MANAGEMENT'S DISCUSSION & ANALYSIS

Three-month period ended March 31, 2012 compared with the three-month period ended March 31, 2011

The following Management's Discussion and Analysis ("MD&A") and the Company's condensed interim unaudited consolidated financial statements were approved by the Audit Committee and the Board of Directors on May 2, 2012. 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, 2012 compared with the three-month period ended March 31, 2011. The MD&A should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements for the periods ended March 31, 2012 and 2011 and the notes thereto, as well as the Company's annual consolidated financial statements and MD&A for the year ended December 31, 2011. The interim unaudited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and results are reported in Canadian dollars. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

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. The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

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 Inc. (TSX: SJ) is a North American producer and marketer of industrial treated wood products, specializing in the production of railway ties and timbers as well as wood poles supplied to electrical utilities and telecommunication companies. The Company manufactures the wood preservative creosote and other coal tar based products and provides the railroad industry with used tie pickup and disposal services. Switching, locomotive and railcar maintenance services are also offered, as is tie-derived boiler fuel. The Company also provides treated residential lumber products and customized services to lumber retailers and wholesalers for outdoor applications. Other treated wood products include marine and foundation pilings, construction timbers, highway guardrail posts and treated wood for bridges.

The Company operates nineteen wood treating plants, a coal tar distillery, three facilities providing railway tie pickup and disposal services, two distribution centres, two pole peeling facilities and has a 50% interest in a third pole peeling operation. These twenty-eight facilities are located in six Canadian provinces and fifteen American states. The Company's workforce currently numbers approximately 970 employees.

Stella-Jones enjoys a number of key attributes which should further enhance the Company's strategic positioning and competitive advantage in the wood treating 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, a long-standing stable source of wood supply, and a registration to produce and sell the wood preservative, creosote.

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.

NON-IFRS FINANCIAL MEASURES

Operating income before depreciation of property, plant and equipment and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization ["EBITDA"]), operating income, and cash flow from operations are financial measures not prescribed by IFRS and are not likely to be comparable to similar measures presented by other issuers. Management considers these measures to be useful information to assist knowledgeable investors in evaluating the cash generating capabilities of the Company.

Reconciliation of EBITDA and operating income to net income (thousands of dollars)	**Three-month periods ended**	
	March 31, 2012	**March 31, 2011**
Net income for the period	15,006	8,500
Plus:		
Provision for income taxes	7,044	3,593
Financial expenses	2,040	2,325
Operating income	24,090	14,418
Depreciation and amortization	2,418	2,175
EBITDA	26,508	16,593

FOREIGN EXCHANGE

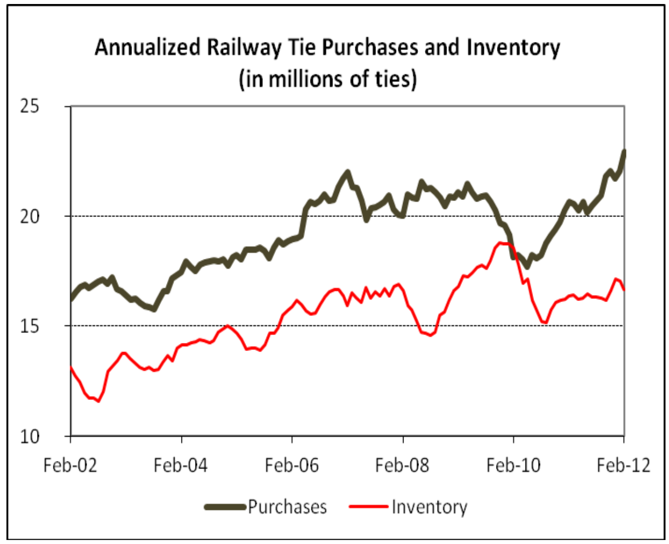
The table below shows exchange rates applicable to the periods ended March 31, 2012 and 2011. Average rates are used to translate sales and expenses for the periods mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities of the Canadian operations.

