March 17, 2005 09:00 ET

# Stella-Jones Inc. Announces Record Sales and Profits for the Year Ended December 31, 2004

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FOR: STELLA-JONES INC.

TSX SYMBOL: SJ

MARCH 17, 2005 - 09:00 ET

Stella-Jones Inc. Announces Record Sales and Profits
for the Year Ended December 31, 2004

WESTMOUNT, QUEBEC--(CCNMatthews - March 17, 2005) - The Board of Directors of Stella-Jones Inc. (TSX:SJ) is pleased to announce its financial results for the Corporation's year ended December 31, 2004.

Fiscal 2004 compared to 2003 was marked by unprecedented sales growth of 33.6%, an improvement in net earnings of 94.2% and, for the second year in a row, the Corporation also grew through acquisition with the purchase of certain wood treating assets of Les Industries Legare (1998) Ltee ("Legare") in April 2004.

For the year ended December 31, 2004, the Corporation's sales were $129.0 million compared with sales of $96.5 million in 2003, an increase of $32.5 million. This significant increase is, in part, a result of a full year's sales contribution from the operations of the three treating plants acquired from Cambium Group Inc. in July 2003, compared to the five-month contribution included in last year's sales. The Corporation also achieved solid sales growth of 59.5% and 21.1% in its core business categories of railway ties and consumer lumber, respectively. Finally, this year's sales include eight months of the revenues generated from the former clients of Legare, following its acquisition in April 2004. Net earnings for the year increased to $7.3 million or $0.72 per share, compared with $3.8 million or $0.40 per share a year earlier.

Sales for the fourth quarter ended December 31, 2004 were $26.5 million, compared with $22.2 million for the corresponding quarter of 2003. All product sectors sales were ahead of last year, with railway ties and domestic utility poles accounting for over 67% of the $4.3 million quarterly sales increase. The Corporation recorded net earnings of $1.3 million, or $0.12 per share for the fourth quarter of 2004, compared to net earnings of $658,000, or $0.06 per share for the same period in 2003.

The Corporation's working capital as at December 31, 2004 increased to $36.6 million from $25.9 million at the prior year end, as the Company significantly reduced its short-term bank indebtedness over the course of 2004. The Company's current ratio was 2.19:1 at year end versus 1.72:1 one year earlier. The long term debt to equity ratio was an enviable 0.33:1 at year end and the Company's strong balance sheet and existing capital sources will allow it to finance both internal and external growth opportunities.

Shareholders' equity increased to $49.3 million in 2004, representing a book value of $4.82 per common share as compared with $42.3 million or $4.22 per share a year earlier.

Commenting on the Corporation's results, President Brian McManus stated: "Our strategy of reducing costs through economies of scale and plant specialization is working. We have successfully integrated our recent acquisitions without significantly adding to our sales and management infrastructure. We are on track for another successful year in 2005."

Stella-Jones Inc. 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

HEAD OFFICE

4269 Ste-Catherine Street West
7th Floor
Westmount, Quebec
H3Z 1P7
Tel.: (514) 934-8666
Fax: (514) 934-5327

EXCHANGE LISTINGS

The Toronto Stock Exchange
Stock Symbol: "SJ"

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada

INVESTOR RELATIONS

George Labelle
Senior Vice-President and
Chief Financial Officer
Tel.: (514) 934-8665
Fax: (514) 934-5327
glabelle@stella-jones.com

NOTICE

The interim unaudited consolidated financial statements of
Stella-Jones Inc. for the fourth quarter ended December 31, 2004

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

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Westmount, Quebec
March 16, 2005

CONSOLIDATED BALANCE SHEETS

| as at December 31, 2004 and December 31, 2003 | 2004 ($) | 2003 ($) |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Accounts receivable | 13,205,649 | 11,973,823 |
| Inventories | 52,769,898 | 48,578,915 |
| Prepaid expenses | 857,582 | 532,925 |
| Future income taxes | 522,000 | 610,000 |
| | 67,355,129 | 61,695,663 |
| PROPERTY, PLANT AND EQUIPMENT | 30,543,495 | 31,383,850 |
| FUTURE INCOME TAXES | 301,000 | 271,000 |

| | | |
|---|---|---|
| | 98,199,624 | 93,350,513 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Bank indebtedness | 11,420,760 | 19,527,592 |
| Accounts payable and accrued liabilities | 13,878,043 | 13,683,318 |
| Income taxes | 1,774,917 | 136,478 |
| Current portion of long-term debt | 3,699,048 | 2,474,636 |
| | 30,772,768 | 35,822,024 |
| LONG-TERM DEBT | 12,485,436 | 10,308,220 |
| FUTURE INCOME TAXES | 4,784,000 | 4,149,000 |
| EMPLOYEE FUTURE BENEFITS | 872,380 | 785,517 |
| | 48,914,584 | 51,064,761 |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK | 20,954,892 | 20,439,188 |
| RETAINED EARNINGS | 28,330,148 | 21,846,564 |

| | | |
|---|---|---|
| | 49,285,040 | 42,285,752 |
| | 98,199,624 | 93,350,513 |

