Source: **Stella-Jones Inc.**

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

Pierre Boucher
MaisonBrison Communications
Tel.: (514) 731-0000
pierre@maisonbrison.com

STELLA-JONES REPORTS 2017 FOURTH QUARTER AND ANNUAL RESULTS

Seventeenth consecutive year of sales and net income growth

- **Sales of $1.89 billion in 2017, up 2.6% from $1.84 billion in 2016**
- **9.1% increase in net income in 2017 to $167.9 million, versus $153.9 million a year ago**
- **2017 diluted EPS of $2.42, up from $2.22 last year**
- **Solid cash flow from operating activities of $301.1 million, versus $181.8 million in 2016**
- **Over $200 million of debt repayment in 2017, reflecting a healthy financial position**

Montreal, Quebec – March 14, 2018 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its fourth quarter and fiscal year ended December 31, 2017.

"2017 marked the seventeenth consecutive year of sales and net income growth for Stella-Jones. This performance was driven by the continental reach of our network, the productivity of our people, and the confidence of our clients. It is important to highlight that net income was favourably impacted by a one-off non-cash tax benefit following the December 22, 2017 U.S. tax reform. Demand remained generally healthy for our treated wood products, as Stella-Jones' enhanced presence in the utility pole and residential lumber markets mitigated negative pricing pressures in the railway tie category and a less favourable year-over-year product mix. Our solid cash flow also led to steady debt reduction, enabling us to conclude the year with a strong financial position from which we can continue to invest in value-creating initiatives," 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)	**2017**	**2016**	**2017**	**2016**
Sales	**377.4**	341.7	**1,886.1**	1,838.4
Operating income	**29.0**	28.2	**207.4**	233.2
Net income for the period	**51.1**	18.5	**167.9**	153.9
Per share – basic and diluted ($)	**0.74**	0.27	**2.42**	2.22
Weighted average shares outstanding (basic, in '000s)	**69,345**	69,300	**69,333**	69,231

2017 RESULTS

Sales reached $1.89 billion, up 2.6% from last year's sales of $1.84 billion. Acquisitions completed in 2016 contributed additional sales of $44.0 million throughout 2017. The conversion effect from fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, versus the U.S. dollar, decreased the value of U.S. dollar denominated sales by about $17.0 million when compared with the previous year. Excluding these factors, sales increased approximately $20.8 million, or 1.1%.

Railway tie sales for 2017 amounted to $651.5 million, versus sales of $716.3 million in 2016. Excluding the conversion effect, railway tie sales decreased approximately $58.0 million, or 8.1%, mainly due to lower year-over-year pricing.

Utility pole sales reached $654.0 million in 2017, representing an increase of 12.9%, from sales of $579.2 million in 2016. Excluding the additional contribution from acquisitions completed in 2016 and the currency conversion effect, sales increased by about $40.0 million, or 6.9%. This improvement essentially reflects organic sales growth in the southeastern United States and a return to historical maintenance demand in 2017.

Sales in the residential lumber category totalled $366.2 million in 2017, up from $345.7 million in 2016. Excluding the currency conversion effect, sales increased $21.5 million, or 6.2%, mainly reflecting higher year-over-year selling prices explained by untreated lumber cost increases.

Industrial product sales were $94.5 million in 2017, compared with $96.3 million in 2016. Excluding the additional contribution from acquisitions completed in 2016 and the currency conversion effect, sales decreased 2.3%, mainly due to lower sales of marine pilings in Canada. Logs and lumber sales amounted to $119.9 million in 2017, up from $100.8 million in 2016. This increase reflects the timing of lumber purchase and resale activities, the timing of timber harvesting and the higher selling prices due to increased lumber costs.

Operating income was $207.4 million, or 11.0% of sales, compared with $233.2 million, or 12.7% of sales, in 2016. The decrease as a percentage of sales is mainly attributable to lower selling prices for railway ties, a less favourable geographical mix in the utility pole category and increased untreated lumber costs in the residential lumber category. These factors were partially offset by a reduction in selling and administrative expenses, as well as favourable year-over-year variations in certain provisions and in foreign exchange gains and losses.

Net income for 2017 increased 9.1% to $167.9 million, or $2.42 per diluted share, up from $153.9 million, or $2.22 per diluted share, in 2016. The year-over-year increase reflects a one-off non-cash tax benefit of $30.0 million recorded in the fourth quarter resulting from the remeasurement of deferred tax liabilities following a reduction in the U.S. top federal corporate income tax rate.

