Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS 2016 FIRST QUARTER RESULTS

Annual meeting of shareholders later this morning

- **23.6% sales increase to $421.0 million, up from $340.7 million last year**
- **Operating income of $54.6 million, versus $47.6 million a year ago**
- **Net income up 16.3% to $35.0 million, compared to $30.1 million last year**
- **Diluted EPS of $0.51, up from $0.43 in the previous year**

Montreal, Quebec – April 28, 2016 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its first quarter ended March 31, 2016.

"Stella-Jones generated solid operating results in the first quarter. This performance reflects healthy demand from regular replacement and maintenance programs in our core railway tie and utility pole markets, our expanded reach in the residential lumber category, as well as our focus on optimizing network efficiency," said Brian McManus, President and Chief Executive Officer.

Financial highlights	**Quarters ended March 31,**	
(in millions of Canadian dollars, except per share data)	**2016**	**2015**
Sales	**421.0**	340.7
Operating income	**54.6**	47.6
Net income for the period	**35.0**	30.1
Per share - basic ($)	**0.51**	0.44
Per share - diluted ($)	**0.51**	0.43
Weighted average shares outstanding (basic, in '000s)	**69,138**	68,953

FIRST QUARTER RESULTS

Sales reached $421.0 million, up 23.6% from $340.7 million a year ago. The acquisition of Ram Forest Group Inc. and Ramfor Lumber Inc. (collectively "Ram") on October 1, 2015, contributed sales of approximately $9.3 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 about $35.9 million when compared with last year. Excluding these factors, organic growth represented approximately $35.1 million, or 10.3% due to solid demand for the Company's core products and the addition of the purchase and resale of lumber component to support residential lumber requirements.

Railway tie sales amounted to $200.3 million, up 20.1% from $166.8 million last year. Excluding the currency conversion effect, railway tie sales rose approximately 8.1%, primarily as a result of healthy industry demand and the timing of certain deliveries that had been pushed from the fourth quarter of 2015 into the first quarter of 2016.

Sales of utility poles reached $131.8 million, compared with $119.2 million last year. Excluding the currency conversion effect and the contribution from acquisitions in the southeastern United States completed in the second half of 2015, sales were relatively stable. During the quarter, a steady rise in sales of distribution poles stemming from regular maintenance programs was offset by lower sales of transmission poles due to decreased demand in special projects resulting from weakness in the oil and gas as well as mining industries.

Sales of residential lumber totalled $41.9 million, up from $28.4 million last year, reflecting sales of $9.3 million from the Ram acquisition, as well as the impact of the transition from treating services only for wholesalers to a value-added full service direct offering for retailers. Industrial product sales increased to $26.7 million, compared with $19.9 million a year ago, mainly as a result of increased demand for marine timbers in Eastern Canada. Finally, logs and lumber sales were $20.2 million, versus $6.4 million last year, due to procurement efforts to support residential lumber requirements and the timing of timber harvesting.

Operating income reached $54.6 million, or 13.0% of sales, versus $47.6 million, or 14.0% of sales, last year. The increase in absolute dollars essentially stems from higher business activity, the Ram acquisition and the effect of currency translation. As a percentage of sales, the decrease is mainly attributable to higher logs and lumber sales, which are performed at a value close to cost of sales, and additional selling expenses related to an expanded presence in the residential lumber category, partially offset by greater efficiencies throughout the Company's plant network.

Net income for the first quarter of 2016 increased 16.3% to $35.0 million, or $0.51 per diluted share, compared with $30.1 million, or $0.43 per diluted share, in the first quarter of 2015.

SOLID FINANCIAL POSITION

As at March 31, 2016, the Company's long-term debt, including the current portion, stood at $628.1 million compared with $669.9 million three months earlier. The decrease mainly reflects the effect of local currency translation on U.S. dollar denominated long-term debt, partially offset by higher working capital requirements, as per normal seasonal demand patterns. As at March 31, 2016, Stella-Jones' total debt to total capitalization ratio was 0.41:1, compared with 0.42:1 as at December 31, 2015.

Working capital requirements include the normal seasonal inventory build-up ahead of peak demand in the second and third quarters. The year-over-year inventory build-up is also higher as a result of the addition of Ram's business and the direct sales to retailers of residential lumber.

