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Stella-Jones Achieves Record Q4 and Year-End Results

MONTREAL, QUEBEC--(CCNMatthews - March 15, 2006) - Stella-Jones Inc. (TSX:SJ)

- Q4 sales grow 41% to $37.4 million
- Q4 net earnings increase 148%
- Year-end sales reach record $157.1 million - up 22%
- Net earnings increase 69% year-over-year to $12.3 million
- Continued strength in core utility pole and railway tie markets

Stella-Jones Inc. today announced strong fourth quarter and year-end results for the periods ended December 31, 2005. The Company posted record sales and net earnings in 2005 as a result of solid performance in its core utility pole and railway tie markets, continued improvements in operational efficiency and the contribution of its recently-acquired railway tie treating facility in Bangor, Wisconsin.

The Company also announced that in light of its strong fiscal 2005 financial performance and growth expectations for 2006, the Board of Directors has increased the next semi-annual dividend to $0.06 per common share. The dividend is payable on May 16, 2006 to shareholders of record at the close of business on April 4, 2006.

Growth in core products drives significant top and bottom line improvement

Sales in the fourth quarter totalled $37.4 million, an increase of 41.1% from the $26.5 million reported for the same period in 2004. Net earnings were $3.2 million, or $0.29 per share, compared to net earnings of $1.3 million, or $0.12 per share in the fourth quarter of 2004. Year-end sales for 2005 reached a record $157.1 million, up $28.1 million or 21.8% from the $129.0 million reported in the prior year. Net earnings for the year totalled $12.3 million, or $1.18 per share, compared to $7.3 million, or $0.72 per share, in 2004. This represents a year-over-year net earnings increase of $5.0 million, or 69.0%.

"Our performance in the fourth quarter completes a very satisfying year for Stella-Jones, a year in which we substantially increased our sales and net earnings in every quarter compared to the corresponding periods in the previous year," said Brian McManus, President and CEO of Stella-Jones Inc. "Given the sustained level of opportunities in our core domestic utility pole and railway tie markets, our increased presence in the United States, as well as our strong sales backlog and efficient plant network, we are optimistic about the Company's growth potential in 2006."

The significant sales increases in both the fourth quarter and the year are the result of robust sales in the Company's two core product categories, railway ties and utility poles. The Company's sales grew organically and through acquisition in 2005, with organic growth in the domestic utility pole and railway tie markets accounting for roughly two thirds of the $28.1 million sales increase for the year. The Company's newly-acquired railway tie facility in Bangor, Wisconsin also contributed significantly, with sales of $9.8 million in 2005, which reflects the four months of activities since the August 31, 2005 acquisition. Sales increases were somewhat tempered by a decline in sales in the Company's industrial treated wood, consumer lumber and overseas utility pole exports categories. The decrease in industrial lumber sales is in comparison with last year's fourth quarter, which saw unusually strong sales on the East coast that were not repeated in 2005. The decline in consumer lumber sales is partly attributable to the slow start of the summer renovation period in Eastern Canada and delays in the openings of new retail outlets, while the decrease in export pole sales is in line with the Company's decision to focus on the domestic pole market.

Focus on operational efficiencies improve gross margins

Gross margins improved substantially in 2005, both in dollar terms and as a percentage of sales. Gross margin in the fourth quarter increased 3.5% as a percentage of sales to $7.8 million, or 20.9% of sales, from $4.6 million, or 17.4% of sales for the same period last year. For the year, gross margins rose to $32.0 million, or 20.4% of sales, compared to $23.2 million, or 18.0% of sales in 2004. The improvements in gross margins are due to overhead cost containment, plant specialization, higher average selling prices and economies-of-scale from the increase in overall volume in the Company's core markets.

"Throughout the year we maintained our focus on building efficiencies within the organization to optimize our profitability through overhead cost containment and plant specialization," said George Labelle, Senior Vice-President and Chief Financial Officer. "These measures are reflected in our increased gross margins, which also benefited from our increased purchasing leverage stemming from the higher sales volumes we experienced in the utility pole and railway tie markets."

