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Stella-Jones Announces Solid Q2 Results

WESTMOUNT, QUEBEC--(CCNMatthews - Aug. 9, 2005) - Stella-Jones Inc. (TSX:SJ)

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- Sales for utility poles and railway ties increase 20%
- Net earnings increase by 36% to $4.1 million, or $0.40 per
share
- Company provides update on U.S. acquisition target
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Stella-Jones Inc. (TSX:SJ) today announced solid second quarter results for the period ended June 30, 2005. The results were driven by a 20.0% increase in utility pole and railway tie sales, and by efforts to maximize plant specialization and control overhead costs.

Sales for the second quarter ended June 30, 2005 totaled $46.0 million, an increase of $4.1 million, or 9.8%, over last year's second quarter sales of $41.9 million. Net earnings were $4.1 million, or $0.40 per share, compared to $3.0 million, or $0.30 per share, for the corresponding period last year. After six months of 2005, net earnings now stand at $5.6 million, or $0.55 per share, compared to $4.0 million, or $0.40 per share earned in the first half of 2004.

All product categories, with the exception of overseas export pole sales and consumer lumber treatment services, saw increases in sales compared to the same period last year. Overseas export utility pole sales were down in the quarter, in line with Stella-Jones' strategic decision to concentrate on the higher margin domestic and US markets. Due to a wet spring in the East and a slower than usual start to the traditional summer renovation period, consumer lumber sales posted lower sales in the second quarter.

"Our two primary product categories-domestic utility poles and railway ties-posted a 20.0% increase compared to last year's sales for the same period," said Brian McManus, President and CEO of Stella-Jones Inc. "The railway tie market continues to provide solid growth opportunities in order to meet the infrastructure requirements of a strongly performing railway sector. And our domestic utility pole market is currently benefiting from a number of transmission projects as utilities expand their generating capabilities."

"We are seeing increased tendering activity in the industrial treated wood market and we are the best-positioned treated wood supplier to service this demand. Consumer lumber treatment services will continue to expand as more distribution outlets come on stream."

Gross margin increased to 21.0% of sales, compared to 18.9% for the second quarter last year. Selling and administrative expenses for the second quarter of 2005 compared to the second quarter of 2004 increased $380,000.

"Controlling overhead costs, maximizing plant specialization and a better domestic utility pole product mix versus last year were the primary reasons for the improvement in gross margin," said George Labelle, Senior Vice-President and Chief Financial Officer.

Stella-Jones also announced that in 2005 the Company is absorbing a higher amount of environmental expenses related to the audits of seven Stella-Jones treating plants by Environment Canada. During the year 2000, baseline assessments were carried out on all wood preserving plants in Canada by environmental consultants on behalf of Environment Canada. In conformity with this government initiative, the Company submitted plans of action to respond to all recommendations. The compliance deadline for completing the plans of action is December 31, 2005 and the Company is on-track to meet this deadline.

"While the majority of the compliance costs associated with this program have been capital in nature, there are one-time expenses that will be incurred in this final year," said Labelle. "Despite this increased administrative burden, we are confident that we can maintain a satisfactory ratio of selling and administrative expenses to sales. There has been no significant change to our administrative infrastructure."

During the quarter, Stella-Jones announced that it is considering the acquisition of the assets of Webster Wood Preserving Company of Bangor, Wisconsin ("Webster"). Webster specializes in the production and marketing of pressure treated wood railway ties. For the last fiscal year ended September 30, 2004, Webster reported sales of approximately US$25,000,000. It was originally anticipated that the proposed transaction would close by the end of July 2005. Negotiations continue and the Company now expects to close by August 31, 2005.

Q2 HIGHLIGHTS

- Sales for the second quarter ended June 30, 2005 totaled $46.0 million, an increase of $4.1 million, or 9.8%, over last

year's
second quarter sales of $41.9 million.

- Industrial treated wood sales were below last year's levels for the second quarter. Demand remains strong into the third quarter, and on a year-to-date basis the segment is marginally ahead of last year's sales.
- Due to a wet spring in the East and a slower than usual start to the traditional summer renovation period, consumer lumber sales posted lower sales in the second quarter.
- Overseas export utility pole sales were down $1.3 million in the quarter compared to the same period last year, in line with Stella-Jones' strategic decision to concentrate on the higher margin domestic and US markets.

