarter of 2014. The increase in absolute dollars reflects greater business activity, the contribution from the Ram acquisition, as well as the favourable impact of the conversion effect from currency fluctuations. The increase as a percentage of sales is attributable to adjusted pricing for railway ties and greater efficiencies throughout the Company's plant network.

As a result of higher gross profit, operating income was $48.3 million, or 13.5% of sales, in the fourth quarter of 2015, versus $33.9 million, or 11.7% of sales, in the fourth quarter of 2014. Net income for the period reached $33.0 million, or $0.48 per diluted share, compared with $23.0 million, or $0.33 per diluted share, last year. This represents a year-over-year increase in net income of 43.7%.

2015 RESULTS

Sales for the year ended December 31, 2015 reached $1,559.3 million, up 24.8% from last year’s sales of $1,249.5 million. The Ram acquisition generated sales of $14.8 million, while the wood treating facilities acquired from Boatright Railroad Products, Inc. on May 22, 2014 contributed additional sales of $48.4 million. 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 about $166.3 million when compared with the previous year. Excluding these factors, sales increased approximately $80.4 million, or 6.4%.

Gross profit reached $307.3 million or 19.7% of sales in 2015, up from $224.2 million or 17.9% of sales in 2014. Operating income amounted to $220.1 million, or 14.1% of sales, compared with $155.7 million, or 12.5% of sales, last year. Net income rose 36.1% to $141.4 million, or $2.04 per diluted share, up from $103.8 million, or $1.50 per diluted share, in the prior year.

FINANCIAL POSITION

As at December 31, 2015, the Company’s long-term debt, including the current portion, stood at $669.9 million compared with $444.6 million at the end of 2014. The increase essentially reflects higher borrowings following the Ram acquisition, increased working capital requirements due to higher business activity and the effect of local currency translation on U.S. dollar denominated long-term debt. As at December 31, 2015, Stella-Jones’ total debt to total capitalization ratio was 0.42:1, versus 0.39:1 twelve months earlier.

MODIFIED CREDIT AGREEMENTS
On February 26, 2016, the Company entered into an agreement to amend and restate the current credit agreement dated March 3, 2015. The amended agreement will make available a committed revolving credit facility for a period of five years and will be increased from US$450.0 million to US$500.0 million for the first two years. Subsequently, the committed revolving credit facility will be reduced to US$450.0 million in the third year and finally be reduced to US$350.0 million for the fourth and fifth years. The amended agreement also includes an accordion option allowing the request of an increase of up to US$200.0 million to the committed revolving credit facility, subject to customary conditions.

On February 26, 2016, the Company entered into demand loan agreements with two banks participating in the committed revolving credit facility syndication. The demand loans make available financing up to US$50.0 million under the same conditions as the amended and restated committed revolving credit facility.

ACQUISITION OF UNITED WOOD TREATING COMPANY, INC.
During the fourth quarter, on December 4, 2015, Stella-Jones completed, through its wholly-owned U.S. subsidiary, the acquisition of substantially all the operating assets employed at the wood treating facility of United Wood Treating Company, Inc. located in Whitmire, South Carolina. This facility manufactures, sells and distributes treated utility poles, as well as marine pilings, and was acquired for synergistic reasons. Total cash outlay associated with the acquisition was approximately $12.0 million (US$9.0 million).

QUARTERLY DIVIDEND OF $0.10 PER SHARE
On March 15, 2016, the Board of Directors declared a quarterly dividend of $0.10 per common share, payable on April 29, 2016 to shareholders of record at the close of business on April 1, 2016.

OUTLOOK
"Despite a softening in certain sectors of the North American economy, we expect demand for the Company's core products to remain healthy in 2016. In the railway tie market, North American railroads will continue to maintain the continental rail network, as operators constantly seek optimal line efficiency. As for utility poles, lower resource prices continue to create headwinds, mainly through a decrease in demand for special projects, while regular maintenance demand is expected to hold. Meanwhile, the Ram acquisition will allow Stella-Jones to broaden its reach and its product offering in the residential lumber category. In the short-term, we will focus on completing the proposed acquisitions of Lufkin Creosoting Co., Inc. and 440 Investments, LLC during the second quarter of 2016, while continuing to identify further means to enhance network productivity," concluded Mr. McManus.