QUARTERLY DIVIDEND OF $0.10 PER SHARE

On April 27, 2016, the Board of Directors declared a quarterly dividend of $0.10 per common share, payable on June 28, 2016 to shareholders of record at the close of business on June 6, 2016.

OUTLOOK

"As we enter peak season for most of our products, we expect demand to remain healthy for the remainder of 2016. Supporting this confidence, Stella-Jones is moving forward with the construction of a new wood treating facility in Cameron, Wisconsin, which will primarily be used to service the utility pole market. We expect the facility to be ready for production in the first quarter of 2017. In the meantime, we continue to integrate recent acquisitions into our network by leveraging best practices and anticipate completing, in the second quarter of 2016, the acquisitions of Lufkin Creosoting Co., Inc. and 440 Investments, LLC. Our strategy remains committed on enhancing network efficiencies and methodically expanding through acquisitions. This focus has contributed in building lasting value for our shareholders," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on April 28, 2016, at 1:30 PM 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 tape recording of the meeting by calling 1-800-585-8367 and entering the passcode 86832448. This tape recording will be available on Thursday, April 28, 2016 as of 4:30 PM Eastern Time until 11:59 PM Eastern Time on Thursday, May 5, 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 manufactures and distributes residential lumber and accessories to retailers for outdoor applications, as well as industrial products for construction and marine applications. The Company's common shares are listed on the Toronto Stock Exchange.

-30-

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The Toronto Stock Exchange
Stock Symbol: SJ

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NOTICE

The condensed interim unaudited consolidated financial statements of Stella-Jones Inc. for the first quarter ended March 31, 2016 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
April 27, 2016

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
March 31, 2016 and 2015

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

(expressed in thousands of Canadian dollars)

	Note	As at March 31, 2016 $	As at December 31, 2015 $
Assets			
Current assets			
Restricted cash	3	4,292	4,292
Accounts receivable		170,242	159,862
Inventories		818,657	804,478
Prepaid expenses		20,183	27,543
Income taxes receivable		1,934	14,987
		1,015,308	1,011,162
Non-current assets			
Property, plant and equipment		359,479	375,534
Intangible assets		131,759	140,936
Goodwill		230,020	245,696
Derivative financial instruments	5	196	832
Other assets		2,235	2,058
		1,738,997	1,776,218
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		96,126	75,085
Current portion of long-term debt		56,718	60,874
Current portion of provisions and other long-term liabilities		20,891	20,840
		173,735	156,799
Non-current liabilities			
Long-term debt		571,369	609,007
Deferred income taxes		76,923	78,564
Provisions and other long-term liabilities		8,436	10,655
Employee future benefits		8,174	7,153
Derivative financial instruments	5	3,959	538
		842,596	862,716
Shareholders' equity			
Capital stock	4	216,727	216,474
Contributed surplus		542	503
Retained earnings		573,356	546,402
Accumulated other comprehensive gain		105,776	150,123
		896,401	913,502
		1,738,997	1,776,218
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 three-month periods ended March 31, 2016 and 2015

(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, 2016	216,474	503	546,402	247,092	(97,184)	215	150,123	913,502
Comprehensive income (loss)								
Net income for the period	-	-	35,021	-	-	-	-	35,021
Other comprehensive income (loss)	-	-	(1,153)	(62,986)	21,625	(2,986)	(44,347)	(45,500)
Comprehensive income (loss) for the period	-	-	33,868	(62,986)	21,625	(2,986)	(44,347)	(10,479)
Dividends on common shares	-	-	(6,914)	-	-	-	-	(6,914)
Employee share purchase plans	253	-	-	-	-	-	-	253
Stock-based compensation	-	39	-	-	-	-	-	39
	253	39	(6,914)	-	-	-	-	(6,622)
Balance – March 31, 2016	216,727	542	573,356	184,106	(75,559)	(2,771)	105,776	896,401

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

Stella-Jones Inc.
Interim Consolidated Statements of Change in Shareholders' Equity…*continued*
(Unaudited)
For the three-month periods ended March 31, 2016 and 2015

(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	-	-	30,104	-	-	-	-	30,104
Other comprehensive income (loss)	-	-	(298)	73,595	(26,562)	(1,033)	46,000	45,702
Comprehensive income (loss) for the period	-	-	29,806	73,595	(26,562)	(1,033)	46,000	75,806
Dividends on common shares	-	-	(5,518)	-	-	-	-	(5,518)
Exercise of stock options	228	(67)	-	-	-	-	-	161
Employee share purchase plans	229	-	-	-	-	-	-	229
Stock-based compensation	-	30	-	-	-	-	-	30
	457	(37)	(5,518)	-	-	-	-	(5,098)
Balance – March 31, 2015	214,315	917	452,122	163,277	(67,169)	(483)	95,625	762,979

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

Stella-Jones Inc.

