MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period ended March 31, 2009 compared with three-month period ended March 31, 2008

The following Management's Discussion and Analysis ("MD&A") and the Company's interim unaudited consolidated financial statements were approved by the Audit Committee and the Board of Directors on May 5, 2009. The MD&A provides a review of the significant developments and results of operations of the Company during the three-month period ended March 31, 2009 compared with the three-month period ended March 31, 2008. The MD&A should be read in conjunction with the Company's interim unaudited consolidated financial statements for the periods ended March 31, 2009 and 2008 and the notes thereto. The interim financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles and results are reported in Canadian dollars.

The MD&A contains statements that are forward-looking in nature. Such statements involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements. Such items include, among others: general economic and business conditions, product selling prices, raw material and operating costs, changes in foreign currency rates and other factors referenced herein and in the Company's continuous disclosure filings.

Additional information, including the Company's Annual Information Form, quarterly and annual reports, and supplementary information is available on SEDAR at www.sedar.com**.** Press releases and other information are also available in the Investor/Media Centre section of the Company's Web site at www.stella-jones.com**.**

OUR BUSINESS

Stella-Jones is a leading North American producer and marketer of industrial pressure treated wood products and also provides treated consumer lumber products and customized services to lumber retailers and wholesalers for outdoor applications.

The Company specializes in four major product categories: railway ties for rail transportation companies; treated wood utility poles for utility and telecommunication companies; industrial lumber products for construction and maritime applications, and treated consumer lumber products for the residential market.

As of May 5, 2009, the Company owns and operates fifteen wood treating plants, two distribution centres, two pole peeling facilities and has a 50% interest in a third pole peeling operation. These twenty facilities are located in six Canadian provinces and seven American states. The Company's workforce currently numbers approximately 725 employees.

Stella-Jones enjoys a number of key attributes which should further enhance the Company's strategic positioning and competitive advantage in the wood treatment industry. Among these are the ability to service clients from multiple plants, a solid financial position that allows the Company to stockpile and air-season green wood for major long-term contracts, and a long-standing stable source of wood supply. Stella-Jones also operates dedicated production facilities which result in higher productivity and better efficiency, helping to preserve a competitive manufacturing cost structure.

OUR MISSION

Stella-Jones' objective is to be the performance leader in the wood preserving industry and a model corporate citizen, exercising environmental responsibility and integrity.

Stella-Jones will achieve these goals by focusing on customer satisfaction, core products, key markets, innovative work practices and the optimal use of its resources.

Stella-Jones is committed to providing a safe, respectful and productive environment for its employees, where problem solving, initiative and high standards of performance are rewarded.

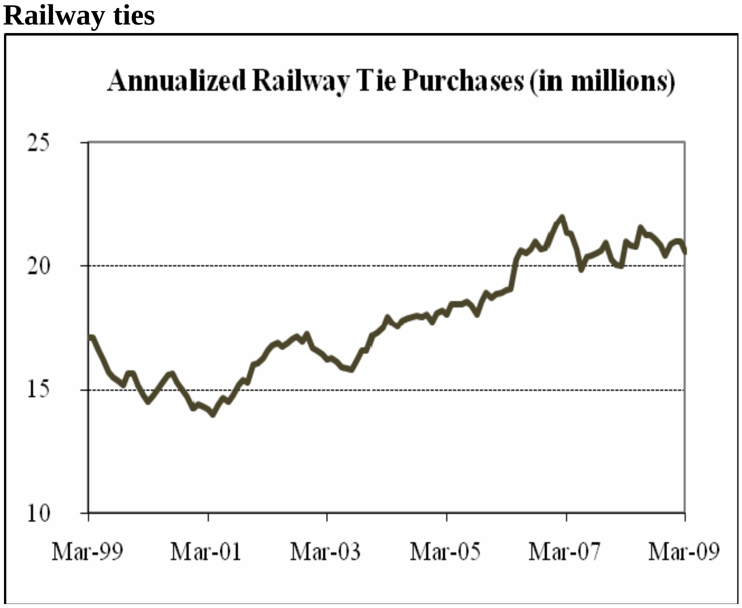
FOREIGN EXCHANGE

The table below shows exchange rates applicable to the quarters ended March 31, 2009 and 2008. Average rates are used to translate sales and expenses for the periods mentioned, while closing rates translate assets and liabilities of self-sustaining foreign operations and monetary assets and liabilities of the Canadian operations.