Cdn$/US$	**2012**		**2011**	
	Average	**Closing**	**Average**	**Closing**
First Quarter	1.0031	0.9975	0.9892	0.9696

INDUSTRY OVERVIEW

Railway ties

As reported by the Railway Tie Association, railway tie purchases for the first two months of 2012 were 38.6% higher than in the corresponding period a year earlier. As a result, industry purchases for the 12-month period ended February 29, 2012 reached 22.9 million ties. This solid demand lowered industry inventory to 16.7 million ties as at February 29, 2012. Accordingly, the inventory-to-sales ratio was 0.73:1, below the previous ten-year average ratio of 0.80:1.



Source: Railway Tie Association

According to data released by the Association of American Railroads, the number of carloads hauled on North American railroads decreased by 2.5% in the first three months of 2012, while the volume of intermodal trailers and containers was up 2.5% from 2011 levels.

OPERATING RESULTS

Sales

Sales for the quarter ended March 31, 2012 totalled $158.8 million, an increase of $28.3 million, or 21.7%, over last year's sales of $130.5 million. The operating facility acquired from Thompson Industries, Inc. ("Thompson") on December 7, 2011 contributed sales of approximately $9.6 million, while the conversion effect from 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 $1.5 million when compared with the previous year. Excluding these factors, sales increased approximately $17.2 million, or 13.2%.

Demand was robust for the Company's core railway tie and utility pole product categories, reflecting requirements for regular maintenance and special projects. More favourable weather in most regions of North America, compared with the same period last year, allowed for a greater number of projects requiring the Company's products to be carried out during the winter season.

Sales by product category

Railway ties

Railway tie sales for the first quarter of 2012 amounted to $96.0 million, an increase of $19.5 million, or 25.4%, over sales of $76.5 million in the first quarter of 2011. These results reflect solid market demand as well as a $9.1 million contribution from the operating facility acquired from Thompson. Railway tie sales accounted for 60.5% of the Company's first-quarter sales.

Utility poles

Utility pole sales amounted to $43.5 million in the first quarter of 2012, up 21.9% over sales of $35.7 million in the corresponding period in 2011. The increase is attributable to the strong demand for transmission poles related to orders for special projects and to an increase in distribution pole sales stemming from regular maintenance projects. Utility pole sales accounted for 27.4% of the Company's total sales in the first quarter of 2012.

Industrial products

Industrial product sales reached $15.2 million in the first quarter of 2012, compared with $15.1 million in the first quarter of 2011. This variation reflects a $0.5 million contribution from the facility acquired from

Thompson offset by lower demand for marine applications in Canada. Industrial products represented 9.5% of sales in the three-month period ended March 31, 2012.

Residential lumber
Sales in the residential lumber category totalled $4.2 million in the first quarter of 2012, up 31.2% from $3.2 million a year earlier. The increase reflects more favourable weather in Canada compared with the same period last year. Residential lumber accounted for 2.6% of Stella-Jones' sales in the first quarter of 2012.

Sales by destination

Sales in the United States amounted to $115.5 million, or 72.7% of sales, in the first quarter of 2012, representing an increase of $28.4 million, or 32.6%, over the corresponding period in 2011. The year-over-year increase reflects higher sales of railway ties and utility poles, as well as the contribution from the facility acquired from Thompson. Sales of products exported to the United States from facilities located in Canada reached $2.2 million in the first quarter of 2012, compared with $1.4 million a year earlier, as the Company continues to optimize its asset base through plant specialization.

Meanwhile, sales in Canada in the first quarter of 2012 remained stable at $43.3 million, representing 27.3% of Stella-Jones' total sales. Higher sales of utility poles and residential lumber were offset by a decrease in railway tie and industrial product sales.