CONFERENCE CALL
Stella-Jones will hold a conference call to discuss these results on Wednesday, March 16, 2016, 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 26006718. This tape recording will be available on Wednesday, March 16, 2016 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Wednesday, March 23, 2016.

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.

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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HEAD OFFICE
3100 de la Côte-Vertu Blvd.
Suite 300
Saint-Laurent, Québec
H4R 2J8
Tel.: (514) 934-8666
Fax: (514) 934-5327

EXCHANGE LISTINGS
The Toronto Stock Exchange
Stock Symbol: SJ

TRANSFER AGENT AND REGISTRAR
Computershare Investor Services Inc.

INVESTOR RELATIONS
Éric Vachon
Senior Vice-President and
Chief Financial Officer
Tel.: (514) 940-3903
Fax: (514) 934-5327
evachon@stella-jones.com

NOTICE

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the fourth quarter ended December 31, 2015 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
March 15, 2016

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
December 31, 2015 and 2014

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

(expressed in thousands of Canadian dollars)

	Note	As at December 31, 2015 $	As at December 31, 2014 $
Assets			
Current assets			
Restricted cash	3	4,292	-
Accounts receivable		159,862	127,545
Inventories		804,478	547,215
Prepaid expenses		27,543	20,750
Income taxes receivable		14,987	1,986
		1,011,162	697,496
Non-current assets			
Property, plant and equipment		375,534	281,607
Intangible assets		140,936	110,325
Goodwill		245,696	195,015
Derivative financial instruments	5	832	1,423
Other assets		2,058	1,630
		1,776,218	1,287,496
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		75,085	69,719
Current portion of long-term debt		60,874	5,754
Current portion of provisions and other long-term liabilities		20,840	6,939
		156,799	82,412
Non-current liabilities			
Long-term debt		609,007	438,803
Deferred income taxes		78,564	54,173
Provisions and other long-term liabilities		10,655	14,027
Employee future benefits		7,153	5,104
Derivative financial instruments	5	538	706
		862,716	595,225
Shareholders' equity			
Capital stock	4	216,474	213,858
Contributed surplus		503	954
Retained earnings		546,402	427,834
Accumulated other comprehensive gain		150,123	49,625
		913,502	692,271
		1,776,218	1,287,496
Subsequent events	8		

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 twelve-month periods ended December 31, 2015 and 2014

(expressed in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive gain: Foreign currency translation adjustment	Accumulated other comprehensive gain: Translation of long-term debts designated as net investment hedges	Accumulated other comprehensive gain: Unrealized gains (losses) on cash flow hedges	Accumulated other comprehensive gain: 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	-	-	141,377	-	-	-	-	141,377
Other comprehensive income (loss)	-	-	(720)	157,410	(56,577)	(335)	100,498	99,778
Comprehensive income (loss) for the period	-	-	140,657	157,410	(56,577)	(335)	100,498	241,155
Dividends on common shares	-	-	(22,089)	-	-	-	-	(22,089)
Exercise of stock options	1,629	(506)	-	-	-	-	-	1,123
Employee share purchase plans	987	-	-	-	-	-	-	987
Stock-based compensation	-	55	-	-	-	-	-	55
	2,616	(451)	(22,089)	-	-	-	-	(19,924)
Balance – December 31, 2015	216,474	503	546,402	247,092	(97,184)	215	150,123	913,502

