Source: **Stella-Jones Inc.**

Contacts:

George T. Labelle, C.A.
Senior Vice-President and Chief Financial Officer
Tel.: (514) 934-8665
glabelle@stella-jones.com

Martin Goulet, CFA
MaisonBrison

Tel: (514) 731-0000
martin@maisonbrison.com

Stella-Jones' Net Earnings Increase by 49.2% in the Second Quarter

- **Q2 sales grow by 37.6% to $84.5 million**
- **Margins continue to improve**
- **Diluted EPS reaches $0.64 compared with $0.48 in Q2 2006**

MONTREAL, QUEBEC - August 14, 2007 - Stella-Jones Inc. (TSX: SJ) is pleased to announce solid financial results for its second quarter ended June 30, 2007. Sales rose markedly compared with the same period in 2006, while margins, both on an absolute and percentage basis also showed positive momentum. The positive impact of recent acquisitions combined with a continued focus on operational efficiency and cost reductions led to another record quarter for the Company.

Sales for the second quarter ended June 30, 2007 reached $84.5 million, an increase of $23.1 million, or 37.6% over last year's second quarter sales of $61.4 million. The Carseland, Alberta facility and the Arlington, Washington facility, acquired on July 1, 2006 and February 28, 2007 respectively, accounted for this increase, whereas organically, sales decreased slightly owing to temporary difficulties in securing railcars for timely product shipment during labour conflicts that affected Canada's railway network. For the six-month period ended June 30, 2007, sales grew by 37.8% to $146.5 million, up from $106.3 million for the same period last year. Acquisitions contributed $37.8 million, or 94.0% of the year-over-year increase.

During the second quarter, sales of utility poles grew by 67.8% to $35.9 million, with the Carseland and Arlington facilities accounting for essentially all of this increase. Organic growth was slightly affected by the lack of railcar availability, as mentioned above. This situation also impacted railway tie sales which marginally declined by $0.4 million to $31.6 million. During the quarter, a new treating cylinder was added at the Bangor, Wisconsin facility, but minor start-up issues, which are now resolved, caused sales to be slightly lower than initially expected. Residential lumber sales rose to $12.5 million, an increase largely attributable to the contribution of the Carseland facility and to solid organic growth owing to a resilient renovation market. Industrial lumber sales declined by 7.3% to $4.5 million during the quarter.

"Overall, we are pleased with our second quarter growth and the positive impact of our recent acquisitions", said Brian McManus, President and CEO of Stella-Jones. "Following strong organic growth in the first quarter, second quarter growth leveled off as we experienced some unplanned production problems in late May related to our new cylinder at Bangor, Wisconsin and shipping delays at various plants due to railcar shortages. More importantly, market demand for our key products remains solid."

Earnings growth driven by continuous margin improvements
Gross profit improved noticeably in the three-month period ended June 30, 2007, both in dollar terms and as a percentage of sales. Gross profit improved to $20.3 million or 24.0% of sales, from $14.1 million or 22.9% of sales in the same period in 2006, an increase of 44.2%. For the first six months of 2007, gross profit stood at $36.2 million or 24.7% of sales, representing an increase of 54.5% over the $23.4 million or 22.0% of sales achieved for the same period a year earlier.

“We continue to see improvement at the gross profit level which is directly related to our expanding network of production facilities and the economies of scale generated by the increased throughput”, said George Labelle, Senior Vice-President and Chief Financial Officer. “Integration of the newly acquired treating facilities continues to produce efficiencies on the operating side, as well as opportunities to improve raw material sourcing from an expanded geographical area.”

Net earnings were $8.1 million, or $0.64 per share, fully diluted, in the second quarter ended June 30, 2007 compared with $5.4 million, or $0.48 per share, fully diluted, in the corresponding period of 2006. For the six-month period ended June 30, 2007, net earnings reached $14.2 million, or $1.12 per share, fully diluted, versus $0.80 last year on a fully diluted basis.

