



Stella-Jones Inc.

Consolidated Financial Statements

December 31, 2025 and 2024

Stella-Jones Inc.

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December 31, 2025 and 2024

Management's Statement of Responsibility for Financial Information

The consolidated financial statements are the responsibility of Management, and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Where necessary, Management has made judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

The Company maintains a system of internal controls to provide reasonable assurance as to the reliability of the financial records and safeguarding of its assets. The consolidated financial statements have been audited by the Company's independent auditors, PricewaterhouseCoopers LLP, and they have issued their report thereon.

The Board of Directors is responsible for overseeing Management in the performance of its responsibilities for financial reporting. The Board of Directors exercises its responsibilities through the Audit Committee, which is comprised of four independent directors. The Audit Committee meets from time to time with Management and the Company's independent auditors to review the consolidated financial statements and matters relating to the audit. The Company's independent auditors have full and free access to the Audit Committee. The consolidated financial statements have been reviewed by the Audit Committee, who recommended their approval by the Board of Directors.

(s) Eric Vachon

Eric Vachon, CPA
President and Chief Executive Officer

Saint-Laurent, Québec
February 25, 2026

(s) Silvana Travaglini

Silvana Travaglini, CPA
Senior Vice-President and Chief Financial Officer



Independent auditor's report

To the Shareholders of Stella-Jones Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Stella-Jones Inc. and its subsidiaries (together, the Company) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of change in shareholders' equity for the years then ended;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Accuracy and existence of inventories</p> <p>Refer to note 2 – Material accounting policies and note 6 – Inventories to the consolidated financial statements.</p> <p>The Company's inventories totalled \$1,653 million as at December 31, 2025. Inventories held in its network across North America are comprised of raw materials and finished goods, which are valued at the lower of weighted average cost and net realizable value. Finished goods include the cost of raw materials, other direct costs and manufacturing overhead expenses. Net realizable value is the estimated selling price less costs necessary to make the sale.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested the operating effectiveness of controls related to the matching of invoices, purchase orders and receiving documents.• For a selection of locations of inventory counts performed by management prior to year-end, observed the inventory count procedures and performed independent test counts for a sample of inventory items.• Tested the inventories activity in the intervening period between the count date and the year-end date.

Key audit matter	How our audit addressed the key audit matter
<p>We considered this a key audit matter due to the magnitude of the inventories balance, the number of inventory locations across the Company's network and the audit effort involved in testing the inventories balance.</p>	<ul style="list-style-type: none"> • For a sample of raw materials, tested the cost by agreeing to source documents as applicable. • For a sample of inventory items for raw materials and finished goods, recalculated the weighted average cost. • For a sample of inventory items, tested the cost of transferred materials from raw materials to finished goods, by agreeing the cost transferred to the carrying cost of the items previously classified in raw materials. • For a portion of inventory items, tested the reasonability of the allocation of the manufacturing overhead at year-end by comparing to the prior year's allocations. • Assessed whether variances related to other direct and manufacturing overhead standard costs needed to be capitalized into finished goods to approximate actual cost.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information other than the

consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Gregory Tremellen.

/s/PricewaterhouseCoopers LLP¹

Montréal, Quebec

February 25, 2026

¹ CPA auditor, public accountancy permit No. A119714

Stella-Jones Inc.

Consolidated Statements of Financial Position

As at December 31, 2025 and 2024

(in millions of Canadian dollars)

	Note	2025	2024
Assets			
Current assets			
Cash and cash equivalents		44	50
Accounts receivable	5	262	277
Inventories	6	1,653	1,759
Income taxes receivable		19	11
Other current assets		41	42
		<u>2,019</u>	<u>2,139</u>
Non-current assets			
Property, plant and equipment	7	1,116	1,048
Right-of-use assets	8	288	311
Intangible assets	9	243	170
Goodwill	9	434	406
Derivative financial instruments	20	9	21
Other non-current assets		8	8
		<u>4,117</u>	<u>4,103</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	10	153	180
Deferred revenue		—	17
Current portion of long-term debt	11	37	1
Current portion of lease liabilities	8	63	64
Current portion of provisions and other long-term liabilities	12	20	24
		<u>273</u>	<u>286</u>
Non-current liabilities			
Long-term debt	11	1,302	1,379
Lease liabilities	8	240	259
Deferred income taxes	17	218	197
Provisions and other long-term liabilities	12	44	37
Employee future benefits	18	1	4
		<u>2,078</u>	<u>2,162</u>
Shareholders' equity			
Capital stock	15	187	188
Contributed surplus		5	—
Retained earnings		1,681	1,498
Accumulated other comprehensive income		166	255
		<u>2,039</u>	<u>1,941</u>
		<u>4,117</u>	<u>4,103</u>