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 twelve-month periods ended December 31, 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	-	-	103,847	-	-	-	-	103,847
Other comprehensive income (loss)	-	-	(2,278)	60,468	(24,763)	(216)	35,489	33,211
Comprehensive income (loss) for the period	-	-	101,569	60,468	(24,763)	(216)	35,489	137,058
Dividends on common shares	-	-	(19,267)	-	-	-	-	(19,267)
Exercise of stock options	1,758	(504)	-	-	-	-	-	1,254
Employee share purchase plans	938	-	-	-	-	-	-	938
Stock-based compensation	-	105	-	-	-	-	-	105
	2,696	(399)	(19,267)	-	-	-	-	(16,970)
Balance – December 31, 2014	213,858	954	427,834	89,682	(40,607)	550	49,625	692,271

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 December 31,		For the twelve-month periods ended December 31,	
		2015	2014	2015	2014
		$	$	$	$
Sales		357,487	289,914	1,559,334	1,249,493
Expenses					
Cost of sales		288,208	238,496	1,252,031	1,025,317
Selling and administrative		21,246	19,221	85,583	69,114
Other (gains) losses, net		(264)	(1,664)	1,668	(643)
		309,190	256,053	1,339,282	1,093,788
Operating income		48,297	33,861	220,052	155,705
Financial expenses		4,844	3,802	17,090	13,007
Income before income taxes		43,453	30,059	202,962	142,698
Provision for (recovery of) income taxes					
Current		8,196	(1,280)	51,359	33,937
Deferred		2,263	8,372	10,226	4,914
		10,459	7,092	61,585	38,851
Net income for the period		32,994	22,967	141,377	103,847
Basic earnings per common share	4	0.48	0.33	2.05	1.51
Diluted earnings per common share	4	0.48	0.33	2.04	1.50

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 December 31,		For the twelve-month periods ended December 31,	
	2015 $	2014 $	2015 $	2014 $
Net income for the period	32,994	22,967	141,377	103,847
Other comprehensive income				
Items that may subsequently be reclassified to net income				
Net change in gains on translation of financial statements of foreign operations	37,861	26,007	164,401	65,792
Income taxes on change in gains on translation of financial statements of foreign operations	(2,227)	(2,929)	(6,991)	(5,324)
Change in losses on translation of long-term debt designated as hedges of net investment in foreign operations	(14,067)	(11,608)	(65,849)	(28,440)
Income taxes on change in losses on translation of long-term debt designated as hedges of net investment in foreign operations	2,307	4,498	9,272	3,677
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	1,670	(663)	(422)	(270)
Income taxes on change in gains (losses) on fair value of derivatives designated as cash flow hedges	(441)	179	87	54
Items that will not subsequently be reclassified to net income				
Remeasurements of post-retirement benefit obligations	(1,545)	(1,660)	(1,014)	(3,342)
Income taxes on remeasurements of post-retirement benefit obligations	686	623	294	1,064
	24,244	14,447	99,778	33,211
Comprehensive income	57,238	37,414	241,155	137,058

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 twelve-month periods ended December 31, 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		141,377	103,847
Adjustments for			
Depreciation of property, plant and equipment		12,402	9,691
Amortization of intangible assets		10,932	10,885
Loss (gain) on disposal of assets		473	(221)
Employee future benefits		490	(155)
Stock-based compensation		55	105
Financial expenses		17,090	13,007
Current income taxes expense		51,359	33,937
Deferred income taxes		10,226	4,914
Restricted stock units expense		8,914	5,015
Other		1,012	441
		254,330	181,466
Changes in non-cash working capital components and others			
Accounts receivable		(1,551)	(5,828)
Inventories		(153,388)	(48,163)
Prepaid expenses		(3,095)	(7,306)
Income taxes receivable		(119)	362
Accounts payable and accrued liabilities		(8,606)	12,755
Asset retirement obligations		435	(4,525)
Provisions and other long-term liabilities		(3,027)	168
		(169,351)	(52,537)
Interest paid		(16,742)	(14,928)
Income taxes paid		(62,639)	(37,071)
		5,598	76,930
Financing activities			
Increase in deferred financing costs		(204)	(160)
Increase in long-term debt		130,026	26,776
Repayment of long-term debt		(12,628)	(3,543)
Non-competes payable		1,084	(947)
Dividends on common shares		(22,089)	(19,267)
Proceeds from issuance of common shares		2,110	2,192
		98,299	5,051
Investing activities			
Decrease (Increase) in other assets		(154)	11
Business acquisitions	3	(62,644)	(61,051)
Increase in intangible assets		(2,008)	(412)
Purchase of property, plant and equipment		(37,363)	(24,214)
Proceeds from disposal of assets		2,564	494
		(99,605)	(85,172)
Net change in cash and cash equivalents during the period		4,292	(3,191)
Cash and cash equivalents – Beginning of period		-	3,191
Cash and cash equivalents – End of period		4,292	-