Cdn$/US$	2009		2008	
	Average	Closing	Average	Closing
First Quarter	1.2389	1.2613	0.9909	1.0265

INDUSTRY OVERVIEW

Railway ties



Source: Railway Tie Association

As reported by the Railway Tie Association, railway tie purchases remained stable in the early stages of 2009. As at March 31, the annualized purchase rate stood at 20.6 million ties. Over the past three years, annualized tie purchases have consistently remained above the 20-million mark.

Although a weaker economy has reduced the volume of freight hauled on North American railways in the past year, according to the Association of American Railroads, railway operators have maintained their investments in track maintenance. Such investments are in part stimulated by income tax credit programs for both class 1 and short-line railway operators.

OPERATING RESULTS

Sales

Sales for the quarter ended March 31, 2009 reached $112.0 million, an increase of $45.8 million, or 69.2%, over last year's first quarter sales of $66.2 million. This increase is mainly attributable to the acquisition of The Burke-Parsons-Bowlby Corporation ("BPB"), effective April 1, 2008, which contributed sales of approximately $37.3 million during the period. Organically, sales grew approximately 3.0% reflecting strong demand in the Company's utility pole product category. When compared with the previous year, fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, versus the U.S. dollar, increased the value of U.S. dollar denominated sales by about $6.7 million.

Sales by product group

Railway ties

Railway tie sales for the first quarter of 2009 amounted to $61.4 million, a 90.0% increase over sales of $32.3 million in the first quarter of 2008. These results reflect the contribution from the BPB operations, a more favourable exchange rate on U.S. railway tie sales, as well as industry demand that held firm in North America. Although a slowing economy has reduced volume in the rail transport sector, railway operators have maintained their investments in the modernization of existing infrastructure and network extension through installation of double-tracking and new siding construction. Railway tie sales accounted for 54.9% of the Company's total sales in the first quarter of 2009, versus 48.8% in the corresponding quarter last year.

Utility poles

Utility pole sales stood at $37.3 million in the first quarter of 2009, an increase of $9.7 million, or 35.0%, over sales of $27.6 million in the same period a year ago. Year-over-year revenue growth reflects improved sales of distribution and transmission poles stemming primarily from better market conditions, as last year's corresponding period was characterized by adverse weather in Canada that had delayed utility pole installation. Utility pole sales accounted for 33.3% of the Company's total sales in the first quarter of 2009, versus 41.8% in the corresponding quarter last year.

Industrial lumber

Industrial lumber sales reached $10.5 million in the first quarter of 2009, compared with $2.1 million a year earlier. This increase is related to the BPB acquisition, which added both new products aimed at the rail transportation industry, such as panelized railway crossings, as well as additional bridge timber sales. This product category also includes BPB's custom log home construction business. The category represented 9.4% of overall sales in the first quarter of 2009.

Consumer lumber

Sales in the consumer lumber category totalled $2.7 million in the first quarter of 2009, down 34.0% from $4.1 million for the corresponding period in 2008. The decrease is attributable to a slower start to the renovation season in Canada. The Company does not sell consumer lumber into the U.S. market. Consumer lumber accounted for 2.4% of Stella-Jones' total sales in the first quarter of 2009.