Interim Consolidated Statements of Income

(Unaudited)

For the three-month periods ended March 31, 2016 and 2015

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

	Note	2016 $	2015 $
Sales		420,976	340,701
Expenses			
Cost of sales		342,139	274,275
Selling and administrative		24,037	19,273
Other (gains) losses, net		239	(496)
		366,415	293,052
Operating income		54,561	47,649
Financial expenses		4,762	4,045
Income before income taxes		49,799	43,604
Provision for income taxes			
Current		10,793	10,309
Deferred		3,985	3,191
		14,778	13,500
Net income for the period		35,021	30,104
Basic earnings per common share	4	0.51	0.44
Diluted earnings per common share	4	0.51	0.43

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 period ended March 31, 2016 and 2015

(expressed in thousands of Canadian dollars)

	2016 $	2015 $
Net income for the period	35,021	30,104
Other comprehensive income		
Items that may subsequently be reclassified to net income		
Net change in gains (losses) on translation of financial statements of foreign operations	(66,542)	75,565
Income taxes on change in gains (losses) on translation of financial statements of foreign operations	3,556	(1,970)
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	24,923	(30,481)
Income taxes on change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	(3,298)	3,919
Change in gains (losses) on fair value of derivatives designated as cash flow hedges	(4,057)	(1,392)
Income taxes on change in gains (losses) on fair value of derivatives designated as cash flow hedges	1,071	359
Items that will not subsequently be reclassified to net income		
Remeasurements of post-retirement benefit obligations	(1,617)	(474)
Income taxes on remeasurements of post-retirement benefit obligations	464	176
	(45,500)	45,702
Comprehensive income	(10,479)	75,806

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

Stella-Jones Inc.

Interim Consolidated Statements of Cash Flows

(Unaudited)

For the three-month periods ended March 31, 2016 and 2015

(expressed in thousands of Canadian dollars)

	Note	2016	2015
		$	$
Cash flows provided by (used in)			
Operating activities			
Net income for the period		35,021	30,104
Adjustments for			
Depreciation of property, plant and equipment		3,693	3,064
Amortization of intangible assets		3,376	2,642
Loss (gain) on disposal of assets		(21)	8
Employee future benefits		(385)	(46)
Stock-based compensation		39	30
Financial expenses		4,762	4,045
Current income taxes expense		10,793	10,309
Deferred income taxes		3,985	3,191
Restricted stock units expense		1,767	2,086
Other		(148)	186
		62,882	55,619
Changes in non-cash working capital components and others			
Accounts receivable		(18,258)	(37,471)
Inventories		(48,299)	(28,514)
Prepaid expenses		6,297	1,316
Income taxes receivable		(11)	46
Accounts payable and accrued liabilities		18,959	(600)
Asset retirement obligations		(730)	(272)
Provisions and other long-term liabilities		(2,109)	(3,656)
		(44,151)	(69,151)
Interest paid		(4,814)	(3,459)
Income taxes recovered (paid)		2,074	(8,906)
		15,991	(25,897)
Financing activities			
Increase in deferred financing costs		(1,051)	(204)
Net change in committed revolving credit facility		(9,079)	33,751
Repayment of long-term debt		(804)	(713)
Non-competes payable		(152)	(136)
Proceeds from issuance of common shares		253	390
		(10,833)	33,088
Investing activities			
Decrease in other assets		839	-
Business acquisitions	3	(263)	-
Increase in intangible assets		(73)	(60)
Purchase of property, plant and equipment		(5,834)	(7,150)
Proceeds from disposal of assets		173	19
		(5,158)	(7,191)
Net change in cash and cash equivalents during the period		-	-
Cash and cash equivalents – Beginning of period		4,292	-
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 manufactures and distributes residential lumber and accessories to retailers for outdoor applications, as well as industrial products which include marine and foundation pilings, construction timbers, wood for bridges and coal tar based products. The Company has treating and pole peeling facilities across Canada and the United States and sells its products primarily in these two countries. The Company's headquarters are located at 3100 de la Côte-Vertu Blvd., in Saint-Laurent, Quebec, Canada. The Company is incorporated under the *Canada Business Corporations Act*, and its common shares are listed on the Toronto Stock Exchange ("TSX") under the stock symbol SJ.