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 March 15, 2016.

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 ("SJ Holding")	Stella-Jones Inc.	United States
Stella-Jones Corporation ("SJ Corp")	Stella-Jones U.S. Holding Corporation	United States
McFarland Cascade Holdings, Inc. ("McFarland")	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
Ram Forest Group Inc.	Stella-Jones Inc.	Canada
Ram Forest Products Inc.	Ram Forest Group Inc.	Canada
Trent Timber Treating Ltd.	Ram Forest Group Inc.	Canada
Ramfor Lumber Inc.	Stella-Jones Inc.	Canada
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 January 1, 2015, Guelph Utility Pole Company Ltd., Stella-Jones Canada Inc. and Stella-Jones Inc. merged and the surviving corporation was Stella-Jones Inc.

On February 9, 2015, Stella-Jones Inc. formed Stella-Jones CDN Finance Inc., a wholly-owned corporation incorporated under the *Canada Business Corporations Act*.

On February 16, 2015, Stella-Jones Inc. formed Stella-Jones LLC, a wholly-owned Limited Liability Company (“LLC”) under the laws of Delaware. On the same date, SJ Holding incorporated Stella-Jones U.S. II LLC, a wholly-owned LLC and Stella-Jones Finance II Corporation, a wholly-owned corporation, both under the laws of Delaware.

On February 28, 2015, 4552822 Canada Inc. and 4552831 Canada Inc. were liquidated into Stella-Jones Inc.

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

On January 1, 2016, Ram Forest Group Inc., Ram Forest Products Inc., Trent Timber Treating Ltd., Ramfor Lumber Inc. and Stella-Jones Inc. merged and the surviving corporation was Stella-Jones Inc. On the same date, Electric Mills Wood Preserving LLC and McFarland merged and the surviving corporation was McFarland.

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

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.

IAS 1 - Presentation of Financial Statements
In 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1 amendments”). The IAS 1 amendments provide guidance on the application of judgment in the preparation of financial statements and disclosures. The IAS 1 amendments are effective for annual periods beginning on or after January 1, 2016, and therefore the Company will apply these amendments in the first quarter of 2016. The Company does not expect any significant impact on its consolidated financial statement disclosures as a result of adopting these amendments.

IFRS 16 - Leases
In January 2016, the IASB released IFRS 16, *Leases*, which supersedes IAS 17, *Leases*, and the related interpretations on leases: IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the substance of transactions in the legal form of a lease*. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for companies that also apply IFRS 15, *Revenue from Contracts with Customers*. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

IAS 7 - Statement of Cash Flows
On January 29, 2016, the IASB published amendments to IAS 7, *Statement of Cash Flows*. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity’s financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. The Company is currently evaluating the impact of IAS 7 on its consolidated financial statements.

IFRS 9 - Financial Instruments
The final version of IFRS 9, *Financial instruments* ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018 and is available for early adoption. In addition, an entity's own credit risk changes can be applied early in isolation

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

without otherwise changing the accounting for financial instruments. The Company is currently assessing the impact, if any, that this new standard will have on the Company's consolidated financial statements.