Sales by destination

In the first quarter of 2009, sales in Canada grew 7.1% to $41.0 million, or 36.7% of the Company's total sales, whereas sales in the United States amounted to $70.9 million, or 63.3% of sales, an increase of $43.0 million over the first quarter of 2008. The strong increase in sales in the U.S. market came mainly as a result of the contribution of the BPB operations.

Management believes that the U.S. market presents additional growth opportunities, as the wood treatment industry remains highly fragmented. The acquisition of BPB further strengthened the Company's position in the North American railway tie market, making it the second largest player, with an estimated market share of 25%.

Gross profit

Gross profit reached $22.5 million or 20.1% of sales in the first quarter of 2009, up from $13.9 million or 20.9% of sales in the first quarter of 2008. The improvement in gross profit dollars essentially stems from the contribution of the BPB operations. However, gross profit as a percentage of sales declined mainly because of a different product mix, more heavily weighted to railway ties than utility poles, partially offset by plant specialization and economies of scale from increased overall volume in the Company's core markets.

Expenses
Selling and administrative expenses amounted to $5.8 million in the first quarter of 2009, up from $2.9 million in the corresponding period of 2008, an increase mainly attributable to the BPB acquisition. As a percentage of sales, selling and administrative expenses represented 5.2% of sales in the first quarter of 2009, compared with 4.3% in the prior year. This increase as a percentage of sales reflects greater compensation expenses as a result of higher provisions for the Company's profit sharing plan.

The Company realized a foreign exchange gain of $7,000 for the quarter ended March 31, 2009, versus a foreign exchange gain of $175,000 last year. The Company's exposure to foreign exchange gains or losses from currency fluctuations is related to its sales and purchases in U.S. dollars by its Canadian based operations. Stella-Jones U.S. Holding Corporation, the Company's wholly-owned U.S. subsidiary, is a self-sustaining foreign operation and unrealized foreign exchange gains and losses on translating its financial statements are deferred in shareholders' equity. The Company monitors its transactions in U.S. dollars generated by Canadian based operations. Its basic hedging activity consists of entering into forward foreign exchange contracts for the sale of U.S. dollars and purchasing certain goods and services in U.S. dollars. The Company will also consider forward foreign exchange contracts for the purchase of U.S. dollars for significant purchases of goods and services that are not covered by natural hedges. On March 31, 2009, the Company had on hand forward foreign exchange contracts for the future sale of US$25.3 million at an average contract rate of Cdn$1.2211/US$1.00. The non-cash loss on these forward foreign exchange contracts resulting from the change in their mark-to-market values as at March 31, 2009, compared to December 31, 2008, totalled $850,000.

Amortization of capital and intangible assets totalled $2.6 million in the first quarter of 2009, an increase of $1.0 million over the same period in 2008. This increase is mainly attributable to the BPB acquisition.

Financial expenses for the first quarter of 2009 amounted to $2.1 million, an increase of $0.7 million over financial expenses of $1.4 million in the first quarter of 2008. The rise in financial expenses is due to increases in long- and short-term borrowings resulting from the BPB acquisition and working capital requirements, respectively, somewhat offset by lower interest rates, on average, in 2009.

Earnings before income taxes and income tax expense
Stella-Jones generated earnings before income taxes of $11.2 million, or 10.0% of sales, in the first quarter of 2009. This represents an increase of $3.0 million over earnings before income taxes of $8.2 million, or 12.4% of sales, in the prior year.

Stella-Jones' income tax expense totalled $3.5 million in the first quarter of 2009, representing an effective tax rate of 31.2%. In the corresponding period of 2008, the income tax expense stood at $2.9 million, equivalent to an effective tax rate of 35.2%. The lower effective tax rate is a consequence of the higher proportion of revenue generated in the United States that is subject to the domestic manufacturing tax deduction for qualifying manufacturing income and deductions for Canadian income tax related to dividends received from a related party. Other non-income based corporate taxes represent a relatively small component of the Company's total tax burden.