Outlook
“We are satisfied with our solid performance in the second quarter despite the temporary external logistical disturbances, which have since been resolved. However, the ongoing forest industry strike in southern British Columbia, which began on July 20, 2007, has forced the suspension to date of our operations at New Westminster and at our pole peeling joint venture in Maple Ridge. Our Prince George treating plant is not affected and is in full operation. Any impact on the Company’s profitability would be directly linked with the duration of the suspended operations. As of this writing, we are unable to assess the potential timing of any settlement. While we have contingency plans aimed at maintaining a high level of customer service, such plans would imply higher costs for the Company”, said Mr. McManus.

“Management remains optimistic about further growth potential in 2007 and beyond, as end markets for the Company’s products are continuing to enjoy strong fundamentals. We remain focused on delivering strong bottom line performance to shareholders by integrating the recently acquired assets, as well as leveraging the opportunities for external growth that are currently available. In this regard, the American market will likely continue to play a significant role in Stella-Jones’ future expansion”, 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 treated consumer lumber products and customized services to lumber retailers and wholesalers 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.

-30-

HEAD OFFICE	EXCHANGE LISTINGS	INVESTOR RELATIONS
3100 de la Côte-Vertu Blvd. Suite 300 Saint-Laurent, Québec H4R 2J8 Tel.: (514) 934-8666 Fax: (514) 934-5327	The Toronto Stock Exchange Stock Symbol: SJ TRANSFER AGENT AND REGISTRAR Computershare Investor Services Inc.	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 second quarter ended June 30, 2007 have not been reviewed by the Company's external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Montréal, Québec
August 14, 2007

CONSOLIDATED BALANCE SHEETS

as at June 30, 2007 and December 31, 2006	June 30, 2007 unaudited ($)	December 31, 2006 ($)
ASSETS		
CURRENT ASSETS		
Accounts receivable	49,224,599	32,113,553
Derivative financial instruments	1,250,018	---
Inventories	129,524,315	117,441,115
Prepaid expenses	2,818,113	2,325,219
Future income taxes	356,000	356,000
	183,173,045	152,235,887
CAPITAL ASSETS	72,753,514	59,925,656
DERIVATIVE FINANCIAL INSTRUMENTS	287,775	---
OTHER ASSETS	941,743	1,088,343
FUTURE INCOME TAXES	425,000	425,000
	257,581,077	213,674,886
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	58,449,797	42,286,469
Accounts payable and accrued liabilities	19,227,672	22,299,399
Income taxes	2,121,354	2,964,247
Future income taxes	426,257	---
Current portion of long-term debt	5,406,556	3,797,096
Current portion of asset retirement obligations	1,076,497	922,929
	86,708,133	72,270,140
LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES	44,094,202	28,096,118
FUTURE INCOME TAXES	6,047,867	5,960,036
ASSET RETIREMENT OBLIGATIONS	437,979	414,635
EMPLOYEE FUTURE BENEFITS	1,238,777	1,112,177
	138,526,958	107,853,106
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	45,761,878	45,473,435
CONTRIBUTED SURPLUS	3,295,214	2,416,650
RETAINED EARNINGS	70,948,455	58,004,374
ACCUMULATED OTHER COMPREHENSIVE LOSS	(951,428)	(72,679)
	119,054,119	105,821,780
	257,581,077	213,674,886

See accompanying Notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

unaudited

for the six months ended June 30, 2007 and 2006	2007 ($)	2006 ($)
BALANCE - BEGINNING OF YEAR	58,004,374	38,781,497
Net earnings for the period	14,175,668	8,932,712
Dividends on common shares	(1,231,587)	(654,805)
BALANCE - END OF PERIOD	70,948,455	47,059,404