3 Business acquisitions

a) On December 4, 2015, the Company completed, through a wholly-owned U.S. subsidiary, the acquisition of substantially all the operating assets employed at the wood treating facility of United Wood Treating Company, Inc. (“United Wood”) located in Whitmire, South Carolina. This facility manufactures, sells and distributes utility poles, as well as marine pilings, and was acquired for synergistic reasons.

Total cash outlay associated with the acquisition was approximately $11,971 (US$8,958), excluding acquisition costs of approximately $158, 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.

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	1,018
Inventories	3,773
Property, plant and equipment	6,044
Goodwill	2,943
Deferred income tax assets	12
	13,790
Liabilities assumed	
Site remediation provision	65
Total net assets acquired and liabilities assumed	13,725
Consideration transferred	
Cash	11,971
Unsecured promissory note	1,754
Consideration transferred	13,725

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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 ("CGUs") as defined in the Company's accounting policies. In the case of the United Wood acquisition, goodwill is allocated to plants specialized in the treatment of utility poles and residential lumber.

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 $1,939 (US$1,451) bears interest at 1.68%, is payable in three equal annual instalments and was fair valued at $1,754, using an interest rate of 7.00%.

In the period from December 4 to December 31, 2015, sales and operating loss for the Whitmire plant amounted to $433 (US$362) and $96 (US$72), respectively. Pro forma information for the period ended December 31, 2015, had the United Wood acquisition occurred as of January 1, 2015, cannot be estimated as Management does not have all the required discrete financial information for the first eleven months of the year.

b) On October 1, 2015, the Company completed the acquisition of the shares of Ram Forest Group Inc. and Ramfor Lumber Inc. (collectively "Ram"). 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 Inc. and Trent Timber Treating Ltd. operate wood treating facilities in Gormley and Peterborough, Ontario, respectively. Ramfor Lumber is a lumber purchasing entity serving Ram Forest Products and Trent Timber Treating.

Total cash outlay associated with the acquisition was approximately $44,887 which includes an amount of $4,292 deposited in escrow to be used for capital expenditures at the Gormley and Peterborough facilities. The cash outlay excludes acquisition costs of approximately $991, recognized in the interim consolidated statement of income under selling and administrative expenses. In addition, the Company recognized a balance of purchase price of $5,430 as well as a consideration payable of $317 for a net working capital adjustment.

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.

(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.

Assets acquired	**$**
Accounts receivable	7,765
Inventories	12,047
Other assets	1,514
Property, plant and equipment	17,690
Customer relationships	21,300
Goodwill	6,026
	66,342
Liabilities assumed	
Accounts payable and accrued liabilities	3,269
Bank indebtedness	9,839
Deferred income tax liabilities	6,892
Total net assets acquired and liabilities assumed	46,342
Consideration transferred	
Cash	40,595
Balance of purchase price	5,430
Consideration payable	317
Consideration transferred	46,342

The Company's valuation of intangible assets has identified customer relationships having a 12 year useful life. 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 not amortized and not deductible for Canadian 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 CGUs as defined in the Company's accounting policies. In the case of the Ram acquisition, goodwill is allocated to plants specialized in the treatment of utility poles and residential lumber.

As of the acquisition date, an amount of $4,292 was deposited in an escrow account intended for capital improvements. The Company has until April 1, 2017 to complete specific investment projects otherwise the remaining funds will be returned to the seller. Management believes that the investments will be completed before the deadline.

The Company financed the acquisition through a combination of its existing committed revolving credit facility and a balance of purchase price of $5,800. This deferred payment bears no interest and is payable on the anniversary of the transaction in the amounts of $2,900 in 2016, $500 in 2017, $800 in 2018, $800 in 2019 and $800 in 2020. The balance of purchase price was recorded under long-term debt at a fair value of

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$5,430 calculated using an interest rate of 2.91%. The difference between the face value and the fair value of this balance of purchase price is being accreted on an effective yield.