Approved by the Board of Directors,

(s) Katherine A. Lehman
Katherine A. Lehman
Director

(s) Karen Laflamme
Karen Laflamme, FCPA, ASC, C.Dir.
Director

The accompanying notes are an integral part of these consolidated financial statements.

Stella-Jones Inc.

Consolidated Statements of Change in Shareholders' Equity

For the years ended December 31, 2025 and 2024

(in millions of Canadian dollars)

	Accumulated other comprehensive income							Total	Total shareholders' equity
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrealized gains (losses) on cash flow hedges			
Balance – January 1, 2025	188	—	1,498	367	(127)	15	255	1,941	
Comprehensive income (loss)									
Net income	—	—	337	—	—	—	—	337	
Other comprehensive income (loss)	—	—	2	(98)	17	(8)	(89)	(87)	
Comprehensive income (loss)	—	—	339	(98)	17	(8)	(89)	250	
Dividends on common shares	—	—	(68)	—	—	—	—	(68)	
Equity-settled share-based payments expense	—	5	—	—	—	—	—	5	
Employee share purchase plans	3	—	—	—	—	—	—	3	
Repurchase of common shares including related taxes (note 15)	(4)	—	(88)	—	—	—	—	(92)	
	(1)	5	(156)	—	—	—	—	(152)	
Balance – December 31, 2025	187	5	1,681	269	(110)	7	166	2,039	

The accompanying notes are an integral part of these consolidated financial statements.

Stella-Jones Inc.

Consolidated Statements of Change in Shareholders' Equity...*Continued*

For the years ended December 31, 2025 and 2024

(in millions of Canadian dollars)

	Accumulated other comprehensive income					Total	Total shareholders' equity
	Capital stock	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrealized gains on cash flow hedges		
Balance – January 1, 2024	189	1,329	224	(105)	15	134	1,652
Comprehensive income (loss)							
Net income	—	319	—	—	—	—	319
Other comprehensive income (loss)	—	1	143	(22)	—	121	122
Comprehensive income (loss)	—	320	143	(22)	—	121	441
Dividends on common shares	—	(63)	—	—	—	—	(63)
Stock options exercised	1	—	—	—	—	—	1
Employee share purchase plans	2	—	—	—	—	—	2
Repurchase of common shares including related taxes (note 15)	(4)	(88)	—	—	—	—	(92)
	(1)	(151)	—	—	—	—	(152)
Balance – December 31, 2024	188	1,498	367	(127)	15	255	1,941

The accompanying notes are an integral part of these consolidated financial statements.

Stella-Jones Inc.

Consolidated Statements of Income

For the years ended December 31, 2025 and 2024

(in millions of Canadian dollars, except earnings per common share)

	Note	2025	2024
Sales		3,492	3,469
Expenses			
Cost of sales (including depreciation and amortization of \$129 (2024 - \$115))		2,787	2,745
Selling and administrative (including depreciation and amortization of \$16 (2024 - \$15))		213	206
Other losses, net		4	15
Gain on insurance settlement	24	(28)	—
	16	2,976	2,966
Operating income		516	503
Financial expenses	16	69	88
Income before income taxes		447	415
Income tax expense			
Current	17	84	86
Deferred	17	26	10
		110	96
Net income		337	319
Basic and diluted earnings per common share	15	6.09	5.66

The accompanying notes are an integral part of these consolidated financial statements.

Stella-Jones Inc.

