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Stella-Jones Continues Top and Bottom Line Growth in First Quarter: Annual General Meeting Later this Morning

MONTREAL, QUEBEC--(CCNMatthews - May 4, 2006) - Stella-Jones Inc. (TSX:SJ)

- Q1 sales grow 45% to \$44.9 million
- Net earnings increase 153% to \$3.9 million
- Ongoing growth in core railway tie and utility pole categories

Stella-Jones Inc. today announced strong financial results for its first quarter ended March 31, 2006. The Company recorded increases in sales, gross margins and net earnings as the result of robust sales in its core railway tie and utility pole categories and the ongoing cost benefits of improvements in its operational efficiency. The results were released prior to the Company's Annual Meeting, scheduled for later today, during which management will elaborate on the results and plans for the year.

Sales in the first quarter reached \$44.9 million, an increase of \$14.0 million, or 45.2%, over the \$30.9 million reported for the same period in 2005. Gross margins improved substantially both in dollar terms and as a percentage of sales. First quarter gross margins grew to \$9.3 million, or 20.8% of sales, up from \$5.3 million, or 17.1% of sales, for the first quarter of 2005. Net earnings were \$3.9 million, or \$0.36 per share, compared to the \$1.5 million, or \$0.15 per share reported one year ago.

Solid start to 2006 bodes well for ongoing growth

"With these encouraging results, we have continued to build on the positive momentum we achieved over the past few quarters," said Brian McManus, President and CEO of Stella-Jones Inc. "As we expected, railway ties was our biggest product category, thanks in large part to the contribution of our treating facility in Bangor, Wisconsin. It is encouraging to note that our sales grew organically as well, particularly in our two largest product categories, railway ties and utility poles. The continued strength in the markets we serve, along with the increased

efficiency throughout our organization and our solid sales backlog bode well for ongoing growth for the remainder of 2006."

The significant sales increase during the quarter was the result of gains in three of the Company's four product categories. The exception was consumer lumber. Railway ties represented the largest gain, with sales in the category growing by 101.0% over the same period in 2005. Growth in railway ties can mainly be attributed to the contribution of the Company's new treating facility in Wisconsin, however a healthy portion also came from organic growth. The utility pole and industrial lumber category also posted solid gains over last year's first quarter, with sales rising 12.0% and 88.0%, respectively. The first quarter sales increase was somewhat tempered by a 37.0% decline in the Company's consumer lumber category when compared to the strong start of last year. The increased number of retail outlets the Company is servicing this year should increase demand as the summer renovation season approaches.

"Given the significant growth Stella-Jones has experienced over the past two years, our strategy has been to leverage our increased purchasing power as we grow and to improve the efficiency of our plant network through overhead cost containment and plant specialization," said George Labelle, Senior Vice-President and Chief Financial Officer. "Clearly these measures are having the desired effect. We have established a culture of continuous improvement throughout the organization and regularly share cost-saving ideas between our various plants. Today, Stella-Jones has become a much larger, yet more efficient company, which is reflected in our improved gross margins and bottom line results."

Outlook

"Fiscal 2006 has begun on a very positive note for Stella-Jones, and we continue to be enthusiastic about the organic growth potential in each of our four product categories," Mr. McManus will tell shareholders at today's Annual Meeting. "We are particularly encouraged by the growth in our railway ties category, where we are well positioned as a market leader in Canada and a major supplier in the United States. The record level of traffic being reported by national and short-line railroads is driving demand for railway ties as the railroads maintain and expand their capacity. We therefore anticipate that railway ties will continue to be our largest product category throughout 2006. We are equally enthused by the strength of our second key product category, utility poles. Stella-Jones is a dominant player in the Canadian utility pole market, where we supply a steadily-growing number of poles each year to utility and telecommunications companies across Canada. We continue to see pent-up demand for utility poles as major upgrades will eventually be required to replace aging wood poles that are currently installed. We also anticipate growth in our industrial and consumer lumber businesses."

"For the last several years, part of our growth strategy has been to act as an industry consolidator in our key markets. This is a strategy that has worked very well for Stella-Jones because of our ability to quickly and efficiently integrate new facilities into the organization.

Going forward, we will continue along this same path, as shown by our recent announcement regarding a potential acquisition. We expect that any future acquisition targets will be in our key railway tie and utility pole categories," concluded Mr. McManus.

The Company holds its Annual General Meeting in Montreal this morning at 10:00 a.m. in the Salon Saint-Jacques at the Hotel InterContinental Montreal, 360 Saint-Antoine Street West, Montreal.

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.