In the period from October 1 to December 31, 2015, the Ram plant sales and operating income amounted to $14,768 and $781, respectively. On a pro forma basis, Management's estimate of sales and operating income before income taxes of the combined operations of the Company and Ram for the year ended December 31, 2015 would have been approximately $1,647,383 and $232,172 respectively, had the Ram acquisition occurred as of January 1, 2015. To arrive at the pro forma estimates, Management considered the financing structure resulting from the acquisition, as well as adjustments to fair value and harmonization of accounting policies. It was assumed that the fair value adjustment made at the acquisition date would have been the same had the acquisition occurred on January 1, 2015.

c) On September 1, 2015, the Company completed, through a wholly-owned U.S. subsidiary, the acquisition of substantially all the operating assets employed at 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.

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 and consequently, significant changes could occur mainly with respect to intangible assets, goodwill and deferred income taxes.

(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	**$**
Accounts receivable	1,080
Inventories	1,651
Property, plant and equipment	5,253
Favourable land lease agreement	1,062
Goodwill	683
	9,729
Liabilities assumed	
Deferred income tax liabilities	459
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

The Company's valuation of intangible assets has identified a favourable land lease agreement. 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 CGUs as defined in the Company's accounting policies. In the case of the Treated Materials acquisition, goodwill is allocated to plants specialized in the treatment of utility poles and residential lumber.

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 7.00%.

In the period from September 1 to December 31, 2015, sales and operating income for the Rison plant amounted to $3,284 (US$2,477) and $252 (US$190), respectively. Pro forma information for the period ended December 31, 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 first nine months of the year.

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

d) On April 7, 2015, the Company completed, through a 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 approximately $4,685 (US$3,752), 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, 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	701
Inventories	1,486
Property, plant and equipment	726
Customer relationships	849
Goodwill	3,151
	6,913
Liabilities assumed	
Deferred income tax liabilities	81
Total net assets acquired and liabilities assumed	6,832
Consideration transferred	
Cash	4,685
Unsecured promissory note - 12 months	1,342
Unsecured promissory note - 24 months	805
Consideration transferred	6,832

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

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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 CGUs as defined in the Company's accounting policies. In the case of the McCormick acquisition, goodwill is allocated to plants specialized in the treatment of utility poles and residential lumber.

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 payable in a single instalment on April 8, 2016 and was fair valued at $1,342, using an interest rate of 7.00%. The second unsecured promissory note of $928 (US$743) bears interest at 0.48%, is payable in a single instalment on April 8, 2017 and was fair valued at $805, using an interest rate of 7.00%.

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.

e) On May 22, 2014, the Company completed, through a wholly-owned U.S. subsidiary, 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 the 2014 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 CGUs as defined in the Company's accounting policies. 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 payable 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 7.00%.

(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 December 31:

	2015	2014
Number of common shares outstanding – Beginning of period*	68,949	68,697
Stock option plan*	165	222
Employee share purchase plans*	23	30
Number of common shares outstanding – End of period*	69,137	68,949

* 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 twelve-month periods ended December 31, between basic earnings per common share and diluted earnings per common share:

	For the three-month periods ended December 31,		For the twelve-month periods ended December 31,	
	2015	**2014**	**2015**	**2014**
Net income applicable to common shares	$32,994	$22,967	$141,377	$103,847
Weighted average number of common shares outstanding*	69,101	68,687	69,018	68,802
Effect of dilutive stock options*	138	232	135	225
Weighted average number of diluted common shares outstanding*	69,239	68,919	69,153	69,027
Basic earnings per common share **	$0.48	$0.33	$2.05	$1.51
Diluted earnings per common share **	$0.48	$0.33	$2.04	$1.50

* 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 December 31, 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 agreements	832	1,423
	832	1,423
Liabilities		
Derivatives - Interest rate swap agreements	538	706
	538	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 $669,881 (December 31, 2014 – $444,557) and a fair value of $669,894 (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 February 3, 2016, the Company announced that, through a wholly-owned subsidiary, it has signed a non-binding letter of intent to purchase the shares of 440 Investments, LLC, the parent company of Kisatchie Treating, LLC, Kisatchie Pole & Piling, LLC, Kisatchie Trucking, LLC and Kisatchie Midnight Express, LLC (collectively, "Kisatchie").