Cost of sales

Cost of sales, including depreciation of property, plant and equipment, as well as amortization of intangible assets, was $125.3 million, or 78.9% of sales, for the three-month period ended March 31, 2012. This compares with $109.6 million, or 84.0% of sales, in the three-month period ended March 31, 2011. The increase in absolute dollars essentially reflects higher business activity and the addition of the Thompson operations. The decrease as a percentage of sales mainly stems from a better absorption of fixed costs resulting from higher business activity and from greater efficiencies throughout the Company's plant network.

Depreciation and amortization charges totalled $2.4 million for the three-month period ended March 31, 2012, compared to $2.2 million in the corresponding period of 2011.

As a result, gross profit reached $33.5 million, or 21.1% of sales, in the first quarter of 2012, up from $20.9 million, or 16.0% of sales, in the first quarter of 2011.

Selling and administrative

Selling and administrative expenses for the first quarter of 2012 were $9.5 million, compared with expenses of $7.0 million in the first quarter of 2011. This $2.5 million increase is mainly attributable to the addition of the Thompson operations and to higher compensation charges related to the Company's profit sharing program. As a percentage of sales, selling and administrative expenses were 6.0% of sales in the three-month period ended March 31, 2012, compared to 5.3% in the prior year.

Other gains, net

Stella-Jones' other net gains of $60,000 for the three-month period ended March 31, 2012, were primarily with respect to foreign exchange. Last year's net gain of $506,000 was related to foreign exchange.

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 and to U.S. dollar denominated long-term debt held by its Canadian companies. Stella-Jones U.S. Holding Corporation, the Company's wholly-owned U.S. subsidiary, is a foreign operation that has a different functional currency from that of the Company and 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 for economic purposes consists of entering into foreign exchange forward contracts for the sale of U.S.

dollars and purchasing certain goods and services in U.S. dollars. The Company will also consider foreign exchange forward contracts for the purchase of U.S. dollars for significant purchases of goods and services that are not covered by natural hedges.

Financial expenses

Financial expenses for the first quarter of 2012 amounted to $2.0 million, down from $2.3 million in the first quarter of 2011. This decrease in financial expenses is due to lower year-over-year borrowings following the early repayment of certain long-term obligations on April 1, 2011 (US$15.0 million) and lower interest rates resulting from the 2011 amendment of credit agreements.

Income before income taxes and income tax expense

Stella-Jones generated income before income taxes of $22.1 million, or 13.9% of sales, in the first quarter of 2012. This represents an increase of $10.0 million, or 82.3%, over income before income taxes of $12.1 million, or 9.3% of sales, in the first quarter of 2011.

Stella-Jones' provision for income taxes totalled $7.0 million in the first quarter of 2012, representing an effective tax rate of 31.9%. In the first quarter of 2011, the income tax expense stood at $3.6 million, equivalent to an effective tax rate of 29.7%. The higher effective tax rate for 2012 is attributable to a greater proportion of income being generated in the U.S. compared to the same period last year, where the statutory tax rate is higher.

Net income

Net income for the three-month period ended March 31, 2012 reached $15.0 million, or $0.94 per share, fully diluted, compared with $8.5 million, or $0.53 per share, fully diluted, in the three-month period ended March 31, 2011. This represents a year-over-year increase in net income of $6.5 million, or 76.5%.

SUBSEQUENT EVENT

On May 1, 2012, the Company announced that it has signed a non-binding letter of intent to acquire certain pole treating assets of Brisco Wood Preservers Ltd., a provider of treated wood poles located in British Columbia.

The transaction, if finalized, is expected to close in July 2012 and is subject to customary closing conditions, including entry into a definitive purchase agreement and satisfactory due diligence. Stella-Jones plans to finance the transaction through existing credit facilities.

QUARTERLY RESULTS

The Company’s sales follow 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. Residential 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.

The table below sets forth selected financial information for the Company's last nine quarters.