FOURTH QUARTER RESULTS

Sales amounted to $377.4 million, representing an increase of 10.4% from $341.7 million a year ago. Excluding the conversion effect from fluctuations in the value of the Canadian dollar, versus the U.S. dollar, sales increased approximately $48.3 million, or 14.1%.

Railway tie sales reached $118.0 million, versus $113.1 million last year. Excluding the currency conversion effect, sales rose 8.7% driven by higher year-over-year volume. Utility pole sales amounted to $162.9 million, up 12.7% from $144.6 million last year. Excluding the contribution from acquisitions and the currency conversion effect, sales grew 14.5% as a result of organic sales growth in the southeastern United States and healthy maintenance demand. Residential lumber sales totalled $48.6 million, up from $44.5 million last year, reflecting solid market demand. Industrial product sales stood at $20.0 million, up from $15.0 million a year ago, due to higher sales of rail-related products. Finally, logs and lumber sales were $27.9 million, versus $24.5 million last year, driven in most part by the passthrough of higher lumber costs to customers.

Operating income totalled $29.0 million, or 7.7% of sales, in the fourth quarter of 2017, versus $28.2 million, or 8.2% of sales, last year. The increase in absolute dollars reflects higher business activity, while the decrease as a percentage of sales is mainly attributable to the sales mix within each product category and softer pricing in certain regions.

Net income was $51.1 million, or $0.74 per diluted share, up from $18.5 million, or $0.27 per diluted share, in the prior year. The increase reflects the aforementioned tax benefit.

ACQUISITION OF WOOD PRODUCTS INDUSTRIES AND PRAIRIE FOREST PRODUCTS

On December 19, 2017, the Company completed the acquisition of substantially all the operating assets employed in the businesses of Wood Products Industries Inc. (“WPI”) located in South River, Ontario. The Company plans on using these assets to treat residential lumber. Total cash outlay associated with the acquisition was approximately $4.2 million, excluding acquisition costs of approximately $234,000, recognized in the consolidated statement of income under selling and administrative expenses. The Company financed the acquisition through its existing syndicated credit facilities.

Subsequent to the end of the year, on February 9, 2018, the Company completed the acquisition of substantially all the operating assets employed in the business of Prairie Forest Products ("PFP"), a division of Prendiville Industries Ltd. located at its wood treating facility in Neepawa, Manitoba, as well as at its peeling facility in Birch River, Manitoba. The location of the treating facility provides the Company with access to new clients and market opportunities. PFP manufactures, sells and distributes utility poles and residential lumber and sales for the twelve month period ending October 31, 2017 were approximately $35.1 million. Total cash outlay associated with the acquisition was $26.5 million which was financed through the Company's existing syndicated credit facilities.

STRONG CASH FLOW GENERATION AND SOLID FINANCIAL POSITION

In 2017, Stella-Jones generated a cash flow from operating activities of $301.1 million, up significantly from $181.8 million in 2016. This increase essentially reflects favourable working capital variations stemming from a reduction in inventories.

This strong cash flow was used to reduce the Company's long-term debt, which stood at $455.6 million as at December 31, 2017, including the current portion, compared with $694.0 million at the end of 2016. As at December 31, 2017, Stella-Jones' total debt to total capitalization ratio was 0.29:1, compared with 0.40:1 twelve months earlier.

QUARTERLY DIVIDEND OF $0.12 PER SHARE

On March 13, 2018, the Board of Directors declared a quarterly dividend of $0.12 per common share, representing an increase of 9.1% over the previous quarterly dividend, payable on April 27, 2018 to shareholders of record at the close of business on April 6, 2018.

OUTLOOK

"While operating margins will remain softer in the first half of 2018, we anticipate sales and operating margins to improve progressively in 2018 when compared to 2017. Railway tie sales should be relatively stable and softer pricing may further impact margins in the first half of the year, which should gradually return to historical levels by the end of the year. In the utility pole category, while we anticipate a better sales mix in 2018, we expect it will be offset by slight cost increases for certain wood species and the timing of price adjustments. As for residential lumber, we expect to further benefit from continued demand for new construction and outdoor renovation projects in North America, while sales should also rise as pricing reflects higher wood costs. Stella-Jones will also benefit from an overall lower effective tax rate of about 26.0%. In keeping with our proven capital allocation strategy, cash flow will be used to reduce debt, invest in working capital and our existing network, while sustaining an optimal dividend policy and exploring expansion opportunities that create lasting shareholder value," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on March 14, 2018, at 10:00 AM Eastern Time. Interested parties can join the call by dialing 1-647-788-4922 (Toronto or overseas) or 1-877-223-4471 (elsewhere in North America). Parties unable to call in at this time may access a recording by calling 1-800-585-8367 and entering the passcode 9979709. This recording will be available on Wednesday, March 14, 2018 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Wednesday, March 21, 2018.