   Kisatchie produces treated poles, pilings and timbers, with two wood treating facilities in Noble and Pineville, Louisiana. Kisatchie's consolidated sales for the year ended December 31, 2015 reached approximately US$51.8 million.

   The transaction, if finalized, is expected to close during the second quarter of 2016 and is subject to customary conditions, including satisfactory due diligence and signature of a definitive share purchase agreement.

b) Also on February 3, 2016, the Company announced that, through a wholly-owned subsidiary, it has signed a non-binding letter of intent to purchase the shares of Lufkin Creosoting Co., Inc. ("Lufkin Creosoting").

   Lufkin Creosoting produces treated poles and timbers at its wood treating facility in Lufkin, Texas. Its consolidated sales for the year ended December 31, 2015 reached approximately US$34.2 million.

   The transaction, if finalized, is expected to close during the second quarter of 2016 and is subject to customary conditions, including satisfactory due diligence and signature of a definitive share purchase agreement.

c) On February 26, 2016, the Company and SJ Holding, as borrowers, entered into an agreement to amend the fourth amended and restated credit agreement dated March 3, 2015. The amended agreement (the fifth amended and restated credit agreement) will make available a committed revolving credit facility for a period of five years and will be increased from US$450,000 to US$500,000 for the first two years.

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Subsequently, the committed revolving credit facility will be reduced to US$450,000 in the third year to finally be reduced to US$350,000 for the fourth and fifth years. The amended agreement also includes an accordion option allowing the borrowers to request an increase of up to US$200,000 to the committed revolving credit facility, subject to customary conditions. The committed revolving credit facility is made available to the Company and SJ Holding by a syndicate of lenders and will mature on February 26, 2021. Borrowings may be obtained in the form of Canadian prime rate loans, bankers' acceptances ("BA"), U.S. base rate loans, LIBOR loans in U.S. dollars and letters of credit. The interest rate margin with respect to Canadian prime rate loans and U.S. base rate loans will range from 0.00% to 1.25% based on a pricing grid. The interest rate margin with respect to BA, LIBOR loans and fees for letters of credit will range from 1.00% to 2.25% based on a pricing grid.

The committed revolving credit facility is unsecured, subject to a negative pledge, other than permitted liens, in favour of the bank syndicate.

In order to maintain the committed revolving credit facility in place, the Company needs to comply with affirmative covenants, negative covenants, reporting requirements and financial ratios comprised of the total debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio of no more than 3.50:1 and the interest charge coverage ratio equal to or greater than 3.00:1. Additionally, the Company's banking arrangements prohibit the Company from paying dividends aggregating in any one year in excess of 50.00% of the Company's consolidated net income for the preceding year if the total debt to EBITDA ratio is greater than 3.25:1. In the case where the total debt to EBITDA ratio is lower than 3.25:1, there are no restrictions to the payment of dividends, so long as the Company is otherwise in compliance with the terms of its credit agreement.

d) On February 26, 2016, the Company entered into demand loan agreements with two banks participating in the committed revolving credit facility syndication. The demand loans make available financing up to US$50,000 under the same conditions as the fifth amended and restated committed revolving credit facility. This indebtedness, if required by the Company, will be presented under short term liabilities as the banks have the option to request reimbursement of the loan at any time.

e) On March 15, 2016, the Board of Directors declared a quarterly dividend of $0.10 per common share payable on April 29, 2016 to shareholders of record at the close of business on April 1, 2016.

9 Comparative figures

Certain comparative figures have been reclassified in order to comply with the basis of presentation adopted in the current year.