Selling and administrative expenses increased by $100,000 in the fourth quarter to $1.8 million compared to the same quarter in 2004. Total selling and administrative expenses for 2005 were $8.4 million, up $1.1 million from $7.3 million in the prior year. The increase in expenses, both for the quarter and the year, are related to the additional provision for the employee profit-sharing pool, selling and administrative expenses related to the new Bangor facility and one-time expenses related to the final year of Environment Canada's Technical Recommendation Documents ("TRD") compliance program.

"As previously announced, in 2005 we absorbed a higher amount of environmental expenses as this was the final year to complete the improvements mandated by Environment Canada following the baseline assessments carried out on all Canadian wood treating facilities in the year 2000. In addition, during the year, $3.8 million was spent on environmental capital investments related to the TRD baseline assessments. We fully expect to receive confirmation in 2006 that all seven of our Canadian treating plants are TRD compliant," explained Mr. Labelle.

Subsequent event

- On February 9, the Company announced that it is currently in discussions with the shareholders of Bell Lumber & Pole Company ("Bell") with respect to a possible acquisition by Stella-Jones Inc. or an affiliate ("Stella-Jones") of all of the shares of Bell. A privately-held company, Bell is a manufacturer of wood utility poles in Canada and the United States and is also involved in the remanufacturing and treating of dimensional lumber in Alberta. Bell has annual sales of approximately US$60 million.

Outlook

"We continue to be enthusiastic about the organic growth potential in each of our four market sectors, particularly in our key utility pole and railway tie markets," said Mr. McManus. "The North American railroad industry is in a strong growth phase, with many national and short line railroads reporting record rail traffic. This trend is translating into increased demand for railway ties as railroads expand their capacity in busy corridors and maintain their existing infrastructure. Stella-Jones is well-positioned as a market leader for railway ties in Canada and is now a major supplier in the United States. For the first time in the Company's history, we anticipate that treated railway ties will represent our largest market segment in 2006, surpassing utility poles. Stella-Jones is also established as a dominant player in the Canadian utility poles market, where we continue to see pent-up demand for utility poles as major upgrades are required to replace aging wood poles that are currently installed. Growth is also anticipated in our industrial and consumer lumber businesses."

"Strategic acquisitions will also continue to be an important part of our growth plan for Stella-Jones, as shown by our recent announcement regarding the potential acquisition of Bell Lumber & Pole Company. The Company has the financial capability to act as an industry consolidator and we will continue to pursue acquisition opportunities that meet our stringent investment criteria," concluded Mr. McManus.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX:SJ) is a leading North American producer and marketer of industrial treated wood products, specializing in the production of pressure treated railway ties as well as wood poles supplied to electrical utilities and telecommunications companies. Other principal products include marine and foundation pilings, construction timbers, highway guardrail posts and treated wood for bridges. The Company also provides 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.

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 fourth quarter ended December 31, 2005 have not been reviewed by the Company's external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Westmount, Quebec
March 15, 2006

CONSOLIDATED BALANCE SHEETS

as at December 31, 2005 and December 31, 2004	2005 ($)	2004 ($)
ASSETS		
CURRENT ASSETS		
Accounts receivable	21,059,721	13,205,649
Inventories	77,316,420	52,769,898
Prepaid expenses	1,611,755	857,582
Future income taxes	550,000	522,000
	100,537,896	67,355,129
PROPERTY, PLANT AND EQUIPMENT	37,003,106	30,543,495
FUTURE INCOME TAXES	350,000	301,000
	137,891,002	98,199,624

LIABILITIES

CURRENT LIABILITIES		
Bank indebtedness	21,311,735	11,420,760
Accounts payable and accrued liabilities	17,452,438	13,878,043
Income taxes	2,227,785	1,774,917
Current portion of long-term debt	4,061,370	3,699,048
	45,053,328	30,772,768
LONG-TERM DEBT	21,139,874	12,485,436
FUTURE INCOME TAXES	5,089,000	4,784,000
EMPLOYEE FUTURE BENEFITS	978,649	872,380
	72,260,851	48,914,584
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	26,228,300	20,954,892
CUMULATIVE TRANSLATION ADJUSTMENT	(201,646)	---
RETAINED EARNINGS	39,603,497	28,330,148
	65,630,151	49,285,040