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 first quarter ended March 31, 2006 have not been reviewed by the Company's external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Westmount, Quebec
May 4, 2006

CONSOLIDATED BALANCE SHEETS
unaudited

December 31,
2005

March 31,
2006

($\$$)

as at March 31, 2006 and December 31, 2005 unaudited

ASSETS

CURRENT ASSETS

Accounts receivable	27,229,166
21,059,721	
Inventories	81,902,576
77,316,420	
Prepaid expenses	1,642,835
1,611,755	
Income taxes recoverable	201,715
-	
Future income taxes	556,000
550,000	

111,532,292

100,537,896

PROPERTY, PLANT AND EQUIPMENT	37,603,939
37,003,106	
NOTE RECEIVABLE	292,000
-	
FUTURE INCOME TAXES	362,000
350,000	

149,790,231

137,891,002

LIABILITIES

CURRENT LIABILITIES

Bank indebtedness 31,946,212

21,311,735

Accounts payable and accrued liabilities 17,734,839

17,452,438

Income taxes payable -

2,227,785

Current portion of long-term debt 3,819,896

4,061,370

53,500,947

45,053,328

LONG-TERM DEBT 20,367,736

21,139,874

FUTURE INCOME TAXES 5,199,000

5,089,000

EMPLOYEE FUTURE BENEFITS 1,022,398

978,649

80,090,081

72,260,851

SHAREHOLDERS' EQUITY

CAPITAL STOCK 26,330,338

26,228,300

CUMULATIVE TRANSLATION ADJUSTMENT (138,869)

(201,646)

RETAINED EARNINGS 43,508,681

39,603,497

65,630,151
69,700,150

137,891,002
149,790,231

See accompanying Notes

CONSOLIDATED STATEMENTS OF EARNINGS
unaudited

March 31,
2005
(\$)

three months ended
2006
(\$)

SALES
30,903,483
44,872,540

EXPENSES

Cost of sales	35,524,478
25,623,517	
Selling and administrative	1,901,919
1,861,664	
Foreign exchange gain	(38,014)
(9,188)	
Amortization of property,	
plant and equipment	782,644
756,602	
Gain on disposal of property,	
plant and equipment	(26,783)
-	

	38,144,244
28,232,595	

OPERATING EARNINGS	6,728,296
2,670,888	
INTEREST ON LONG-TERM DEBT	440,226
210,527	
OTHER INTEREST	289,886
158,431	

EARNINGS BEFORE INCOME TAXES	5,998,184
2,301,930	

PROVISION FOR INCOME TAXES	2,093,000
759,000	

NET EARNINGS FOR THE PERIOD	3,905,184
1,542,930	

NET EARNINGS PER COMMON SHARE	0.36
0.15	

DILUTED NET EARNINGS PER COMMON SHARE	0.34
0.15	

See accompanying Notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
unaudited

for the three months	2006
2005	
ended March 31, 2006 and 2005	(\$)
(\$)	

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

Net earnings for the period	3,905,184
1,542,930	

BALANCE - END OF PERIOD 43,508,681
29,873,078

See accompanying Notes

CONSOLIDATED STATEMENTS OF CASH FLOWS
unaudited three months ended March
31, 2006
2005 (\$)
(\$)

CASH FLOWS FROM
OPERATING ACTIVITIES

Net earnings for the period	3,905,184
1,542,930	
Adjustments for	
Amortization of property, plant and equipment	782,644
756,602	
Gain on disposal of property, plant and equipment	(26,783)
-	
Employee future benefits	43,749
45,000	
Stock-based compensation	13,451
4,000	
Future income taxes	92,000
(146,000)	

4,810,245

2,202,532

CHANGE IN NON-CASH WORKING CAPITAL COMPONENTS

Decrease (increase) in

Accounts receivable

(6,169,445) (5,663,340)

Inventories

(4,586,156) (1,752,074)

Prepaid expenses

(31,080)

134,098

Note receivable

(292,000)

-

Increase (decrease) in

Accounts payable and accrued liabilities

282,401

936,635

Income taxes

(2,429,500) (1,610,257)

(13,225,780) (7,954,938)

(8,415,535) (5,752,406)

Financing Activities

Increase in bank indebtedness

10,634,477

8,522,152

Increase in long-term debt

2,700,000

15,000

Repayment of long-term debt

(3,739,069) (1,066,015)

Proceeds from issuance of common shares

88,587

23,151

7,494,288

9,683,995

 Investing activities
 Purchase of property, plant and equipment
 (1,380,466) (1,741,882)
 Proceeds from disposal of property,
 plant and equipment 49,230
 -

 (1,331,236) (1,741,882)

 EFFECT OF TRANSLATION ADJUSTMENT 62,776
 -

 NET CHANGE IN CASH AND CASH EQUIVALENTS
 DURING THE PERIOD -
 -

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

 SUPPLEMENTAL DISCLOSURE
 Interest paid 652,239
 316,088
 Income taxes paid 3,994,851
 2,506,757

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, 2005 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, 2006, the benefit cost recognized for employee future benefits was \$49,624 (2005 - \$48,868).

NOTE 3- Share Information

As at May 3, 2006, the capital stock issued and outstanding consisted of 10,920,924 common shares (10,880,840 as at December 31, 2005).

NOTE 4- 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.

CONTACT INFORMATION

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