2 Significant accounting policies

Basis of presentation

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("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 April 27, 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, 2015.

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, 2015, 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
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

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 $11,708 (US$8,761), excluding acquisition costs of approximately $158, recognized in the fourth quarter of 2015 interim consolidated statement of income under selling and administrative expenses.

   The following fair value determination of the assets acquired and liabilities assumed is preliminary and is based on Management's best estimates and information known at the time of preparing these interim consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to intangible assets, goodwill and deferred income taxes. In the first 3 months of 2016, no significant adjustments were made to the preliminary fair value determination.

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

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

Assets acquired	**$**
Accounts receivable	1,018
Inventories	3,761
Property, plant and equipment	6,044
Customer relationships	1,069
Goodwill	1,936
	13,828
Liabilities assumed	
Deferred income tax liabilities	301
Site remediation provision	65
Total net assets acquired and liabilities assumed	13,462
Consideration transferred	
Cash	11,708
Unsecured promissory note	1,754
Consideration transferred	13,462

The Company's valuation of intangible assets has identified customer relationships having a 20 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 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%.

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

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

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 $45,204 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 fourth quarter of 2015 interim consolidated statement of income under selling and administrative expenses. In addition, the Company recognized a balance of purchase price of $5,430.

The following fair value determination of the assets acquired and liabilities assumed is preliminary and is based on Management’s best estimates and information known at the time of preparing these interim consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to intangible assets, goodwill and deferred income taxes. In the first 3 months of 2016, no significant adjustments were made to the preliminary fair value determination.

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	40,912
Balance of purchase price	5,430
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

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

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.

As of December 31, 2015, the Company had a consideration payable of $317 for a net working capital adjustment. On March 22, 2016 the consideration payable was settled.

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 $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.

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 third quarter of 2015 interim consolidated statement of income under selling and administrative expenses.

The following fair value determination of the assets acquired and liabilities assumed is preliminary and is based on Management's best estimates and information known at the time of preparing these interim consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to intangible assets, goodwill and deferred income taxes. In the first 3 months of 2016, no significant adjustments were made to the preliminary fair value determination.

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

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

Assets acquired	**$**
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%.

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.

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

Total cash outlay associated with the acquisition was $4,685 (US$3,752), excluding acquisition costs of $226, recognized in the second quarter of 2015 interim consolidated statement of income under selling and administrative expenses.

The following fair value determination of the assets acquired and liabilities assumed is based on Management's best estimates. No significant adjustments were made to the preliminary fair value determination.

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

Assets acquired	**$**
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 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

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

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%.

4 Capital stock

The following table provides the number of common shares outstanding for the periods ending March 31:

	2016	**2015**
Number of common shares outstanding – Beginning of period*	69,137	68,949
Stock option plan*	-	23
Employee share purchase plans*	6	6
Number of common shares outstanding – End of period*	69,143	68,978

* Number of common shares is presented in thousands.

a) Capital stock consists of the following:

Authorized
An unlimited number of preferred shares issuable in series
An unlimited number of common shares

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

b) Earnings per share

The following table provides the reconciliation, as at March 31, between basic earnings per common share and diluted earnings per common share:

	2016	2015
Net income applicable to common shares	$35,021	$30,104
Weighted average number of common shares outstanding*	69,138	68,953
Effect of dilutive stock options*	129	253
Weighted average number of diluted common shares outstanding*	69,267	69,206
Basic earnings per common share **	$0.51	$0.44
Diluted earnings per common share **	$0.51	$0.43

* 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 March 31, 2016	As at December 31, 2015
	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 2)
	$	$
Recurring fair value measurements		
Assets		
Derivatives - Interest rate swap agreements	196	832
	196	832
Liabilities		
Derivatives - Interest rate swap agreements	3,959	538
	3,959	538

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 that is equal to its fair value.

(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

On April 27, 2016, the Board of Directors declared a quarterly dividend of $0.10 per common share payable on June 28, 2016 to shareholders of record at the close of business on June 6, 2016.

9 Comparative figures

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