Net earnings
Net earnings for the period totalled $7.7 million, or $0.61 per share, fully diluted, compared with $5.3 million, or $0.42 per share, fully diluted, in the first quarter of 2008. This represents a year-over-year increase in net earnings of $2.4 million, or 44.4%.

QUARTERLY RESULTS

The Company's sales have historically followed a seasonal pattern, with railway tie, utility pole 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 sales also follow a similar seasonal pattern. In the fall and winter seasons, there tends to be less activity; thus the first and fourth quarters are typically characterized by relatively lower sales levels.

2009

For the quarters ended	**March 31**				
(thousands of dollars, except per share data)	**$**				
Sales	111,954				
Operating earnings before amortization of capital and intangible assets [1]	15,924				
Operating earnings [1]	13,313				
Net earnings for the period	7,687				
Net earnings per common share Basic Diluted	 0.61 0.61				

2008

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	66,182	123,081	111,828	83,731	384,822
Operating earnings before amortization of capital and intangible assets [1]	11,199	19,394	14,148	13,790	58,329
Operating earnings [1]	9,616	17,599	12,127	10,622	49,964
Net earnings for the period	5,323	10,047	6,850	6,327	28,547
Net earnings per common share Basic Diluted	 0.43 0.42	 0.81 0.80	 0.55 0.54	 0.50 0.50	 2.29 2.25

2007

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	61,949	84,510	74,815	48,439	269,714
Operating earnings before amortization of capital and intangible assets [1]	12,301	14,725	13,254	9,219	49,500
Operating earnings [1]	11,235	13,424	11,864	7,537	44,060
Net earnings for the period	6,097	8,078	7,085	4,440	25,700
Net earnings per common share Basic Diluted	 0.50 0.48	 0.66 0.64	 0.57 0.56	 0.36 0.35	 2.09 2.03

1 Operating earnings before amortization of capital and intangible assets and operating earnings are financial measures not prescribed by Canadian generally accepted accounting principles ("GAAP") and are not likely to be comparable to similar measures presented by other issuers. Management considers they represent useful information for comparison with other similar operations in our industry, as they present financial results related to industry practice, not affected by non-cash charges or capital structure. Operating earnings before amortization of capital and intangible assets and operating earnings are readily reconcilable to net earnings presented in our Canadian GAAP financial statements, as there are no adjustments for unusual or non-recurring items.

Note: due to rounding, the sum of results for the quarters may differ slightly from the total shown for the full year.

BALANCE SHEET

The Company's working capital at March 31, 2009 was $163.8 million, an increase of $6.9 million over the working capital balance of $156.9 million at December 31, 2008. The value of current assets increased $36.7 million during the first quarter of 2009, reflecting greater overall business activity and the seasonal inventory build-up. Receivables increased $17.9 million, to $59.4 million, reflecting the effect of local currency appreciation on U.S. dollar denominated receivables during the quarter and higher sales near the end of the period due to the normal seasonal demand pattern. Inventories stood at $243.3 million, up from $223.2 million at December 31, 2008, as a result of the impact of local currency appreciation on U.S. based inventory, seasonal inventory build-up and projected requirements for future sales volume increases.

Because of the long periods required to air season wood, which can occasionally exceed nine months before a sale is concluded, inventories are a significant component of working capital. However, solid relationships and long-term contracts with certain customers enable the Company to better ascertain inventory requirements. The Company believes that its cash flow from operations and available operating lines of credit are adequate to meet its working capital requirements for the foreseeable future.

Capital assets stood at $110.2 million as at March 31, 2009, compared with $108.8 million as at December 31, 2008. This $1.4 million increase is essentially related to the impact of local currency appreciation on U.S. based capital assets as the value of capital assets purchased during the first quarter was inferior to the amortization expense.

Intangible assets totalling $17.2 million, comprised of customer relationships and the discounted value of the non-compete agreements, as well as goodwill of $6.6 million, were included in the Company's balance sheet as at March 31, 2009.