NON-IFRS FINANCIAL MEASURES

Operating income and the total debt to total capitalization ratio 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 it provides an additional measure of its performance.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is a leading producer and marketer of pressure treated wood products. The Company supplies North America's railroad operators with railway ties and timbers, and the continent's electrical utilities and telecommunication companies with utility poles. Stella-Jones also 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.

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.

\- 30 -

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, 2017 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
March 13, 2018

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
December 31, 2017 and 2016

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

(expressed in thousands of Canadian dollars)

	Note	As at December 31, 2017 $	As at December 31, 2016 $
Assets			
Current assets			
Cash		6,430	2,267
Restricted cash		-	1,452
Accounts receivable		163,458	160,755
Derivative financial instruments	6	473	1,739
Inventories		718,462	854,556
Prepaid expenses		18,435	23,934
Income taxes receivable		1,122	5,720
		908,380	1,050,423
Non-current assets			
Property, plant and equipment		472,041	463,650
Intangible assets		124,364	147,314
Goodwill		270,261	287,367
Derivative financial instruments	6	6,173	5,056
Other assets		4,761	7,134
		1,785,980	1,960,944
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		111,206	101,142
Current portion of long-term debt	4	5,695	6,707
Current portion of provisions and other long-term liabilities		12,114	14,590
		129,015	122,439
Non-current liabilities			
Long-term debt	4	449,945	687,320
Deferred income taxes		72,408	101,171
Provisions and other long-term liabilities		11,392	16,480
Employee future benefits		7,675	6,753
Derivative financial instruments	6	-	363
		670,435	934,526
Shareholders' equity			
Capital stock	5	220,467	219,119
Contributed surplus		298	258
Retained earnings		809,022	672,620
Accumulated other comprehensive income		85,758	134,421
		1,115,545	1,026,418
		1,785,980	1,960,944
Subsequent events	9		

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, 2017 and 2016

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive income				
	Capital stock	**Contributed surplus**	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term debts designated as net investment hedges**	**Unrealized gains on cash flow hedges**	**Total**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance – January 1, 2017	219,119	258	672,620	223,124	(92,532)	3,829	134,421	1,026,418
Comprehensive income (loss)								
Net income for the period	-	-	167,889	-	-	-	-	167,889
Other comprehensive income (loss)	-	-	(983)	(72,504)	23,111	730	(48,663)	(49,646)
Comprehensive income (loss) for the period	-	-	166,906	(72,504)	23,111	730	(48,663)	118,243
Dividends on common shares	-	-	(30,504)	-	-	-	-	(30,504)
Exercise of stock options	146	(47)	-	-	-	-	-	99
Employee share purchase plans	1,202	-	-	-	-	-	-	1,202
Stock-based compensation	-	87	-	-	-	-	-	87
	1,348	40	(30,504)	-	-	-	-	(29,116)
Balance – December 31, 2017	220,467	298	809,022	150,620	(69,421)	4,559	85,758	1,115,545

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, 2017 and 2016

(expressed in thousands of Canadian dollars)

				Accumulated other comprehensive income				
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrealized gains 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	-	-	153,898	-	-	-	-	153,898
Other comprehensive income (loss)	-	-	9	(23,968)	4,652	3,614	(15,702)	(15,693)
Comprehensive income (loss) for the period	-	-	153,907	(23,968)	4,652	3,614	(15,702)	138,205
Dividends on common shares	-	-	(27,689)	-	-	-	-	(27,689)
Exercise of stock options	1,479	(401)	-	-	-	-	-	1,078
Employee share purchase plans	1,166	-	-	-	-	-	-	1,166
Stock-based compensation	-	156	-	-	-	-	-	156
	2,645	(245)	(27,689)	-	-	-	-	(25,289)
Balance – December 31, 2016	219,119	258	672,620	223,124	(92,532)	3,829	134,421	1,026,418