CONSOLIDATED STATEMENTS OF EARNINGS

| | three months ended Dec. 31, | | twelve months ended Dec. 31, | |
|---|---|---|---|---|
| | 2004 ($) unaudited | 2003 ($) unaudited | 2004 ($) | 2003 ($) |
| SALES | 26,454,186 | 22,182,722 | 128,972,067 | 96,544,003 |
| EXPENSES | | | | |
| Cost of sales | 21,844,183 | 19,130,503 | 105,745,054 | 81,612,161 |
| Selling and administrative | 1,729,143 | 1,127,717 | 7,319,579 | 5,004,173 |
| Foreign exchange loss | 145,692 | 2,959 | 360,008 | 385,358 |

| | | | | |
|---|---|---|---|---|
| Amortization of property, plant and equipment | 841,949 | 733,856 | 3,076,849 | 2,634,918 |
| Write-down of property, plant and equipment | --- | --- | 273,956 | --- |
| Gain on disposal of property, plant and equipment | (126,936) | (21,977) | (520,320) | (21,977) |
| | 24,434,031 | 20,973,058 | 116,255,126 | 89,614,633 |
| OPERATING EARNINGS | 2,020,155 | 1,209,664 | 12,716,941 | 6,929,370 |
| INTEREST ON LONG-TERM DEBT | 228,403 | 187,881 | 943,631 | 495,383 |
| OTHER INTEREST | 139,199 | 260,187 | 725,201 | 834,207 |
| EARNINGS BEFORE INCOME TAXES | 1,652,553 | 761,596 | 11,048,109 | 5,599,780 |
| PROVISION FOR INCOME TAXES | 374,000 | 104,000 | 3,757,000 | 1,846,000 |
| NET EARNINGS FOR THE PERIOD | 1,278,553 | 657,596 | 7,291,109 | 3,753,780 |

| | | | | |
|---|---|---|---|---|
| NET EARNINGS PER COMMON SHARE | 0.12 | 0.06 | 0.72 | 0.40 |
| DILUTED NET EARNINGS PER COMMON SHARE | 0.12 | 0.06 | 0.70 | 0.39 |

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

| for the years ended December 31, 2004 and 2003 | 2004 ($) | 2003 ($) |
|---|---|---|
| BALANCE - BEGINNING OF YEAR | 21,846,564 | 18,855,355 |
| Net earnings for the year | 7,291,109 | 3,753,780 |
| Dividends on common shares | (807,525) | (762,551) |
| BALANCE - END OF YEAR | 28,330,148 | 21,846,564 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | three months ended Dec. 31, | | twelve months ended Dec. 31, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | ($) | ($) | ($) | ($) |
| | unaudited | unaudited | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net earnings for the period | 1,278,553 | 657,596 | 7,291,109 | 3,753,780 |
| Adjustments for: | | | | |
| Amortization of property, plant and equipment | 841,949 | 733,856 | 3,076,849 | 2,634,918 |
| Write down of property, plant and equipment | --- | --- | 273,956 | --- |
| Gain on disposal of property, plant and equipment | (126,936) | (21,977) | (520,320) | (21,977) |
| Employee future benefits | 30,613 | 25,573 | 86,863 | 81,823 |
| Stock-based compensation | 4,312 | 17,300 | 17,244 | 17,300 |
| Future income taxes | 203,000 | (354,840) | 693,000 | 359,161 |
| | 2,231,491 | 1,057,508 | 10,918,701 | 6,825,005 |

| | | | | |
|---|---|---|---|---|
| Change in non-cash working capital components | | | | |
| Decrease (increase) in: | | | | |
| Accounts receivable | 5,852,985 | 4,065,433 | (1,231,826) | 5,216,110 |
| Inventories | (2,748,766) | (3,928,078) | (2,734,331) | (3,317,937) |
| Prepaid expenses | (442,434) | 300,401 | (324,657) | 34,206 |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued liabilities | (1,189,031) | (1,633,889) | 631,023 | (2,297,416) |
| Income taxes | (274,832) | (62,007) | 1,638,439 | (1,576,013) |
| | 1,197,922 | (1,258,140) | (2,021,352) | (1,941,050) |
| | 3,429,413 | (200,632) | 8,897,349 | 4,883,955 |