Bank indebtedness as at March 31, 2009 stood at $100.0 million, an increase of $18.4 million over bank indebtedness of $81.6 million at the end of December 2008. This increase essentially mirrors higher working capital requirements. Bank indebtedness includes a $50.0 million demand operating loan with a Canadian bank as well as a US$45.0 million (Cdn$56.8 million) operating line of credit with the U.S. bankers of Stella-Jones' U.S. subsidiaries. Total availability under the Company's Canadian and U.S. operating lines of credit was $3.8 million and US$4.9 million (Cdn$6.2 million), respectively, as at March 31, 2009.

The Company believes that these operating lines of credit, combined with its funds from operations in the next quarters, will be adequate to meet its cash requirements for the foreseeable future. However, future acquisitions, if any, may require new sources of financing.

As at March 31, 2009, the Company's long-term debt, including the current portion, amounted to $106.7 million, up from $105.8 million as at December 31, 2008. This slight increase is due to a higher conversion rate of U.S. dollar denominated long-term debt into Canadian currency during the quarter.

Shareholders' equity was $168.2 million as at March 31, 2009, a $7.0 million increase from December 31, 2008 levels. The Company's strong earnings generation accounted for most of this gain. Book value stood at $13.38 per common share as at March 31, 2009, up from $12.82 per share three months earlier.

LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth summarized cash flow components for the periods indicated:

Summary of cash flows (thousands of dollars)	**Three-month periods ended** March 31, 2009	March 31, 2008
Operating activities	($12,526)	($14,441)
Financing activities	$14,632	$15,056
Investing activities	($2,106)	($615)
Cash and cash equivalents	$---	$---

The Company's activities, acquisitions and capital expenditures are primarily financed by cash flows from operating activities and the use of cash and operating lines of credit. The Company's operating lines of credit are demand operational facilities that are renewable annually and are subject to review by the Company's bankers at intervals no greater than one year. In the first quarter of 2009, the Company's Canadian bankers amended the interest rate structure with no change to the available amount of the operating facility and approved an increase to the credit availability for the purchase of forward foreign exchange contracts. The Company anticipates no difficulties in its ability to renew these demand operating facilities.

Cash flow from operating activities before changes in non-cash working capital components was $11.3 million for the three-month period ended March 31, 2009, compared with $7.3 million for the prior year. This 54.5% increase mainly reflects net earnings growth and, to a lesser extent higher non-cash expenses such as amortization of capital and intangible assets and a loss on derivative financial instruments.

Changes in non-cash working capital components required liquidity of $23.8 million versus $21.8 million a year ago. This increase essentially mirrors required increases in accounts receivables and inventories somewhat offset by an increase in accounts payable and accrued liabilities. As a result, operating activities reduced liquidity by $12.5 million for the three-month period ended March 31, 2009, compared with a reduction in liquidity of $14.4 million a year earlier.

The Company's net financing activities generated a cash flow of $14.6 million for the quarter ended March 31, 2009. This amount mainly consists of a $16.7 million increase in bank indebtedness offset by a $1.8 million reduction in long-term debt. For the quarter ended March 31, 2008, cash flows from financing activities generated liquidity of $15.1 million.

Investing activities required $2.1 million in cash during the first quarter of 2009, primarily for the purchase of capital assets ($1.6 million), which were mainly for the addition of various equipment upgrades and expansion. For the first quarter of 2008, cash flows from investing activities reduced liquidity by $0.6 million.

