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 2017 SECOND QUARTER RESULTS

- **Sales of $594.2 million, up 5.5% from $563.1 million a year ago**
- **Operating income of $74.5 million, compared with $83.2 million in the prior year**
- **Net income of $48.9 million, versus $54.7 million last year**
- **Diluted EPS of $0.71, compared with $0.79 a year ago**

Montreal, Quebec – August 9, 2017 - Stella-Jones Inc. (TSX: SJ) ("Stella-Jones" or the "Company") today announced financial results for its second quarter ended June 30, 2017.

"Stella-Jones generated solid operating results in the second quarter. This performance was driven by higher railway tie volume stemming from earlier than expected deliveries for certain orders, partially offsetting the impact of lower year-over-year pricing in this product category. In addition, healthy demand in the utility pole category reflects sales synergies stemming from Stella-Jones' expansion in the southeastern United States over the past two years," said Brian McManus, President and Chief Executive Officer.

Financial highlights (in millions of Canadian dollars, except per share data)	**Quarters ended June 30,**		**Six-months ended June 30,**	
	2017	**2016**	**2017**	**2016**
Sales	**594.2**	563.1	**991.2**	984.0
Operating income	**74.5**	83.2	**115.3**	137.8
Net income for the period	**48.9**	54.7	**74.8**	89.7
Per share - basic and diluted ($)	**0.71**	0.79	**1.08**	1.30
Weighted average shares outstanding (basic, in '000s)	**69,322**	69,185	**69,314**	69,162

SECOND QUARTER RESULTS

Sales reached $594.2 million, up 5.5% from $563.1 million last year. Acquisitions contributed sales of approximately $16.0 million, while the conversion effect from fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, versus the U.S. dollar, had a positive impact of $16.9 million on the value of U.S. dollar denominated sales. Excluding these factors, sales decreased marginally by $1.8 million, or 0.3%.

Railway tie sales amounted to $214.2 million, compared with sales of $216.3 million in last year's second quarter. Excluding the conversion effect, railway tie sales decreased approximately $10.4 million, or 4.8%, as lower pricing was partially offset by increased volume due to the early delivery of certain tie orders.

Utility pole sales reached $167.5 million in the second quarter of 2017, representing an increase of 17.3% over sales of $142.8 million a year ago. Excluding the contribution from acquisitions and the currency conversion effect, sales increased approximately $3.7 million, or 2.6%, reflecting organic sales growth in the southeastern United States.

Sales in the residential lumber category remained relatively stable, reaching $153.2 million in the second quarter of 2017, versus $152.1 million a year earlier. This stability reflects higher selling prices due to increased untreated lumber costs, offset by lower volumes as a result of less favourable weather in Canada during the second quarter of 2017 compared to the same period last year.

Industrial product sales reached $27.1 million, essentially stable in comparison with $27.0 million a year ago. Excluding the contribution from acquisitions and the currency conversion effect, sales decreased 5.0% mainly due to lower sales of marine pilings in Canada and lower sales of rail-related products. Logs and lumber sales amounted to $32.2 million, versus $24.8 million in the second quarter of last year. The variation reflects the timing of lumber purchase and resale activities as well as the timing of timber harvesting.

Operating income stood at $74.5 million, or 12.5% of sales, compared with $83.2 million, or 14.8% of sales in the second quarter of the previous year. The decrease in absolute dollars and as a percentage of sales essentially reflects lower selling prices for railway ties and a less favourable geographical mix in the utility pole category.

Net income for the second quarter of 2017 was $48.9 million, or $0.71 per diluted share, versus $54.7 million, or $0.79 per diluted share, in the second quarter of 2016.

SIX-MONTH RESULTS

For the six-month period ended June 30, 2017, sales amounted to $991.2 million, versus $984.0 million for the corresponding period a year earlier. Acquisitions contributed sales of $38.8 million, while the currency conversion effect had a positive impact of $5.6 million on the value of U.S. dollar denominated sales. Excluding these factors, sales decreased approximately $37.3 million, or 3.8%.

Operating income reached $115.3 million, or 11.6% of sales, compared with $137.8 million, or 14.0% of sales, last year. Net income totalled $74.8 million, or $1.08 per diluted share, versus $89.7 million, or $1.30 per diluted share, in the prior year.

SOLID FINANCIAL POSITION

As at June 30, 2017, the Company’s long-term debt, including the current portion, stood at $615.8 million compared with $698.5 million three months earlier. The decrease mainly reflects a solid cash flow generation during the quarter as well as the effect of local currency translation on U.S. dollar denominated long-term debt. As at June 30, 2017, Stella-Jones’ total debt to total capitalization ratio was 0.37:1, down from 0.40:1 three months earlier.