	137,891,002	98,199,624

See accompanying Notes

CONSOLIDATED STATEMENTS OF EARNINGS

	three months ended Dec. 31,		twelve months ended Dec. 31,	
	2005	2004	2005	2004
	($)	($)	($)	($)
	unaudited	unaudited		
SALES	37,363,273	26,454,186	157,128,551	128,972,067
EXPENSES				
Cost of sales	29,553,835	21,844,183	125,100,344	105,745,054
Selling and administrative	1,832,042	1,729,143	8,439,612	7,319,579
Foreign exchange (gain) loss	(301,966)	145,692	(150,768)	360,008
Amortization of				

property, plant and equipment	873,221	841,949	3,277,093	3,076,849
Write-down of property, plant and equipment	---	---	---	273,956
(Gain) loss on disposal of property, plant and equipment	(14,698)	(126,936)	17,383	(520,320)
	31,942,434	24,434,031	136,683,664	116,255,126
OPERATING EARNINGS	5,420,839	2,020,155	20,444,887	12,716,941
INTEREST ON LONG-TERM DEBT	325,487	228,403	1,005,647	943,631
OTHER INTEREST	317,105	139,199	940,379	725,201
EARNINGS BEFORE INCOME TAXES	4,778,247	1,652,553	18,498,861	11,048,109
PROVISION FOR INCOME TAXES	1,607,689	374,000	6,172,000	3,757,000
NET EARNINGS FOR THE PERIOD	3,170,558	1,278,553	12,326,861	7,291,109

NET EARNINGS PER COMMON SHARE	0.29	0.12	1.18	0.72
DILUTED NET EARNINGS PER COMMON SHARE	0.27	0.12	1.13	0.70

See accompanying Notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

for the years ended December 31, 2005 and 2004	2005 ($)	2004 ($)
BALANCE - BEGINNING OF YEAR	28,330,148	21,846,564
Net earnings for the year	12,326,861	7,291,109
Dividends on common shares	(1,053,512)	(807,525)

BALANCE - END OF YEAR	39,603,497	28,330,148

See accompanying Notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	three months ended Dec. 31,		twelve months ended Dec. 31,	
	2005	2004	2005	2004
	($)	($)	($)	($)
	unaudited	unaudited		
CASH FLOWS FROM Operating activities				
Net earnings for the period	3,170,558	1,278,553	12,326,861	7,291,109
Adjustments for				
Amortization of property, plant and equipment	873,221	841,949	3,277,093	3,076,849
Write down of property, plant and equipment	---	---	---	

				273,956
(Gain) loss on disposal of property, plant and equipment	(14,698)	(126,936)	17,383	(520,320)
Employee future benefits	1,269	30,613	106,269	86,863
Stock-based compensation	5,955	4,312	18,955	17,244
Future income taxes	374,000	203,000	228,000	693,000
	4,410,305	2,231,491	15,974,561	10,918,701
CHANGE IN NON-CASH WORKING CAPITAL COMPONENTS				
Decrease (increase) in	4,022,217	5,852,985	(5,217,107)	(1,231,826)
Accounts receivable	(5,036,604)	(2,748,766)	(11,280,636)	(2,734,331)
Inventories	(1,222,828)	(442,434)	(746,628)	(324,657)
Prepaid expenses				
Increase (decrease) in	(1,957,981)	(1,189,031)	2,921,435	631,023
Accounts payable and accrued liabilities	693,371	(274,832)	452,868	1,638,439
Income taxes				
	(3,501,825)	1,197,922	(13,870,068)	(2,021,352)

	908,480	3,429,413	2,104,493	8,897,349
Financing Activities				
(Decrease) increase in bank indebtedness	(4,067,674)	(2,718,268)	9,890,975	(8,106,832)
Increase in long-term debt	14,213,013	999,940	20,379,008	5,759,829
Repayment of long-term debt	(10,025,213)	(677,094)	(12,826,522)	(2,358,201)
Dividends	(541,394)	(406,705)	(1,053,512)	(807,525)
Proceeds from issuance of common shares	106,450	163,082	5,254,453	498,460
	(314,818)	(2,639,045)	21,644,402	(5,014,269)
Investing activities				
Business acquisition	(121,332)	22,948	(17,953,798)	(1,883,704)
Purchase of property, plant and equipment	(578,453)	(1,316,517)	(6,107,522)	(2,914,542)
Proceeds from disposal of property, plant and equipment	24,698	503,201	231,000	915,166