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2025 and 2024

(in millions of Canadian dollars)

	2025	2024
Net income	337	319
Other comprehensive income (loss)		
Items that may subsequently be reclassified to net income		
(Losses) gains on translation of financial statements of foreign operation	(98)	143
Gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	17	(22)
Change in fair value of derivatives designated as cash flow hedges	(11)	—
Income tax on change in fair value of derivatives designated as cash flow hedges	3	—
Items that will not subsequently be reclassified to net income		
Remeasurements of post-retirement benefit obligations	3	1
Income taxes on remeasurements of post-retirement benefit obligations	(1)	—
	<hr/>	<hr/>
	(87)	122
Comprehensive income	<hr/>	<hr/>
	250	441

The accompanying notes are an integral part of these consolidated financial statements.

Stella-Jones Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(in millions of Canadian dollars)

	Note	2025	2024
Cash flows from (used in)			
Operating activities			
Net income		337	319
Adjustments for			
Depreciation of property, plant and equipment	7	55	46
Depreciation of right-of-use assets	8	68	66
Amortization of intangible assets	9	22	18
Financial expenses	16	69	88
Income tax expense	17	110	96
Gain on insurance settlement	24	(28)	—
Other		(10)	4
		<u>623</u>	<u>637</u>
Changes in non-cash working capital components			
Accounts receivable		34	56
Inventories		85	(82)
Income taxes receivable		(4)	—
Other current assets		11	9
Accounts payable and accrued liabilities		(31)	(40)
		<u>95</u>	<u>(57)</u>
Interest paid		(69)	(85)
Income taxes paid		(92)	(87)
		<u>557</u>	<u>408</u>
Financing activities			
Net change in revolving credit facilities	11	142	(471)
Proceeds from long-term debt	11	—	568
Repayment of long-term debt	11	(144)	(103)
Repayment of lease liabilities	8	(66)	(62)
Dividends on common shares		(68)	(63)
Repurchase of common shares	15	(90)	(90)
		<u>(226)</u>	<u>(221)</u>
Investing activities			
Business combinations	4	(262)	(4)
Purchase of property, plant and equipment	7	(103)	(132)
Property insurance proceeds	24	28	10
Additions of intangible assets	9	(9)	(11)
Proceeds on disposal of assets		9	—
		<u>(337)</u>	<u>(137)</u>
Net change in cash and cash equivalents during the year		<u>(6)</u>	<u>50</u>
Cash and cash equivalents – Beginning of year		<u>50</u>	<u>—</u>
Cash and cash equivalents – End of year		<u>44</u>	<u>50</u>

The accompanying notes are an integral part of these consolidated financial statements.

Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

1 Description of the Business

Stella-Jones Inc. (with its subsidiaries, either individually or collectively, referred to as the “Company”) is a leading North American manufacturer of products focused on supporting infrastructure essential to the electrical distribution and transmission network, and the operation and maintenance of railway transportation systems. The Company supplies the continent’s major electrical utilities companies with treated wood poles and crossarms, steel lattice towers and steel transmission poles, as well as North America’s Class 1, short line and commercial railroad operators with treated wood railway ties and timbers. The Company also supports infrastructure with industrial products, namely timbers for railway bridges, crossings and construction, marine and foundation pilings, and coal tar-based products. Additionally, the Company manufactures and distributes premium treated residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing Canadian customers through its national manufacturing and distribution network. The Company has facilities across Canada and the United States and sells its products primarily in these two countries. The Company’s headquarters are located at 3100 de la Côte-Vertu Blvd., in Saint-Laurent, Quebec, Canada. The Company is incorporated under the Canada Business Corporations Act, and its common shares are listed on the Toronto Stock Exchange (“TSX”) under the stock symbol SJ.

2 Material Accounting Policies

Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

These consolidated financial statements were approved by the Board of Directors on February 25, 2026.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and certain long-term liabilities which are measured at fair value. The Company has consistently applied the same accounting policies for all periods presented, unless otherwise stated.