The Company's contractual obligations for future payments are outlined in the table below:

Payments due by period (in thousands of dollars)	Less than 1 year ($)	1 – 3 years ($)	4 – 5 years ($)	After 5 years ($)	Total ($)
Bank indebtedness	99,981	-	-	-	99,981
Accounts payable and accrued liabilities	41,211	-	-	-	41,211
Long-term debt obligations	5,208	12,904	20,883	68,997	107,992
Interest on long-term debt obligations	6,424	11,807	9,571	9,620	37,422
Capital lease obligations	117	200	280	1,040	1,637
Interest on capital lease obligation	80	134	112	86	412
Foreign exchange forward contracts					
Outflow	18,226	13,622	-	-	31,848
Inflow	(17,658)	(13,175)	-	-	(30,833)
Non-compete agreements	1,577	3,153	3,153	-	7,883
Total	155,166	28,645	33,999	79,743	297,553

SHARE AND STOCK OPTION INFORMATION

As at March 31, 2009, the capital stock issued and outstanding consisted of 12,569,703 common shares (12,564,925 as at December 31, 2008). As at May 5, 2009, the capital stock issued and outstanding consisted of 12,569,703 common shares.

As at March 31, 2009, the number of outstanding options to acquire common shares issued under the Company's Stock Option Plan was 147,785 (December 31, 2008 – 147,785) of which 93,285 (December 31, 2008 – 93,285) were exercisable. As at May 5, 2009, the number of outstanding options was 147,785, of which 93,285 were exercisable.

Effective May 6, 2003, the Company granted to its President and Chief Executive Officer, under a Stock Option Agreement, 300,000 options to acquire an equivalent number of common shares at an exercise price of $2.99 per share. These options became exercisable on May 6, 2008 and 100,000 remained outstanding as at May 5, 2009.

DIVIDENDS

On March 11, 2009, the Board of Directors declared a semi-annual dividend of $0.18 per common share payable on May 15, 2009. The declaration, amount and date of any future dividends will continue to be considered by the Board of Directors of the Company based upon and subject to the Company's earnings and financial requirements, covenants in its loan documentation and other conditions prevailing at the time. There can be no assurance as to the amount or timing of such dividends in the future.

COMMITMENTS AND CONTINGENCIES

The commitments and contingencies susceptible to affect the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2008 Annual Report.

CURRENT ECONOMIC CONDITIONS

In light of weaker economic and financial markets conditions, the Company continues to carefully monitor its strategy and risk management. Although financial results remain positive, the economic climate is prompting Management to take a more cautious approach in executing its business strategy.

Operations
Tighter credit market conditions have resulted in the deferral or cancellation of certain projects, especially in alternative energy, for which some of the Company's products could be required. Such projects include ethanol plants and wind farms, which both have significant capital requirements. In recent years, the Company has supplied railway ties to link up ethanol plants with the continental rail network and utility poles to connect wind farms with the electricity transmission grid. As at May 5, 2009, Stella-Jones has not been materially affected by such deferrals or cancellations.

Though not recession proof, the Company's core utility pole and railway tie product categories are integral to capital infrastructure projects that governments often initiate during times of economic slowdown. Therefore, the Company's position as a supplier of utility poles and railway ties could prove particularly advantageous given the American and Canadian governments' stated intention to invest heavily in infrastructure projects. Moreover, various U.S. tax credit initiatives, whether enacted into law or proposed, could prove a significant stimulus for infrastructure projects.

Liquidity
As at March 31, 2009, the Company is in full compliance with its debt covenants and contractual obligations. In addition, it has total availability under its Canadian and U.S. operating lines of credit of $3.8 million and US$4.9 million, respectively, as at March 31, 2009.

Management considers that substantially all receivables are fully collectible as major customers, mainly Class 1 railroad operators and large-scale utility service providers, have good credit standing and limited history of default. Nevertheless, Management is providing additional focus on accounts receivable collection and credit extensions.

Inventories increased during the first quarter of 2009 as a result of projected requirements for future sales volume increases and to ensure efficient treatment operations given that air-dried wood reduces treatment cycles. Management will continue to monitor the levels of inventory with the demand for its products.

RISKS AND UNCERTAINTIES

The risk and uncertainty factors affecting the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2008 Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 1 to the March 31, 2009 unaudited consolidated financial statements.