	(675,087)	(790,368)	(23,830,320)	(3,883,080)
EFFECT OF TRANSLATION ADJUSTMENT	81,425	---	81,425	---
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	---	---	---	---
CASH AND CASH EQUIVALENTS - BEGINNING AND END OF THE PERIOD	---	---	---	---
SUPPLEMENTAL DISCLOSURE				
Interest paid	567,645	437,558	1,770,887	1,668,924
Income taxes paid	538,757	490,126	5,168,398	1,433,060

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 December 31, 2005, the benefit cost recognized for employee future benefits was $4,080 (2004 - $37,083). For the twelve months ended December 31, 2005, the benefit cost recognized for employee future benefits was $122,041 (2004 - $101,669).

NOTE 3- Business Acquisition

On August 31, 2005, the Company's wholly owned U.S. subsidiary, Stella-Jones Corporation, acquired the assets of Webster Wood Preserving Company, a Minnesota Limited Partnership ("Webster"). Webster was a privately held producer and marketer of pressure treated wood railway ties based in Bangor, Wisconsin, U.S.A. Assets acquired include the Webster production plant in Bangor, Wisconsin, as well as all related inventories and accounts receivables. The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on management's estimate of their fair value as of the acquisition date. The results of operations of the Bangor plant have been included in the consolidated financial statements from the acquisition date.

Stella-Jones Corporation is considered a self-sustaining foreign operation and the assets and liabilities will be translated into Canadian dollars at the period-end exchange rate. Revenue and expenses will be translated at the weighted average exchange rate for the period. Unrealized gains and losses on the net investment will be deferred and included in cumulative translation adjustments in shareholders' equity. As at December 31, 2005, the cumulative translation adjustment was an unrealized loss of $201,646.

The following is a summary of the net assets acquired at fair values:

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Assets acquired
Current assets
16,331,198

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Property, plant and
 equipment
3,997,577
----------------------------------------------------------------
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20,328,775
----------------------------------------------------------------
-----
Liabilities assumed
Current liabilities
744,428
Long-term debt
1,475,590
----------------------------------------------------------------
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2,220,018
----------------------------------------------------------------
-----

18,108,757
----------------------------------------------------------------
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Consideration
Cash, including
 transaction costs of $787,642
18,108,757
----------------------------------------------------------------
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Financing for the transaction was provided by a $5.0 million private equity placement with the Company's majority shareholder, Stella Jones International S.A., at a price of $9.00 per common share, $4.0 million in new term loans arranged with the Company's Canadian bankers, and a $1.3 million (US$1.1 million) term loan with Stella-Jones Corporation's U.S. banker. The balance of the purchase price was financed by the Company's existing demand operating loan in Canada, with ongoing working capital financing for the U.S. operations provided by a new operating line of credit of $11.6 million (US$10.0 million) with Stella-Jones Corporation's U.S. banker.

NOTE 4- Share Information

As at December 31, 2005, the capital stock issued and outstanding consisted of 10,880,840 common shares (10,234,639 as at December 31, 2004).

NOTE 5- Seasonality

The Company's domestic operations follow a seasonal pattern, with pole, tie and industrial lumber shipments strongest in the second and third quarters 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 and fourth quarters usually generate similar sales.

NOTE 6- Subsequent Event

On February 9, 2006, the Company announced that it was currently in discussions with the shareholders of Bell Lumber & Pole Company ("Bell") with respect to a possible acquisition by the Company or an affiliate of all of the shares of Bell. A privately-held company, Bell is a manufacturer of wood utility poles in Canada and the United States and is also involved in the remanufacturing and treating of dimensional lumber in Alberta. Bell has annual sales of approximately US$60 million.

The Company and the shareholders of Bell have entered into a non-binding letter of intent relating to the proposed acquisition. The transaction is subject to customary conditions, including the entering into of definitive agreements and the completion of due diligence by the Company. It is anticipated that the proposed transaction, if finalized, would close by June 30, 2006.

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