See accompanying Notes

CONSOLIDATED STATEMENTS OF EARNINGS

unaudited

	three months ended June 30, 2007 ($)	three months ended June 30, 2006 ($)	six months ended June 30, 2007 ($)	six months ended June 30, 2006 ($)
SALES	84,509,885	61,395,578	146,458,931	106,268,118
EXPENSES				
Cost of sales	64,206,722	47,314,422	110,264,937	82,838,900
Selling and administrative	5,165,570	4,194,293	8,698,899	6,692,212
Foreign exchange loss	417,303	62,617	485,172	24,603
Amortization of capital assets	1,300,425	803,488	2,367,012	1,586,132
Gain on disposal of capital assets	(4,500)	---	(15,997)	(26,783)
	71,085,520	52,374,820	121,800,023	91,115,064
OPERATING EARNINGS	13,424,365	9,020,758	24,658,908	15,153,054
INTEREST ON LONG-TERM DEBT	768,480	443,564	1,405,065	883,790
OTHER INTEREST	654,880	342,137	1,403,667	632,023
EARNINGS BEFORE INCOME TAXES	12,001,005	8,235,057	21,850,176	13,637,241
PROVISION FOR INCOME TAXES	3,922,543	2,820,529	7,674,508	4,704,529
NET EARNINGS FOR THE PERIOD	8,078,462	5,414,528	14,175,668	8,932,712
NET EARNINGS PER COMMON SHARE	0.66	0.50	1.15	0.82
DILUTED NET EARNINGS PER COMMON SHARE	0.64	0.48	1.12	0.80

See accompanying Notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

unaudited

	three months ended June 30, 2007 ($)	three months ended June 30, 2006 ($)	six months ended June 30, 2007 ($)	six months ended June 30, 2006 ($)
NET EARNINGS FOR THE PERIOD	8,078,462	5,414,528	14,175,668	8,932,712
Other comprehensive income (loss):				
Net change in unrealized losses on translating financial statements of self-sustaining foreign operation	(1,707,817)	(497,299)	(1,892,154)	(434,522)
Change in fair value of derivatives designated as cash flow hedges (net of income tax of $170,958 for the three month period ended June 30, 2007 and $244,239 for the six month period ended June 30, 2007)	295,835	---	444,620	---
	(1,411,982)	(497,299)	(1,447,534)	(434,522)
COMPREHENSIVE INCOME	6,666,480	4,917,229	12,728,134	8,498,190

See accompanying Notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

unaudited

	three months ended June 30, 2007 ($)	three months ended June 30, 2006 ($)	six months ended June 30, 2007 ($)	six months ended June 30, 2006 ($)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings for the period	8,078,462	5,414,528	14,175,668	8,932,712
Adjustments for				
Amortization of capital assets	1,300,425	803,488	2,367,012	1,586,132
Gain on disposal of capital assets	(4,500)	---	(15,997)	(26,783)
Employee future benefits	63,300	43,749	126,600	87,498
Stock-based compensation	507,779	925,455	878,564	1,534,906
Future income taxes	---	(263,000)	---	(380,000)
	9,945,466	6,924,220	17,531,847	11,734,465
CHANGE IN NON-CASH WORKING CAPITAL COMPONENTS				
Decrease (increase) in				
Accounts receivable	(10,099,954)	(8,037,433)	(14,065,883)	(14,188,407)
Inventories	2,483,534	6,867,518	(5,069,162)	2,389,501
Prepaid expenses	190,234	(936,786)	(449,109)	(964,271)
Increase (decrease) in				
Accounts payable and accrued liabilities	(4,033,958)	283,043	(2,926,765)	550,234
Income taxes	(284,859)	766,192	(852,977)	(1,668,865)
	(11,745,003)	(1,057,466)	(23,363,896)	(13,881,808)
	(1,799,537)	5,866,754	(5,832,049)	(2,147,343)
FINANCING ACTIVITIES				
Increase in bank indebtedness	4,878,614	6,762,109	17,922,492	17,330,705
Increase in long-term debt	124,815	---	10,693,519	2,700,000
Repayment of long-term debt	(831,052)	(813,823)	(1,403,378)	(4,537,421)
Increase in asset retirement obligations	50,877	---	176,912	---
Proceeds from issuance of common shares	189,574	43,237	288,443	131,824
Dividend on common shares	(1,231,587)	(654,805)	(1,231,587)	(654,805)
	3,181,241	5,336,718	26,446,401	14,970,303
INVESTING ACTIVITIES				
Decrease (increase) in other assets	112,433	1,125	121,600	(284,425)
Business acquisition	(38,252)	---	(16,975,602)	---
Purchase of capital assets	(1,872,747)	(1,209,075)	(4,156,515)	(2,589,541)
Proceeds from disposal of capital assets	78,877	---	143,877	49,230
Restricted cash	---	(10,000,000)	---	(10,000,000)
	(1,719,689)	(11,207,950)	(20,866,640)	(12,824,736)
EFFECT OF TRANSLATION ADJUSTMENT	337,985	4,478	252,288	1,776
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	---	---	---	---
CASH AND CASH EQUIVALENTS – BEGINNING AND END OF THE PERIOD	---	---	---	---
SUPPLEMENTAL DISCLOSURE				
Interest paid	1,782,207	792,191	2,865,209	1,444,430
Income taxes paid	4,213,020	3,065,161	8,600,206	6,718,438