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, 2017 $	2016 $	For the twelve-month periods ended December 31, 2017 $	2016 $
Sales		377,356	341,730	1,886,142	1,838,353
Expenses					
Cost of sales		323,896	289,744	1,586,263	1,504,639
Selling and administrative		24,234	20,573	93,828	94,962
Other losses (gains), net		224	3,242	(1,337)	5,509
		348,354	313,559	1,678,754	1,605,110
Operating income		29,002	28,171	207,388	233,243
Financial expenses		3,902	4,223	19,009	17,859
Income before income taxes		25,100	23,948	188,379	215,384
Provision for (recovery of) income taxes					
Current		(261)	4,387	41,566	47,526
Deferred		(25,755)	1,035	(21,076)	13,960
		(26,016)	5,422	20,490	61,486
Net income for the period		51,116	18,526	167,889	153,898
Basic earnings per common share	5	0.74	0.27	2.42	2.22
Diluted earnings per common share	5	0.74	0.27	2.42	2.22

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, 2017 $	For the three-month periods ended December 31, 2016 $	For the twelve-month periods ended December 31, 2017 $	For the twelve-month periods ended December 31, 2016 $
Net income for the period	51,116	18,526	167,889	153,898
Other comprehensive income (loss)				
Items that may subsequently be reclassified to net income				
Net change in gains (losses) on translation of financial statements of foreign operations	5,105	28,439	(81,920)	(26,863)
Income taxes on change in gains (losses) on translation of financial statements of foreign operations	3,476	(1,089)	9,416	2,895
Change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	(4,334)	(12,368)	29,332	7,291
Income taxes on change in gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	2,689	1,083	(6,221)	(2,639)
Change in gains on fair value of derivatives designated as cash flow hedges	1,905	8,868	1,026	4,897
Income taxes on change in gains on fair value of derivatives designated as cash flow hedges	(494)	(2,332)	(296)	(1,283)
Items that will not subsequently be reclassified to net income				
Remeasurements of post-retirement benefit obligations	(570)	3,394	(737)	40
Income taxes on remeasurements of post-retirement benefit obligations	(291)	(1,076)	(246)	(31)
	7,486	24,919	(49,646)	(15,693)
Comprehensive income	58,602	43,445	118,243	138,205

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, 2017 and 2016

(expressed in thousands of Canadian dollars)

	Note	2017 $	2016 $
Cash flows provided by (used in)			
Operating activities			
Net income for the period		167,889	153,898
Adjustments for			
Depreciation of property, plant and equipment		17,919	15,784
Amortization of intangible assets		15,285	15,803
Financial expenses		19,009	17,859
Current income taxes expense		41,566	47,526
Deferred income taxes		(21,076)	13,960
Restricted stock units expense		4,549	5,538
Other		571	(1,499)
		245,712	268,869
Changes in non-cash working capital components and others			
Accounts receivable		(11,026)	21,017
Inventories		103,213	(39,858)
Prepaid expenses		4,380	3,117
Income taxes receivable		(2,746)	(499)
Accounts payable and accrued liabilities		16,694	5,785
Asset retirement obligations		(3,369)	2,038
Provisions and other long-term liabilities		(1,494)	(21,676)
		105,652	(30,076)
Interest paid		(15,797)	(18,648)
Income taxes paid		(34,454)	(38,317)
		301,113	181,828
Financing activities			
Increase in deferred financing costs		(1,132)	(1,051)
Net change in syndicated credit facilities		(391,796)	70,738
Increase in long-term debt		195,870	-
Repayment of long-term debt		(11,507)	(59,176)
Net change in non-competes payable		(2,156)	5,452
Dividend on common shares		(30,504)	(27,689)
Proceeds from issuance of common shares		1,301	2,244
		(239,924)	(9,482)
Investing activities			
Decrease (increase) in other assets		(710)	952
Business acquisitions	3	(5,792)	(107,305)
Increase in intangible assets		(477)	(6,381)
Purchase of property, plant and equipment		(52,175)	(63,212)
Proceeds from disposal of assets		676	346
		(58,478)	(175,600)
Net change in cash and cash equivalents during the period		2,711	(3,254)
Cash and cash equivalents – Beginning of period		3,719	6,973
Cash and cash equivalents – End of period		6,430	3,719

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 March 13, 2018.

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, 2016.

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, 2016, 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	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
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
Stella-Jones U.S. Finance III Corporation	Stella-Jones U.S. Holding Corporation	United States
Stella-Jones U.S. III L.L.C.	Stella-Jones U.S. Holding Corporation	United States
Kisatchie Midnight Express, LLC	McFarland Cascade Holdings, Inc.	United States
Lufkin Creosoting Co., Inc.	McFarland Cascade Holdings, Inc.	United States

On October 24, 2017, SJ Holding incorporated Stella-Jones U.S. III L.L.C., a wholly-owned Limited Liability Company, and Stella-Jones U.S. Finance III Corporation, a wholly owned corporation, both under the laws of Delaware.