RECENT EVENTS

On July 29, 2005, in anticipation of the Webster acquisition, Stella-Jones entered into a subscription agreement with its majority shareholder, Stella Jones International S.A.("SJ International"), for a proposed private equity placement consisting of the issuance of 555,556 common shares of the Company at a price of $9.00 per common share. Following the private placement, SJ International will own 6,910,556 common shares of Stella-Jones' outstanding common shares, or 63.9%, on an undiluted basis. The private placement is conditional on the closing of the Webster transaction.

OUTLOOK

The railway tie market will continue to provide solid growth opportunities in order to meet the infrastructure requirements of a strongly performing railway sector. In the domestic utility pole market, the Company still believes that there is pent-up demand on the distribution side. Stella-Jones is seeing increased tendering activity in the industrial treated wood market and the Company is the best-positioned treated wood supplier to service this demand.
With the higher number of retail outlets Stella-Jones services this year compared to 2004, the Company expects to finish the year with higher consumer lumber revenues versus last year.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX:SJ) is a leading Canadian producer and marketer of industrial structures and support components produced with pressure treated wood products, specializing in the production of treated wood poles supplied to electrical utilities and telecommunications companies on both a national and international basis. Other principal products include railway ties, marine and foundation pilings, construction timbers, highway guardrail posts and treated wood for bridges. The Company also specializes in providing customized services to lumber companies and wholesalers for the treatment of consumer lumber products for outdoor applications. The Company's common shares are listed on the Toronto Stock Exchange.

Visit our website: www.stella-jones.com

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, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

NOTICE

The interim unaudited consolidated financial statements of Stella-Jones Inc. for the second quarter ended June 30, 2005 have not been reviewed by the Company's external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Westmount, Quebec
August 9, 2005

CONSOLIDATED BALANCE SHEETS

as at June 30, 2005 and December 31, 2004	June 30, 2005 ($) unaudited	December 31, 2004 ($)
ASSETS		
CURRENT ASSETS		
Accounts receivable	24,760,924	13,205,649
Inventories	53,804,659	52,769,898
Prepaid expenses	655,344	857,582
Future income taxes	514,000	522,000
	79,734,927	67,355,129
PROPERTY, PLANT AND EQUIPMENT	31,873,404	30,543,495
FUTURE INCOME TAXES	319,000	301,000
	111,927,331	98,199,624

LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	17,309,314	11,420,760
Accounts payable and accrued liabilities	19,215,050	13,878,043
Income taxes	1,027,140	1,774,917
Current portion of long-term debt	3,594,659	3,699,048
	41,146,163	30,772,768
LONG-TERM DEBT	10,668,712	12,485,436
FUTURE INCOME TAXES	4,657,000	4,784,000
EMPLOYEE FUTURE BENEFITS	947,380	872,380
	57,419,255	48,914,584
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	21,054,517	20,954,892
RETAINED EARNINGS	33,453,559	28,330,148
	54,508,076	

49,285,040

			111,927,331	98,199,624

See accompanying Notes

CONSOLIDATED STATEMENTS OF EARNINGS
unaudited

	three months ended June 30,		six months ended June 30,	
	2005 ($)	2004 ($)	2005 ($)	2004 ($)
SALES	46,016,496	41,894,006	76,919,979	66,840,783
EXPENSES				
Cost of sales	36,337,585	33,978,554	61,961,102	54,525,864
Selling and				

administrative	2,388,860	2,008,795	4,250,524	3,624,650
Foreign exchange gain	(45,641)	(57,847)	(54,829)	(37,801)
Amortization of property, plant and equipment	800,849	761,819	1,557,451	1,509,612
	39,481,653	36,691,321	67,714,248	59,622,325
OPERATING EARNINGS	6,534,843	5,202,685	9,205,731	7,218,458
INTEREST ON LONG-TERM DEBT	204,672	243,785	415,199	479,813
OTHER INTEREST	220,572	214,872	379,003	418,061
EARNINGS BEFORE INCOME TAXES	6,109,599	4,744,028	8,411,529	6,320,584
PROVISION FOR INCOME TAXES	2,017,000	1,706,000	2,776,000	2,274,000
NET EARNINGS FOR THE PERIOD	4,092,599	3,038,028	5,635,529	4,046,584