2012

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	158,795				
Operating income before depreciation of property, plant and equipment and amortization of intangible assets [1]	26,508				
Operating income [1]	24,090				
Net income for the period	15,006				
Earnings per common share Basic Diluted	 0.94 0.94				

2011

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	130,485	180,331	181,812	147,520	640,148
Operating income before depreciation of property, plant and equipment and amortization of intangible assets [1]	16,593	29,696	27,670	22,724	96,683
Operating income [1]	14,418	27,582	25,569	20,399	87,968
Net income for the period	8,500	17,271	16,569	13,369	55,709
Earnings per common share Basic Diluted	 0.53 0.53	 1.08 1.08	 1.04 1.03	 0.84 0.83	 3.49 3.48

2010

For the quarters ended	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
(thousands of dollars, except per share data)	**$**	**$**	**$**	**$**	**$**
Sales	99,360	167,317	161,298	133,071	561,046
Operating income before depreciation of property, plant and equipment and amortization of intangible assets [1]	12,241	14,155	22,720	21,929	71,045
Operating income [1]	10,474	11,278	19,744	19,194	60,690
Net income for the period	5,788	5,563	12,440	10,650	34,441
Earnings per common share Basic Diluted	 0.46 0.45	 0.35 0.35	 0.78 0.78	 0.67 0.67	 2.27 2.26

1 Operating income before depreciation of property, plant and equipment and amortization of intangible assets and operating income are financial measures not prescribed by IFRS 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 income before depreciation of property, plant and equipment and amortization of intangible assets and operating income are readily reconcilable to net income presented in our IFRS 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.

STATEMENT OF FINANCIAL POSITION

The Company's working capital at March 31, 2012 was $283.2 million, an increase of $10.0 million over a working capital balance of $273.2 million at December 31, 2011. This variation is essentially attributable to higher sales leading to increases in accounts receivable and inventories, partially offset by an increase in accounts payable and accrued liabilities.

Current assets amounted to $350.7 million as at March 31, 2012 compared with $330.5 million at December 31, 2011. This increase is largely attributable to higher accounts receivable and inventories.

The value of accounts receivable was $83.4 million as at March 31, 2012 compared with $76.5 million as at December 31, 2011. This variation of $6.9 million reflects the strong sales growth during the three-month period ended March 31, 2012.

Inventories stood at $259.4 million as at March 31, 2012, up from $243.6 million as at December 31, 2011. This increase reflects the normal seasonal inventory build-up ahead of peak demand in the second and third quarters.

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 credit facilities are adequate to meet its working capital requirements for the foreseeable future.

The value of property, plant and equipment stood at $117.7 million as at March 31, 2012, compared with $119.4 million as at December 31, 2011. This decrease is essentially related to depreciation ($1.2 million) exceeding purchase of property, plant and equipment for the period ($1.0 million) and to the effect of local currency depreciation on U.S. based property, plant and equipment during the three-month period ended March 31, 2012.

The value of intangible assets and goodwill reached $68.3 million and $90.0 million, respectively, as at March 31, 2012. Intangible assets include customer relationships, the discounted value of the non-compete agreements, a creosote registration, cutting rights and standing timber. As at December 31, 2011, intangible assets and goodwill were $71.1 million and $91.7 million, respectively. The decrease in the value of intangible assets stems from an amortization charge of $1.2 million in the first three months of 2012 and from the effect of local currency depreciation on U.S. based intangible assets. The latter factor also explains the decrease in the value of goodwill.

Bank indebtedness stood at $2.9 million as at March 31, 2012, up from $2.6 million as at December 31, 2011. Bank indebtedness consists of the Company's proportion of the operating line of its pole peeling joint venture.

The Company's long-term debt, including the current portion, was $180.0 million as at March 31, 2012, essentially stable when compared with $180.1 million as at December 31, 2011. As at March 31, 2012, an amount of $126.4 million had been drawn against the Company's committed revolving facility of $170.0 million.