On November 29, 2017, Stella-Jones Inc. disposed of its participation in SJ Holding in favor of Canadalux S.à.r.l. Shortly after on the same day, Canadalux S.à.r.l. was liquidated into Stella-Jones Inc.

Change in accounting policies

The Company has adopted the following revised standard, along with any consequential amendments, effective January 1, 2017. This change was made in accordance with the applicable transitional provisions.

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. The adoption of this revised standard will require the Company to provide incremental disclosures in its 2017 annual consolidated financial statements.

(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. Management has not identified any material impacts resulting from the transition to IFRS 15.

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. The Company's future minimum payments under operating leases amount to $80,134. Under the new standard the Company will recognize, in the statement of financial position, an asset (the right to use the leased items), equivalent to the actualized cash flows of the future minimum payments, and a corresponding financial liability.

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. In addition, an entity's own credit risk changes can be applied early in isolation without otherwise changing the accounting for financial instruments. Management has not identified any material impacts resulting from the transition to IFRS 9.

3 Business acquisitions

a) On December 19, 2017, the Company completed the acquisition of substantially all the operating assets employed in the businesses of Wood Products Industries Inc. ("WPI") located in South River, Ontario. The Company plans on using these assets to treat residential lumber.

   Total cash outlay associated with the acquisition was approximately $4,245, excluding acquisition costs of approximately $234, recognized in the interim consolidated statement of income under selling and

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

administrative expenses. The Company financed the acquisition through its existing syndicated credit facilities.

b) On December 21, 2016, the Company completed the acquisition of substantially all the operating assets employed in the businesses of Bois KMS (GMI) Ltée ("KMS") and Northern Pressure Treated Wood (N.P.T.W.) Ltd ("NPTW"). KMS and NPTW manufacture treated wood utility poles at their facilities located in Rivière-Rouge, Québec and Kirkland Lake, Ontario, respectively, and were acquired for synergistic reasons.

Total cash outlay associated with the acquisition was $19,249, excluding acquisition costs of approximately $1,048, recognized in the fourth quarter of 2016 interim consolidated statement of income under selling and administrative expenses. The Company financed the acquisition through its existing syndicated credit facilities.

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. No significant adjustments were made to the preliminary fair value determination.

Assets acquired	**$**
Inventories	4,488
Property, plant and equipment	6,923
Customer relationships	1,050
Goodwill	6,934
Deferred income tax assets	930
	20,325
Liabilities assumed	
Accounts payable and accrued liabilities	78
Site remediation provision	937
Total net assets acquired and liabilities assumed	19,310
Consideration transferred	
Cash	19,249
Consideration payable	61
Consideration transferred	19,310

The Company's valuation of intangible assets has identified customer relationships having a thirty-five month 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 is deductible for Canadian tax purposes, and represents the future

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

economic value associated with the enhanced procurement network, acquired workforce and synergies with the Company's operations. Goodwill is allocated to a cash-generating unit defined as plants specialized in the treatment of utility poles and residential lumber.

4 Long-term debt

On January 17, 2017, the Company concluded a US$150,000 private placement with certain U.S. investors. Pursuant to the private placement, the Company entered into a note purchase agreement providing for the issuance by Stella-Jones Inc. of senior notes - series A in the aggregate amount of US$75,000 bearing interest at 3.54%, payable in a single instalment at maturity on January 17, 2024 and senior notes - series B in the aggregate amount of US$75,000 bearing interest at 3.81%, payable in a single instalment at maturity on January 17, 2027. Such notes are unsecured and proceeds were used to reimburse a portion of the revolving credit facility. The notes were designated as hedges of net investment in foreign operations.

On February 3, 2017, the Company obtained a one-year extension to February 26, 2022 of its revolving credit facility as provided in the fifth amended and restated credit agreement dated as of February 26, 2016, and amended on May 18, 2016. All the conditions of the credit agreement, other than the extension of the maturity date, remain unchanged.

On July 5, 2017, the Company reduced its unsecured revolving credit facility included in the syndicated credit facilities by US$100,000, reducing total borrowings to a maximum of US$475,000. As at December 31, 2017, the syndicated credit facilities' availability was $354,489.