The Company prepares its consolidated financial statements in conformity with Canadian generally accepted accounting principles which require Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates and such differences could be material. Estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Significant items subject to estimates and assumptions include the estimated useful life of assets, impairment of long-lived assets, future income taxes, stock-based compensation, pension and post retirement benefits, legal liabilities, bad debts, allowance for doubtful accounts and environmental provisions.

CHANGES IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants ("CICA") issued the following new accounting standard which was adopted by the Company effective January 1, 2009:

- Handbook Section 3064, "Goodwill and Intangible Assets", replaces Section 3062 "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Section 1000, "Financial Statements Concepts" was amended accordingly to Section 3064. This new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit oriented companies. The Company has assessed that the impact of this new accounting standard is not significant. Additionally, the new required disclosures have been included in Note 3 to the March 31, 2009 interim unaudited consolidated financial statements.

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board ("AcSB") issued EIC Abstract 173, "Credit Risk and Fair Value of Financial Assets and Financial Liabilities", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC Abstract 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Company has assessed that the impact of EIC Abstract 173 is not significant.

IMPACT OF ACCOUNTING PRONOUNCEMENTS NOT YET IMPLEMENTED

The CICA issued the following accounting standards which will be adopted by the Company effective January 1, 2011:

- Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company is currently evaluating the impact of the adoption of this new accounting standard on the consolidated financial statements.

- Handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". Earlier adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new accounting standards on the consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the AcSB confirmed that Canadian publicly listed companies will be required to use International Financial Reporting Standards ("IFRS") in the preparation of financial statements for fiscal years beginning on or after January 1, 2011.

In the Company's case, the use of IFRS will be required for the interim and annual financial statements dated after January 1, 2011, although this transition date will require the restatement of comparative figures reported for the year ended December 31, 2010.

Management has established an IFRS implementation team to develop an IFRS changeover plan. This process is presently in the diagnostic stage, which includes a review of the differences between current Canadian GAAP (as applied by the Company) and IFRS, and the analysis of possible options regarding adoption. In 2008, a preliminary diagnostic analysis was prepared by external consultants. Once this stage is complete, Management will be able to determine the exact consequences of the change. Planning continued in the first quarter of 2009 to precisely establish the changes to be made to accounting principles and computer systems, training requirements, internal control mechanisms for financial reporting and the repercussions on the Company's business activities. The financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with the Canadian Securities Administrators' National Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Company has filed certificates signed by the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer that, among other things, report on the design of disclosure controls and procedures and on the design of internal control over financial reporting.

The Company did not make any material changes to the design of internal controls over financial reporting during the three months ended March 31, 2009 that have had a material effect on the Company's internal controls over financial reporting.

OUTLOOK

While the global economic situation calls for a more cautious outlook, the key role played by Stella-Jones' products in basic transportation and utility infrastructure, should enable the Company to maintain market share. In addition, the Company's products are integral to capital infrastructure projects that governments often initiate during times of economic slowdown. Such actions would drive demand, as they would potentially involve, in both maintenance and new installation endeavours, many of the Company's clients in the railway and electrical transmission and distribution industries.

Although Management's focus in 2009 will be mainly on cash generation and debt reduction, strategic acquisitions will remain an integral part of the Company's growth plan given the fragmented state of the wood treatment industry. Management will continue to seek targets in its core railway tie and utility pole markets that meet its stringent investment requirements, provide synergistic opportunities, and, most of all, add value for Stella-Jones' shareholders. Organically, Stella-Jones will strive to capture more of its existing clients' business in the railway tie and utility pole markets across North America, while also diligently seeking new market opportunities, as it realizes the full potential of recent acquisitions.

The strength of Stella-Jones remains its ability to adapt swiftly to changing situations. That strength derives from a constant drive to pursue efficiencies throughout the organization. More importantly, the Company's long-term strategic vision, focused on continental expansion and consolidation, remains intact.

May 5, 2009