Shareholders' equity rose to $341.5 million as at March 31, 2012 compared with $331.9 million as at December 31, 2011. This increase of $9.6 million is mainly attributable to net income of $15.0 million partially offset by a $3.3 million increase in accumulated other comprehensive loss and dividends on common shares totalling $2.4 million. Book value stood at $21.39 per common share as at March 31, 2012, up from $20.80 per share as at December 31, 2011.

LIQUIDITY AND CAPITAL RESOURCES

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

Summary of cash flows	**Three-Month Periods Ended**	
(thousands of dollars)	**March 31, 2012**	**March 31, 2011**
Operating activities	($1,758)	($28,652)
Financing activities	$2,809	$30,264
Investing activities	($1,051)	($1,612)
Cash and cash equivalents	$---	$---

The Company's activities, acquisitions and purchases of property, plant and equipment are primarily financed by cash flows from operating activities, the use of cash raised from its committed revolving facility and long-term debt, and the issuance of common shares. The Company's committed revolving facility is made available for a five-year term.

Cash flow from operating activities before changes in non-cash working capital components and interest and income tax paid was $27.2 million for the three-month period ended March 31, 2012, compared with $17.2 million for the same period in 2011. This increase mostly reflects a higher net income for the period.

Changes in non-cash working capital components reduced liquidity by $21.0 million in the first quarter of 2012, as increases in accounts receivable and inventories were partially offset by an increase in accounts payable and accrued liabilities. In the first quarter of 2011, changes in non-cash working capital components had used liquidity of $39.6 million. Interest and income tax paid further reduced liquidity by $2.2 million and $5.7 million, respectively, in the first quarter of 2012, versus $2.1 million and $4.2 million, respectively, a year earlier. As a result, cash flows used in operating activities were $1.8 million in the first quarter of 2012, versus $28.7 million in the first quarter of 2011.

Financing activities for the quarter ended March 31, 2012 provided funds of $2.8 million. This cash generation stems from increases of $3.2 million and $277,000 in long-term debt and bank indebtedness, respectively, offset by the repayment of long-term debt totalling $591,000. For the quarter ended March 31, 2011, financing activities provided liquidity of $30.3 million.

Investing activities used $1.1 million in liquidity during the first quarter of 2012, as purchases of property, plant and equipment, essentially for the addition of various equipment upgrades and expansion, required an investment of $1.0 million. For the quarter ended March 31, 2011, cash flows from investing activities decreased liquidity by $1.6 million.

The following table details the maturities of the financial obligations as at March 31, 2012:

(in thousands of dollars)	**Carrying Amount ($)**	**Contractual Cash flow ($)**	**Less than 1 year ($)**	**1 – 3 years ($)**	**4 – 5 years ($)**	**After 5 years ($)**
Bank indebtedness[1]	2,862	2,942	2,942	-	-	-
Accounts payable and accrued liabilities	48,226	48,226	48,226	-	-	-
Long-term debt obligations[1]	179,968	207,965	13,458	16,466	170,537	7,504
Net settled interest rate swaps	-	3,521	993	1,704	824	-
Other contractual obligations	-	27,579	6,806	8,731	3,406	8,636
Non-compete agreements	2,278	2,494	1,247	1,247	-	-
Total	233,334	292,727	73,672	28,148	174,767	16,140

[1] Amounts include capital and interest

SHARE AND STOCK OPTION INFORMATION

As at March 31, 2012, the capital stock issued and outstanding consisted of 15,964,330 common shares (15,955,303 as at December 31, 2011). The following table presents the outstanding capital stock activity for the three-month period ended March 31, 2012:

Number of shares (in '000s)	**Three-month Period Ended March 31, 2012**
Balance – Beginning of period	15,955
Stock option plan	7
Employee share purchase plans	2
Balance – End of period	15,964

As at May 2, 2012, the capital stock issued and outstanding consisted of 15,964,532 common shares.

As at March 31, 2012, the number of outstanding options to acquire common shares issued under the Company's Stock Option Plan was 152,200 (December 31, 2011 – 158,800) of which 112,900 (December 31, 2011 – 119,500) were exercisable. As at May 2, 2012, the number of outstanding options was 152,200, of which 112,900 were exercisable.