NET EARNINGS PER COMMON SHARE	0.40	0.30	0.55	0.40
DILUTED NET EARNINGS PER COMMON SHARE	0.39	0.29	0.54	0.39

See accompanying Notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
unaudited

for the six months ended June 30, 2005 and 2004	2005 ($)	2004 ($)
BALANCE - BEGINNING OF YEAR	28,330,148	21,846,564
Net earnings for the period	5,635,529	4,046,584
Dividends on common shares	(512,118)	(400,820)

BALANCE - END OF PERIOD	33,453,559	25,492,328

See accompanying Notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

unaudited	three months ended June 30,		six months ended June 30,	
	2005	2004	2005	2004
	($)	($)	($)	($)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings for the period	4,092,599	3,038,028	5,635,529	4,046,584
Adjustments for				
Amortization of property, plant and equipment	800,849	761,819	1,557,451	1,509,612
Loss (gain) on disposal of property, plant and equipment	29,120	(54,528)	29,120	(86,428)
Employee future				

benefits	30,000	18,750	75,000	37,500
Stock-based compensation	4,650	4,311	8,650	8,621
Future income taxes	9,000	164,000	(137,000)	260,000
	4,966,218	3,932,380	7,168,750	5,775,889
Change in non-cash working capital components				
Decrease (increase) in				
Accounts receivable	(5,891,935)	(4,851,568)	(11,555,275)	(9,530,745)
Inventories	717,313	1,635,466	(1,034,761)	(3,046,939)
Prepaid expenses	68,140	337,598	202,238	(325,022)
Increase (decrease) in				
Accounts payable and accrued liabilities	4,400,372	1,616,059	5,337,007	2,842,007
Income taxes	862,480	910,506	(747,777)	984,449
	156,370	(351,939)	(7,798,568)	(9,076,250)
	5,122,588	3,580,441	(629,818)	

				(3,300,361)
FINANCING ACTIVITIES				
(Decrease) increase in bank indebtedness	(2,633,598)	(848,200)	5,888,554	2,315,798
Increase in long-term debt	-	-	15,000	4,759,889
Repayment of long-term debt	(867,041)	(455,092)	(1,933,056)	(962,724)
Dividends	(512,118)	(400,820)	(512,118)	(400,820)
Proceeds from issuance of common shares	67,824	22,669	90,975	41,431
	(3,944,933)	(1,681,443)	3,549,355	5,753,574
INVESTING ACTIVITIES				
Business acquisition	-	(1,906,652)	-	(1,906,652)
Purchase of property, plant and equipment	(1,277,655)	(320,830)	(3,019,537)	(906,945)
Proceeds from disposal of property, plant and equipment	100,000	328,484	100,000	360,384
	(1,177,655)	(1,898,998)	(2,919,537)	(2,453,213)
NET CHANGE IN CASH				

AND CASH EQUIVALENTS DURING THE PERIOD	-	-	-	-
CASH AND CASH EQUIVALENTS - BEGINNING AND END OF THE PERIOD	-	-	-	-
SUPPLEMENTAL DISCLOSURE				
Interest paid	368,191	456,172	684,279	796,708
Income taxes paid	1,146,520	639,760	3,653,277	1,029,550

See accompanying Notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

unaudited

NOTE 1 - Accounting Policies

These unaudited interim consolidated financial statements have been prepared following the same accounting policies as the December 31, 2004 audited consolidated financial statements. These unaudited interim consolidated financial statements and notes should be read in conjunction with the Company's latest annual consolidated financial statements.

NOTE 2 - Employee Future Benefits

For the three months ended June 30, 2005, the benefit cost recognized for employee future benefits was $34,546 (2004 - $21,669). For the six months ended June 30, 2005, the benefit cost recognized for employee future benefits was $83,415 (2004 - $44,311).

NOTE 3- Share Information

As at August 8, 2005, the capital stock issued and outstanding consisted of 10,257,319 common shares (10,234,639 as at December 31, 2004).

NOTE 4- Seasonality

The Company's domestic operations follow a seasonal pattern, with pole, tie and industrial lumber shipments strongest in the second quarter to provide industrial end users with product for their summer maintenance projects. Consumer lumber treatment sales also 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, third and fourth quarters usually generate similar sales.

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