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Stella-Jones Announces Strong Q1 Results at Annual and Special Meeting

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FOR: STELLA-JONES INC.

TSX SYMBOL: SJ

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Stella-Jones Announces Strong Q1 Results at Annual and Special Meeting

WESTMOUNT, QUEBEC--(CCNMatthews - May 4, 2005) - Stella-Jones Inc. (TSX:SJ) - All amounts are expressed in Canadian dollars.

- Net earnings increase by 50% to \$1.5 million, or \$0.15 per share
- Revenues increase 24.1%
- Company to continue strategy of accretive growth and industry consolidation

Stella-Jones Inc. (TSX:SJ) today announced strong first quarter results for the period ended March 31, 2005 at its Annual and Special Meeting. The strong results continued the upward growth of a landmark 2004, during which the Company's sales and earnings hit historic highs driven by strategic acquisitions, organic growth and rigorous cost cutting.

Sales for Stella-Jones in the first quarter of this year were \$30.9

million, a \$6.0 million or 24.1% increase over last year's first quarter sales of \$24.9 million. Net earnings increased by 50.0% to \$1.5 million, or \$0.15 per share in the first quarter compared to \$1.0 million, or \$0.10 per share one year earlier.

All product categories posted sales increases over last year's first quarter results. Domestic utility pole sales were particularly strong in the first three months of the year compared to 2004, with both industrial treated wood and residential lumber sales also making significant advances.

"As you can see from the first quarter results, we have continued the momentum generated throughout 2004 and we have made a solid start to the year," said Brian McManus, President and CEO of Stella-Jones Inc. at the Company's annual meeting. "This is a further demonstration that our business model is working and producing sustained, profitable results."

Gross margin in the first three months of 2005 was 17.1% of sales, a slight decrease from the gross margin of 17.6% sales in the first quarter of 2004. Higher energy costs were the primary contributing factors to this decrease. Selling and administrative expenses increased \$300,000 to \$1.9 million in the quarter, but these costs as a percentage of sales actually declined from 6.5% to 6.0% due to the higher level of operating activities.

"The strong start to the 2005 fiscal year bodes well for continued improvements in our financial performance from our core markets," George Labelle, Senior Vice-President and Chief Financial Officer, told shareholders. "We are seeing increased ordering activity in certain sectors of the domestic pole market and plant specialization has improved operating efficiencies in all product categories, allowing us to better control costs in the face of increasing energy expenses."

2004: A Milestone Year for Stella-Jones

During the Company's annual meeting, shareholders were informed that the past year was a significant milestone in the history of Stella-Jones. For the first time ever, Stella-Jones surpassed the \$125 million mark in revenues. Sales grew an unprecedented 33.6% during the year, to \$129.0 million compared with \$96.5 million in 2003. Other highlights of the year included:

- Year-over-year sales growth of 59.5% in railway ties and 21.1% in consumer lumber
- Year-over-year net earnings increase of \$3.5 million, or 94.2%
- Earnings per share of \$0.72 for 2004, compared to \$0.40 per share for 2003
- The acquisition of the wood treating assets of Les Industries Legare Inc.

During the year Stella-Jones moved decisively to consolidate plant capacity and reduce operating costs. The Company's strategy for reducing costs included implementation of a plan for plant specialization, which saw a number of Stella-Jones facilities transformed into product specialty centers. The Company also centralized its East Coast treating operations and consolidated its Quebec forestry and pole peeling operations during the year. Finally, the Company completed the integration of the 2003 acquisition of Cambium Group Inc.

"Clearly, our strategy of reducing costs through economies of scale is working. We are on track to solidify our competitive position as the leading low cost producer of high quality treated wood products in our industry," concluded Mr. McManus.

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

Forward-Looking Statements

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.

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EXCHANGE LISTINGS

The Toronto Stock Exchange
Stock Symbol: "SJ"

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
INVESTOR RELATIONS

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NOTICE

The interim unaudited consolidated financial statements of Stella-Jones Inc. for the first quarter ended March 31, 2005 have not been reviewed by the Company's external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Westmount, Quebec
May 4, 2005

CONSOLIDATED BALANCE SHEETS

	March 31,
December 31,	2005
2004	(\$)
(\$)	
as at March 31, 2005 and December 31, 2004	unaudited

ASSETS

CURRENT ASSETS

Accounts receivable	18,868,989
13,205,649	

Inventories	54,521,972
52,769,898	
Prepaid expenses	723,484
857,582	
Future income taxes	512,000
522,000	