DIVIDENDS

On March 15, 2012, the Board of Directors modified its dividend policy to consider the declaration of a dividend on a quarterly rather than on a semi-annual basis.

On May 2, 2012, the Board of Directors approved a quarterly dividend of $0.15 per common share payable on June 29, 2012 to shareholders of record at the close of business on June 1, 2012.

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 covenants in its loan documentation as well as its financial performance and cash requirements. 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 2011 Annual Report.

CURRENT ECONOMIC CONDITIONS

Operations

The Company's core railway tie and utility pole product categories are integral to the North American basic transportation and utility infrastructure. Such infrastructure needs to be regularly maintained which provides Stella-Jones with relatively steady demand for its core products. In periods of economic growth, the Company may also benefit from additional demand stemming from expansions to the railway and telecommunication networks.

Based on current market conditions, Management continues to expect business activity to remain strong in the upcoming quarters. Increased freight volume on North American railroads in recent years should lead to continued investments in the continental rail network, including ties, as operators constantly seek optimal line efficiency. Solid demand is expected to continue in utility poles, as regular maintenance projects provide a stable business flow for distribution poles, while the vigour of the transmission pole market is more correlated to the timing of orders, mostly for special projects.

Liquidity

As at March 31, 2012, the Company is in full compliance with its debt covenants and contractual obligations. In addition, as at March 31, 2012, an amount of $126.4 million had been drawn against the Company's committed revolving facility of $170.0 million.

Accounts receivable increased during the first three months of 2012 as a result of solid sales growth during that period. Management considers that all recorded 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.

Inventories also increased during the first three months of 2012 due to the normal seasonal inventory build-up in anticipation of higher projected peak sales volumes in the second and third quarters. To ensure efficient treatment operations, given that air-dried wood reduces treatment cycles, inventory turnover has historically been relatively low. Nevertheless, Management continuously monitors the levels of inventory and market demand for its products. Production is adjusted accordingly to optimize efficiency and capacity utilization.

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 2011 Annual Report.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 2 to the December 31, 2011 audited consolidated financial statements.

The Company prepares its consolidated financial statements in conformity with IFRS which requires 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 the financial statements of the period in which they become known.

Significant items subject to estimates and assumptions include the estimated useful life of assets, impairment of goodwill and impairment of long-lived assets.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with the Canadian Securities Administrators' Regulation 52-109 (Certification of Disclosure in Issuers' 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 ("DC&P") and on the design of internal control over financial reporting ("ICFR").

During the three-month period ended March 31, 2012, no changes were made to the design of ICFR that have had a material effect on the Company's ICFR.

OUTLOOK

Management expects demand for the Company's core products to remain solid in 2012. In the railway tie market, increased freight volume on North American railroads in recent years is leading to greater investments in the continental rail network, as operators constantly seek optimal line efficiency. Meanwhile, demand is expected to hold in utility poles, as regular maintenance projects provide a stable business flow for distribution poles, while the strength of the transmission pole market is more correlated to the timing of orders, mostly for special projects.

As one of the largest North American providers of industrial treated wood products, Stella-Jones will leverage the strength of its continental network to capture more of its existing clients' business in its core railway tie and utility pole markets, while diligently seeking new market opportunities. The Company will also remain focused on improving operating efficiencies throughout the organization.

The Company will continue to focus on cash generation and to maintain a prudent use of leverage, as a solid financial position will allow Stella-Jones to continue its acquisition strategy, as demonstrated by the recent announcement of its proposed acquisition of certain assets of Brisco Wood Preservers Ltd. The Company's long-term strategic vision, focused on continental expansion, remains intact. Stella-Jones will continue to seek targets in its core markets that meet its stringent investment requirements, provide synergistic opportunities, and add value for shareholders.

May 2, 2012