QUARTERLY DIVIDEND OF $0.11 PER SHARE

On August 8, 2017, the Board of Directors declared a quarterly dividend of $0.11 per common share payable on September 22, 2017 to shareholders of record at the close of business on September 1, 2017.

OUTLOOK

“As previously anticipated, we expect higher year-over-year sales in the second half of 2017 when compared to the previous year. While higher railway tie volume will be offset by lower pricing, a return to normal maintenance demand patterns and improving demand for special projects should result in higher year-over-year sales in the utility pole category. However, overall operating margins will remain affected by soft railway tie pricing and a less favourable geographical sales mix for utility poles. Stella-Jones remains committed to maximizing operating efficiencies and minimizing costs throughout the organization, while continuing to study any expansion opportunity that offers strategic value in our main product categories to the benefit of our shareholders,” concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on August 9, 2017, 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 36864185. This recording will be available on Wednesday, August 9, 2017 as of 1:00 PM Eastern Time until 11:59 PM Eastern Time on Wednesday, August 16, 2017.

NON-IFRS FINANCIAL MEASURES

Operating income is a financial measure not prescribed by IFRS and is not likely to be comparable to similar measures presented by other issuers. Management considers this non-IFRS measure to be useful information to assist knowledgeable investors regarding the Company's financial condition and results of operations as it provides an additional measure of its performance.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is a leading producer and marketer of pressure treated wood products. The Company supplies North America's railroad operators with railway ties and timbers, and the continent's electrical utilities and telecommunication companies with utility poles. Stella-Jones also 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	EXCHANGE LISTINGS	INVESTOR RELATIONS
3100 de la Côte-Vertu Blvd., Suite 300 Saint-Laurent, Québec H4R 2J8 Tel.: (514) 934-8666 Fax: (514) 934-5327	The Toronto Stock Exchange Stock Symbol: SJ **TRANSFER AGENT AND REGISTRAR** Computershare Investor Services Inc	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 second quarter ended June 30, 2017 have not been reviewed by the Company's external auditors.

(Signed)

Éric Vachon
Senior Vice-President and Chief Financial Officer

Montréal, Québec
August 8, 2017

Stella-Jones Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
June 30, 2017 and 2016

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

(expressed in thousands of Canadian dollars)

	Note	As at June 30, 2017 $	As at December 31, 2016 $
Assets			
Current assets			
Cash		2,171	2,267
Restricted cash		-	1,452
Accounts receivable		282,423	160,755
Derivative financial instruments	6	1,423	1,739
Inventories		754,014	854,652
Prepaid expenses		20,228	23,934
Income taxes receivable		-	5,720
		1,060,259	1,050,519
Non-current assets			
Property, plant and equipment		464,830	467,035
Intangible assets		135,209	146,264
Goodwill		275,846	285,592
Derivative financial instruments	6	4,105	5,056
Other assets		8,209	7,492
		1,948,458	1,961,958
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		134,420	101,142
Income taxes payable		2,229	-
Current portion of long-term debt	4	5,247	6,919
Current portion of provisions and other long-term liabilities		14,685	14,590
		156,581	122,651
Non-current liabilities			
Long-term debt	4	610,532	687,466
Deferred income taxes		106,014	101,827
Provisions and other long-term liabilities		9,710	16,480
Employee future benefits		7,582	6,753
Derivative financial instruments	6	544	363
		890,963	935,540
Shareholders' equity			
Capital stock	5	219,875	219,119
Contributed surplus		259	258
Retained earnings		731,615	672,620
Accumulated other comprehensive income		105,746	134,421
		1,057,495	1,026,418
		1,948,458	1,961,958
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 six-month periods ended June 30, 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	-	-	74,801	-	-	-	-	74,801
Other comprehensive income (loss)	-	-	(555)	(40,437)	12,178	(416)	(28,675)	(29,230)
Comprehensive income (loss) for the period	-	-	74,246	(40,437)	12,178	(416)	(28,675)	45,571
Dividends on common shares	-	-	(15,251)	-	-	-	-	(15,251)
Exercise of stock options	146	(47)	-	-	-	-	-	99
Employee share purchase plans	610	-	-	-	-	-	-	610
Stock-based compensation	-	48	-	-	-	-	-	48
	756	1	(15,251)	-	-	-	-	(14,494)
Balance – June 30, 2017	219,875	259	731,615	182,687	(80,354)	3,413	105,746	1,057,495