	74,626,445
67,355,129	
PROPERTY, PLANT AND EQUIPMENT	31,528,775
30,543,495	
FUTURE INCOME TAXES	309,000
301,000	

	106,464,220
98,199,624	

LIABILITIES

CURRENT LIABILITIES	
Bank indebtedness	19,942,912
11,420,760	
Accounts payable and accrued liabilities	14,814,678
13,878,043	
Income taxes	164,660
1,774,917	
Current portion of long-term debt	3,608,132
3,699,048	

	38,530,382
30,772,768	

LONG-TERM DEBT	11,525,337
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12,485,436	
FUTURE INCOME TAXES	4,636,000
4,784,000	
EMPLOYEE FUTURE BENEFITS	917,380
872,380	

	55,609,099
48,914,584	

SHAREHOLDERS' EQUITY	
CAPITAL STOCK	20,982,043
20,954,892	
RETAINED EARNINGS	29,873,078
28,330,148	

	50,855,121
49,285,040	

	106,464,220
98,199,624	

See accompanying Notes.

CONSOLIDATED STATEMENTS OF EARNINGS
 unaudited

March 31,	three months ended
2004	2005
(\$)	(\$)

SALES	30,903,483
24,946,777	

EXPENSES	
Cost of sales	25,623,517
20,547,310	
Selling and administrative	1,861,664
1,615,855	
Foreign exchange (gain) loss	(9,188)
20,046	
Amortization of property, plant and equipment	756,602
747,793	

	28,232,595
22,931,004	

OPERATING EARNINGS	2,670,888
2,015,773	
INTEREST ON LONG-TERM DEBT	210,527
236,028	
OTHER INTEREST	158,431
203,189	

EARNINGS BEFORE INCOME TAXES	2,301,930
1,576,556	

PROVISION FOR INCOME TAXES	759,000
568,000	

NET EARNINGS FOR THE PERIOD	1,542,930
1,008,556	

NET EARNINGS PER COMMON SHARE	0.15
0.10	

DILUTED NET EARNINGS PER COMMON SHARE	0.15
0.10	

See accompanying Notes.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
unaudited

	2005
2004	
for the three months ended March 31, 2005 and 2004	(\$)
(\$)	

BALANCE - BEGINNING OF YEAR	28,330,148
21,846,564	
Net earnings for the period	1,542,930
1,008,556	

BALANCE - END OF PERIOD	29,873,078
22,855,120	

See accompanying Notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
 unaudited
 March 31,

	three months ended
	2005
2004	
	(\$)

CASH FLOWS FROM

Operating activities	
Net earnings for the period	1,542,930
1,008,556	
Adjustments for:	
Amortization of property, plant and equipment	756,602
747,793	
Gain on disposal of property, plant and equipment	-

(31,900)	
Employee future benefits	45,000
18,750	
Stock-based compensation	4,000
4,310	
Future income taxes	(146,000)
96,000	

	2,202,532
1,843,509	

Change in non-cash working capital components	
Decrease (increase) in:	
Accounts receivable	(5,663,340)
(4,679,177)	
Inventories	(1,752,074)
(4,682,405)	
Prepaid expenses	134,098
(662,620)	
Increase (decrease) in:	
Accounts payable and accrued liabilities	936,635
1,225,948	
Income taxes	(1,610,257)
73,943	

	(7,954,938)
(8,724,311)	

	(5,752,406)
(6,880,802)	

FINANCING ACTIVITIES	
Increase in bank indebtedness	8,522,152
3,163,998	

Increase in long-term debt	15,000
4,759,889	
Repayment of long-term debt	(1,066,015)
(507,632)	
Proceeds from issuance of common shares	23,151
18,762	

	7,494,288
7,435,017	

Investing activities	
Purchase of property, plant and equipment	(1,741,882)
(586,115)	
Proceeds from disposal of property,	
plant and equipment	-
31,900	

	(1,741,882)
(554,215)	
NET CHANGE IN CASH AND CASH	
EQUIVALENTS DURING THE PERIOD	-
-	

CASH AND CASH EQUIVALENTS	
- BEGINNING AND END OF THE PERIOD	-
-	

SUPPLEMENTAL DISCLOSURE	
Interest paid	316,088
340,536	
Income taxes paid	2,506,757
389,790	

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 March 31, 2005, the benefit cost recognized for employee future benefits was \$48,868 (2004 - \$22,642).

NOTE 3- Share Information

As at May 4, 2005, the capital stock issued and outstanding consisted of 10,242,355 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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CONTACT INFORMATION

- **FOR FURTHER INFORMATION PLEASE CONTACT:**
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