See accompanying Notes

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim consolidated financial statements for the six months ended June 30, 2007 and 2006, are unaudited and include estimates and adjustments that the Management of Stella-Jones Inc. (the "Company") consider necessary for a fair presentation of the financial position, results of operations, comprehensive income and cash flows.

The interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principals ("GAAP") on a basis consistent with those followed in the annual consolidated financial statements of the Company for the year ended December 31, 2006, except for new accounting policies that were adopted January 1, 2007, as described below. However, they do not include all disclosures required under GAAP for annual financial statements and should be read in conjunction with the Company's latest audited year-end consolidated financial statements and notes.

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

Principles of consolidation

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Guelph Utility Pole Company Ltd., I.P.B.-W.P.I. International Inc., Stella-Jones Corporation ("SJ Corp") and since July 1, 2006, the consolidated accounts of Bell Pole Canada Inc. ("Bell Pole"), using the purchase method. The consolidated accounts of Bell Pole include the accounts of a 50% interest in Kanaka Creek Pole Company Limited, a joint venture which is accounted for under the proportionate consolidation method of accounting.

Changes in accounting policies

The Canadian Institute of Chartered Accountants ("CICA") has issued the following new Handbook Sections which are effective for the Company's interim periods beginning on January 1, 2007:

- Handbook Section 3855, "Financial Instruments – Recognition and Measurement", describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial assets, except for those classified as held-to-maturity or loans and receivables, and derivative financial instruments must be measured at their fair value. All financial liabilities must be measured at their fair value if they are classified as held for trading purposes. If not, they are measured at their carrying value.

  The Company has implemented the following classification:

  Cash and cash equivalents are classified as assets held for trading and are measured at fair value.

  Accounts receivable and loans to certain suppliers are classified as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost.

  Bank loans, accounts payable, credit facilities, notes, loans payable, and obligations under capital leases are classified as other financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost.

- Handbook Section 1530, "Comprehensive Income", describes how to report and disclose comprehensive income and its components. Comprehensive income is the change in equity of an enterprise during a period arising from transactions and other events and circumstances from non-owner sources. It includes items that would normally not be included in net income such as changes in the foreign currency translation adjustment relating to self-sustaining foreign operations and unrealized gains or losses on available for sale financial instruments. Upon adoption of this section, the interim consolidated financial statements now include a statement of comprehensive income.

- Section 3251, “Equity”, replaces Section 3250, “Surplus”, and describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530, “Comprehensive Income”.