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 six-month periods ended June 30, 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 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	-	-	89,695	-	-	-	-	89,695
Other comprehensive income (loss)	-	-	(2,324)	(70,393)	24,264	(4,031)	(50,160)	(52,484)
Comprehensive income (loss) for the period	-	-	87,371	(70,393)	24,264	(4,031)	(50,160)	37,211
Dividends on common shares	-	-	(13,833)	-	-	-	-	(13,833)
Exercise of stock options	1,134	(300)	-	-	-	-	-	834
Employee share purchase plans	527	-	-	-	-	-	-	527
Stock-based compensation	-	78	-	-	-	-	-	78
	1,661	(222)	(13,833)	-	-	-	-	(12,394)
Balance – June 30, 2016	218,135	281	619,940	176,699	(72,920)	(3,816)	99,963	938,319

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 June 30, 2017 $	For the three-month periods ended June 30, 2016 $	For the six-month periods ended June 30, 2017 $	For the six-month periods ended June 30, 2016 $
Sales		594,212	563,058	991,158	984,034
Expenses					
Cost of sales		495,196	453,498	828,309	795,637
Selling and administrative		26,249	26,429	49,058	50,466
Other losses (gains), net		(1,721)	(94)	(1,545)	145
		519,724	479,833	875,822	846,248
Operating income		74,488	83,225	115,336	137,786
Financial expenses		6,052	4,689	10,848	9,451
Income before income taxes		68,436	78,536	104,488	128,335
Provision for income taxes					
Current		13,790	21,455	22,248	32,248
Deferred		5,743	2,407	7,439	6,392
		19,533	23,862	29,687	38,640
Net income for the period		48,903	54,674	74,801	89,695
Basic earnings per common share	5	0.71	0.79	1.08	1.30
Diluted earnings per common share	5	0.71	0.79	1.08	1.30

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 June 30,		For the six-month periods ended June 30,	
	2017 $	2016 $	2017 $	2016 $
Net income for the period	48,903	54,674	74,801	89,695
Other comprehensive income (loss)				
Items that may subsequently be reclassified to net income				
Net change in losses on translation of financial statements of foreign operations	(31,454)	(7,698)	(42,153)	(74,240)
Income taxes on change in losses on translation of financial statements of foreign operations	1,271	291	1,716	3,847
Change in gains on translation of long-term debt designated as hedges of net investment in foreign operations	12,694	3,039	14,022	27,962
Income taxes on change in gains on translation of long-term debt designated as hedges of net investment in foreign operations	(1,670)	(400)	(1,844)	(3,698)
Change in losses on fair value of derivatives designated as cash flow hedges	(1,242)	(1,421)	(565)	(5,478)
Income taxes on change in losses on fair value of derivatives designated as cash flow hedges	327	376	149	1,447
Items that will not subsequently be reclassified to net income				
Remeasurements of post-retirement benefit obligations	(1,041)	(1,709)	(811)	(3,326)
Income taxes on remeasurements of post-retirement benefit obligations	317	538	256	1,002
	(20,798)	(6,984)	(29,230)	(52,484)
Comprehensive income	28,105	47,690	45,571	37,211

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 six-month periods ended June 30, 2017 and 2016

(expressed in thousands of Canadian dollars)

	2017 $	2016 $
Cash flows provided by (used in)		
Operating activities		
Net income for the period	74,801	89,695
Adjustments for		
Depreciation of property, plant and equipment	9,049	7,202
Amortization of intangible assets	7,759	6,568
Financial expenses	10,848	9,451
Current income taxes expense	22,248	32,248
Deferred income taxes	7,439	6,392
Restricted stock units expense	1,912	2,819
Other	(467)	(427)
	133,589	153,948
Changes in non-cash working capital components and others		
Accounts receivable	(127,948)	(121,647)
Inventories	85,016	7,751
Prepaid expenses	3,166	(85)
Income taxes receivable	(157)	(1)
Accounts payable and accrued liabilities	34,154	49,059
Asset retirement obligations	(2,373)	(612)
Provisions and other long-term liabilities	(1,929)	(21,280)
	(10,071)	(86,815)
Interest paid	(7,751)	(10,314)
Income taxes paid	(14,150)	(8,019)
	101,617	48,800
Financing activities		
Increase in deferred financing costs	(717)	(1,051)
Net change in committed revolving credit facility	(249,891)	124,583
Increase in long-term debt	195,870	-
Repayment of long-term debt	(9,683)	(52,303)
Non-competes payable	(1,774)	2,751
Dividend on common shares	(15,251)	(13,833)
Proceeds from issuance of common shares	709	1,361
	(80,737)	61,508
Investing activities		
Decrease (increase) in other assets	(1,979)	903
Business acquisitions	-	(86,108)
Increase in intangible assets	(212)	(3,211)
Purchase of property, plant and equipment	(20,655)	(22,908)
Proceeds from disposal of assets	418	240
	(22,428)	(111,084)
Net change in cash and cash equivalents during the period	(1,548)	(776)
Cash and cash equivalents – Beginning of period	3,719	6,973
Cash and cash equivalents – End of period	2,171	6,197

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 August 8, 2017.