FINANCING ACTIVITIES

| | | | | |
|---|---|---|---|---|
| (Decrease) increase in bank indebtedness | (2,718,268) | 2,668,640 | (8,106,832) | 8,343,679 |
| Increase in long-term debt | 999,940 | 165,790 | 5,759,829 | 9,980,032 |
| Repayment of long-term debt | (677,094) | (1,929,479) | (2,358,201) | (7,294,190) |
| Proceeds from issuance of common shares | 163,082 | 9,587 | 498,460 | 3,922,327 |
| Dividends | (406,705) | (400,332) | (807,525) | (762,551) |

| | | | | |
|---|---|---|---|---|
| | (2,639,045) | 514,206 | (5,014,269) | 14,189,297 |
| INVESTING ACTIVITIES | | | | |
| Business acquisition | 22,948 | 158,416 | (1,883,704) | (15,306,235) |
| Purchase of property, plant and equiment | (1,316,517) | (493,967) | (2,914,542) | (3,788,994) |
| Proceeds from disposal of property, plant and equipment | 503,201 | 21,977 | 915,166 | 21,977 |
| | (790,368) | (313,574) | (3,883,080) | (19,073,252) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD | --- | --- | --- | --- |
| CASH AND CASH EQUIVALENTS - BEGINNING AND END OF THE PERIOD | --- | --- | --- | --- |
| SUPPLEMENTAL DISCLOSURE | | | | |
| Interest paid | 437,558 | 522,336 | 1,668,924 | 1,313,337 |
| Income taxes paid | 490,126 | 281,719 | 1,433,060 | 3,308,932 |

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, 2003 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 - Changes in Accounting Policies

Generally accepted accounting principles and financial statement presentation

Effective January 1, 2004, the Company adopted the new Canadian Institute of Chartered Accountants' (CICA) Handbook sections 1100, "Generally Accepted Accounting Principles", and 1400, "General Standards of Financial Statement Presentation". Section 1100 describes what constitutes Canadian Generally Accepted Accounting Principles ("GAAP") and its sources and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. Section 1400 provides general guidance on financial statement presentation and further clarifies what constitutes fair presentation in accordance with GAAP.

The impact on the results of the Company is that delivery costs are no longer recorded as a reduction of gross sales but recorded under cost of sales. For the three months ended December 31, 2004, delivery costs amounted to $1,322,698 (2003 - $851,732) and for the twelve months ended December 31, 2004, delivery costs amounted to $5,282,074 (2003 - $4,511,290). The adoption of these recommendations has no other significant impact on these unaudited interim consolidated financial statements.

Hedging relationships

Effective January 1, 2004, the Company adopted on a prospective basis, the new CICA recommendations relating to hedging relationships. This accounting guideline addresses the identification, designation, documentation and effectiveness of the hedging relationships for the purpose of applying hedge accounting. In addition, it deals with the discontinuance of hedge accounting and establishes conditions for applying hedge accounting. Under this guideline, documentation of the information related to hedging relationships is required and the effectiveness of the hedges must be demonstrated and documented. Effective January 1, 2004, the Company has in place all necessary hedge documentation to be able to apply hedge accounting for its foreign exchange forward contracts.

Employee future benefits

In 2004, the CICA amended CICA Handbook Section 3461 "Employee Future Benefits". Section 3461 requires additional disclosures about the periodic benefit cost of employee future benefit plans. The Company offers employees benefits consisting of group health and dental care, life insurance and complementary retirement benefits. These plans are not funded. The new annual disclosures are effective for years ending on or after June 30, 2004, and new interim disclosures are effective for periods ending on or after that date. As at September 30, 2004, the Company adopted the amendments of Section 3461 and the additional interim period disclosures of the employee future benefit plans can be found in Note 3.

NOTE 3 - Employee Future Benefits

For the three months ended December 31, 2004, the benefit cost recognized for employee future benefit plans was $37,083 (2003 - $32,356). For the twelve months ended December 31, 2004, the benefit cost recognized was $101,669 (2003 - $95,704).

NOTE 4 - Business Acquisition

On April 26, 2004, the Company acquired certain wood treating assets of Les Industries Legare (1998) Ltee, a privately held producer and marketer of pressure treated wood products primarily serving the industrial market. Assets acquired consisted of inventories and certain production equipment related to the pressure treated wood operations. The total purchase price was $2,033,704. The consideration was cash, except for a balance of sale of $150,000 payable in one year from the date of acquisition, and was financed through the Company's existing bank operating line. The acquisition has been accounted for using the purchase method and, accordingly, the purchase price was allocated to the assets acquired based on their estimated fair values as of the acquisition date, as follows:

| ASSETS ACQUIRED: | |
| --- | --- |
| Inventory | $1,456,652 |
| Equipment | 577,052 |
| | $2,033,704 |

NOTE 5 - Share Information

As at December 31, 2004, the capital stock issued and outstanding consisted of 10,234,639 common shares (10,012,961 as at December 31, 2003).

NOTE 6 - 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.

NOTE 7 - Comparative Figures

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

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**CONTACT INFORMATION**

- **FOR FURTHER INFORMATION PLEASE CONTACT:**
**STELLA-JONES INC.**
**George Labelle**
**Senior Vice-President and Chief Financial Officer**
**(514) 934-8665**