- Handbook Section 3865, “Hedges”, describes when hedge accounting is appropriate. Hedge accounting ensures that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statement of earnings in the same period.

  The Company enters into foreign exchange forward contracts to limit its exposure under contracted net cash inflows and outflows of US dollars. The Company also enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its short-term and long-term debt. The Company has documented its use of derivative financial instruments and has concluded that they qualify for hedge accounting.

The adoption of these new standards translated into the following changes as at January 1, 2007: a $568,785 increase in accumulated other comprehensive income, a $848,933 increase in short-term and long-term derivative financial instruments reported under assets and a $280,148 increase in future tax liabilities.

For the three-month period ended June 30, 2007, the Company recorded an increase of $295,835 in accumulated other comprehensive income, an increase of $466,794 in short-term and long-term derivative financial instruments reported under assets and an increase of $170,958 in future income tax liabilities. During the period, a gain on foreign exchange forward contracts of $691,129 was reclassified from other comprehensive income to sales.

For the six-month period ended June 30, 2007, the Company recorded an increase of $444,620 in accumulated other comprehensive income, an increase of $688,860 in short-term and long-term derivative financial instruments reported under assets and an increase of $244,239 in future income tax liabilities. During the period, a gain on foreign exchange forward contracts of $691,129 was reclassified from other comprehensive income to sales.

NOTE 2 – EMPLOYEE FUTURE BENEFITS

For the three months ended June 30, 2007, the benefit cost recognized for employee future benefits was $63,300 (2006 - $49,624). For the six months ended June 30, 2007, the benefit cost recognized for employee future benefits was $126,600 (2006 - $99,248).

NOTE 3 – ACCUMULATED OTHER COMPREHENSIVE LOSS

	2007 **$**	**2006** $
Balance – Beginning of year – Unrealized losses on translating financial statements of a self-sustaining foreign operation	(72,679)	(201,646)
Cumulative adjustment to opening balance due to the new accounting policies adopted regarding derivatives designated as cash flow hedges (net of income taxes of $280,148)	568,785	---
Adjusted opening balance	496,106	(201,646)
Other comprehensive loss	(1,447,534)	(434,522)
Balance – End of period	(951,428)	(636,168)

NOTE 4 – BUSINESS ACQUISITION

On February 28, 2007, the Company's wholly-owned US subsidiary, SJ Corp, acquired the assets of the wood utility pole business of J.H. Baxter & Co. ("Baxter"). Assets acquired include the Baxter production plant located in Arlington, Washington, its pole peeling facility in Juliaetta, Idaho as well as all inventories and accounts receivable relating to its wood pole business.

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 following fair value allocation is preliminary and is based on Management's best estimates and information known at the time of preparing these interim unaudited consolidated financial statements. Subsequent revisions to this preliminary fair value allocation, if any, are expected to be accounted for by December 31, 2007. The results of operations of Baxter have been included in the interim consolidated financial statements from the acquisition date.

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

	$
Assets acquired	
Accounts receivable	3,792,494
Inventories	9,849,614
Prepaid expenses	143,523
Capital assets	12,605,534
	26,391,165
Liabilities assumed	
Obligation under capital lease	278,995
	26,112,170
Consideration	
Cash, including transaction costs of $386,528	16,975,602
Receivable from vendor	(168,749)
Long-term subordinated note payable to vendor	9,285,600
Reserve amount for transaction costs, included in accounts payable	19,717
	26,112,170

Financing for the transaction was provided by a subordinated vendor note of US$8.0 million as well as additional debt funding under existing and new bank facilities. The new bank facilities are comprised of an increase of US$5.0 million in the operating line of credit of SJ Corp as well as a new 5-year term loan of US$4.0 million, both arranged with its existing US banker.

NOTE 5 – SHARE INFORMATION

As at August 13, 2007, the capital stock issued and outstanding consisted of 12,329,969 common shares (12,298,015 as at December 31, 2006).

NOTE 6 – 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.