5 Capital stock

The following table provides the number of common share outstanding for the twelve-month periods ending December 31:

	2017	**2016**
Number of common shares outstanding – Beginning of period*	69,303	69,137
Stock option plan*	10	139
Employee share purchase plans*	29	27
Number of common shares outstanding – End of period*	69,342	69,303

* Number of common shares is presented in thousands.

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

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, as at 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,	
	2017	**2016**	**2017**	**2016**
Net income applicable to common shares	$51,116	$18,526	$167,889	$153,898
Weighted average number of common shares outstanding*	69,336	69,285	69,324	69,215
Effect of dilutive stock options*	9	15	9	16
Weighted average number of diluted common shares outstanding*	69,345	69,300	69,333	69,231
Basic earnings per common share **	$0.74	$0.27	$2.42	$2.22
Diluted earnings per common share **	$0.74	$0.27	$2.42	$2.22

* Number of shares is presented in thousands.

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

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

6 Fair value measurement and financial instruments

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

	As at December 31, 2017	As at December 31, 2016
	Significant other observable inputs (Level 2) $	Significant other observable inputs (Level 2) $
Recurring fair value measurements		
Current assets		
Interest rate swap agreements	-	311
Derivative commodity contracts	473	1,428
	473	1,739
Non-current assets		
Interest rate swap agreements	6,173	4,989
Derivative commodity contracts	-	67
	6,173	5,056
Non-current liabilities		
Interest rate swap agreements	-	109
Foreign exchange forward contracts	-	254
	-	363

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

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 $455,640 (December 31, 2016 – $694,027) and a fair value of $453,478 (December 31, 2016 – $694,027).

7 Seasonality

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

8 Segment information

The Company operates within two business segments which are the production and sale of pressure-treated wood and the procurement and sales of logs and lumber.

The pressure-treated wood segment includes railway ties, utility poles, residential lumber and industrial products.

The logs and lumber segment comprises of the sales of logs harvested in the course of the Company's procurement process that are determined to be unsuitable for use as utility poles. Also included in this segment is the sale of excess lumber to local home-building markets. Assets and net income related to the logs and lumber segment are nominal.

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

Operating plants are located in five Canadian provinces and nineteen American states. The Company also operates a large distribution network across North America.

Sales attributed to countries based on location of customer for the twelve-month periods ended December 31 are as follows:

	2017	**2016**
	$	**$**
Canada	561,905	535,800
U.S.	1,324,237	1,302,553
	1,886,142	1,838,353

Sales by product for the twelve-month periods ended December 31 are as follows:

	2017	**2016**
	$	**$**
Pressure-treated wood		
Railway ties	651,549	716,292
Utility poles	653,946	579,208
Residential lumber	366,225	345,749
Industrial products	94,516	96,310
Logs and lumber	119,906	100,794
	1,886,142	1,838,353

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

Property, plant and equipment, intangible assets and goodwill attributed to the countries based on location are as follows:

	As at December 31, 2017	As at December 31, 2016
Property, plant and equipment		
	$	**$**
Canada	120,804	104,835
U.S.	351,237	358,815
	472,041	463,650
Intangible assets		
	$	**$**
Canada	23,989	26,374
U.S.	100,375	120,940
	124,364	147,314
Goodwill		
	$	**$**
Canada	14,864	14,164
U.S.	255,397	273,203
	270,261	287,367

9 Subsequent events

a) On February 9, 2018, the Company completed the acquisition of substantially all the operating assets employed in the business of Prairie Forest Products (“PFP”), a division of Prendiville Industries Ltd., located at its wood treating facility in Neepawa, Manitoba as well as at its peeling facility in Birch River, Manitoba. PFP manufactures, sells and distributes utility poles and residential lumber and was acquired for synergistic reasons. Sales for the twelve-month period ended October 31, 2017 were approximately $35,100.

Total cash outlay associated with the acquisition was $26,494 excluding acquisition costs of approximately $326 of which $159 was recognized in the 2017 consolidated statement of income under selling and administrative expenses. The Company financed the acquisition through its existing syndicated credit facilities.

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

At the time of preparing these interim consolidated financial statements, Management did not have on hand all the required information to determine the fair value of assets acquired and liabilities assumed. Preliminary information indicates that property plant and equipment and inventory represent approximately $7,763 and $9,500 respectively from the total purchase price of $26,494.

b) On March 13, 2018, the Board of Directors declared a quarterly dividend of $0.12 per common share payable on April 27, 2018 to shareholders of record at the close of business on April 6, 2018.

10 Comparative figures

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