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.

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:

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

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. ("McFarland")	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
Kisatchie Midnight Express, LLC	McFarland Cascade Holdings, Inc.	United States
Lufkin Creosoting Co., Inc.	McFarland Cascade Holdings, Inc.	United States

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. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. The adoption of this revised standard will require the Company to provide incremental disclosures in its 2017 annual consolidated financial statements.

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. Management is currently refining its analysis of the impact of the transition to IFRS 15, however, at this time, Management has not identified any material impacts resulting from the transition.

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

3 Business acquisitions

a) 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 approximately $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 committed revolving credit facility.

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 twelve months of the acquisition date and consequently, significant changes could occur mainly with respect to property, plant and equipment, 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.

Assets acquired	**$**
Inventories	4,488
Property, plant and equipment	10,308
Customer relationships	660
Goodwill	4,569
Deferred income tax assets	300
	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

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

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 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 a series A senior note of US$75,000 bearing interest at 3.54%, payable in a single instalment at maturity on January 17, 2024 and a series B senior note of US$75,000 bearing interest at 3.81%, payable in a single instalment at maturity on January 17, 2027. Both notes are unsecured and proceeds were used to reimburse a portion of the committed 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 committed 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 committed revolving credit facility maturity date, remain unchanged.

5 Capital stock

The following table provides the number of common share outstanding for the six-month periods ending June 30:

	2017	**2016**
Number of common shares outstanding – Beginning of period*	69,303	69,137
Stock option plan*	10	105
Employee share purchase plans*	16	12
Number of common shares outstanding – End of period*	69,329	69,254

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2017	**2016**	**2017**	**2016**
Net income applicable to common shares	$48,903	$54,674	$74,801	$89,695
Weighted average number of common shares outstanding*	69,322	69,185	69,314	69,162
Effect of dilutive stock options*	8	44	11	43
Weighted average number of diluted common shares outstanding*	69,330	69,229	69,325	69,205
Basic earnings per common share **	$0.71	$0.79	$1.08	$1.30
Diluted earnings per common share **	$0.71	$0.79	$1.08	$1.30

* 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 June 30, 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	521	311
Foreign exchange forward contracts	902	-
Derivative commodity contracts	-	1,428
	1,423	1,739
Non-current assets		
Interest rate swap agreements	4,105	4,989
Derivative commodity contracts	-	67
	4,105	5,056
Non-current liabilities		
Interest rate swap agreements	-	109
Foreign exchange forward contracts	-	254
Derivative commodity contracts	544	-
	544	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 that is equal to its fair value.

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 six-month periods ended June 30 are as follows:

	2017	**2016**
	$	**$**
Canada	289,414	292,325
U.S.	701,744	691,709
	991,158	984,034

Sales by product for the six-month periods ended June 30 are as follows:

	2017	**2016**
	$	**$**
Pressure-treated wood		
Railway ties	372,739	416,602
Utility poles	318,491	274,610
Residential lumber	191,823	194,007
Industrial products	48,995	53,771
Logs and lumber	59,110	45,044
	991,158	984,034

(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 June 30, 2017	As at December 31, 2016
Property, plant and equipment		
	$	**$**
Canada	111,858	108,220
U.S.	352,972	358,815
	464,830	467,035
Intangible assets		
	$	**$**
Canada	24,859	25,324
U.S.	110,350	120,940
	135,209	146,264
Goodwill		
	$	**$**
Canada	11,799	12,389
U.S.	264,047	273,203
	275,846	285,592

9 Subsequent events

a) On July 5, 2017, the Company reduced its committed revolving credit facility by $129,800 (US$100,000), reducing total borrowings to a maximum of $616,400 (US$475,000). As at June 30, 2017, the committed revolving credit facility's availability was $353,409 (US$272,300).

b) On August 8, 2017, the Board of Directors declared a quarterly dividend of $0.11 per common share payable on September 22, 2017 to shareholders of record at the close of business on September 1, 2017.

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

10 Comparative figures

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