Principles of consolidation

The consolidated financial statements include the accounts of Stella-Jones Inc. and its controlled subsidiaries. Intercompany transactions and balances between these companies have been eliminated. All consolidated subsidiaries are wholly owned. The significant subsidiaries within the legal structure of the Company are as follows:

Subsidiary	Parent	Country of incorporation
Stella-Jones U.S. Holding Corporation	Stella-Jones Inc.	United States
Stella-Jones Corporation	Stella-Jones U.S. Holding Corporation	United States

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Stella-Jones Inc.

Notes to Consolidated Financial Statements

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Business combinations

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of activities and assets acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred for the business acquired is the fair value of the assets transferred and the liabilities assumed. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed is recorded as goodwill. If those amounts are less than the fair value of the net assets of the business acquired, the difference is recognized directly in the consolidated statement of income as a bargain purchase gain. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized as financial expenses in the consolidated statement of income.

Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. All amounts have been rounded to the nearest million, unless otherwise indicated.

b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Revenues and expenses denominated in a foreign currency are translated by applying the monthly average exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are translated at historical exchange rates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

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Foreign currency differences are generally recognized in the consolidated statement of income within other losses (gains), net. They are deferred in accumulated other comprehensive income (loss) in shareholders' equity if they relate to qualifying cash flow hedges.

c) Foreign operations

The financial statements of operations that have a functional currency different from that of the Company are translated using the rate in effect at the consolidated statement of financial position date for assets and liabilities, and the monthly average exchange rates during the year for revenues and expenses. Adjustments arising from this translation are recorded in accumulated other comprehensive income (loss) in shareholders' equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate in effect at the consolidated statement of financial position date.

d) Hedges of net investments in foreign operations

Foreign currency differences arising on the translation of financial liabilities designated as a hedge of net investment in foreign operations are recognized within equity in other comprehensive income (loss) to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in the consolidated statement of income, within other losses (gains), net. When the hedged portion of a net investment (the subsidiary) is disposed of, the relevant amount in equity is transferred to the consolidated statement of income as part of the gain or loss on disposal.

Revenue recognition

The Company sells treated and untreated wood products, steel lattice towers and steel transmission poles (the "Products"), as well as wood treating services. Revenue from the sale of Products is recognized when the Company satisfies a performance obligation by transferring a promised Product to a customer. Products are considered to be transferred once the customer takes control of them, being either at the Company's manufacturing site or at the customer's location. Control of the Products refers to the ability to direct its use and obtain substantially all the remaining benefits from the Product.

The Company offers to treat wood products owned by third parties. Revenue from these treating services is recognized using the point in time criteria since there is a short manufacturing timeframe to treat wood products.

Product sales can be subject to retrospective volume discounts based on aggregate sales over a 12-month period, per certain contractual conditions. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. The Company's significant experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a reversal will not occur. A liability is recognized for expected volume discounts payable to customers in relation to sales transacted to the end of the reporting period.

Product sales may also be subject to retrospective price discounts based on aggregate sales over a 12-month period, according to certain contractual conditions. Revenue from these sales is recognized based on the expected average sales price over the specified period. Accumulated experience is used to estimate and provide for the price discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that specified contractual conditions will be met. The customer is invoiced at the contract price and a liability is recognized to adjust to the average price.

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Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with initial maturities of three months or less.

Accounts receivable

Trade receivables are amounts due from customers from the sale of products or services rendered in the ordinary course of business. Trade receivables are classified as current assets if payment is due within 12 months or less. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less credit loss allowance.

Inventories

Inventories of raw materials are valued at the lower of weighted average cost and net realizable value. Finished goods are valued at the lower of weighted average cost and net realizable value and include the cost of raw materials, other direct costs and manufacturing overhead expenses. Net realizable value is the estimated selling price less costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are recorded at cost, including borrowing costs incurred during the construction period, less accumulated depreciation and impairment. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts, and depreciates separately each such part. Depreciation is calculated on a straight-line basis using rates based on the estimated useful lives of the assets.

Assets	Useful life
Buildings	7 to 60 years
Production equipment	5 to 60 years
Rolling stock	3 to 20 years
Office equipment	2 to 10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. The depreciation expense is included in cost of sales in the consolidated statement of income.

Financial expenses

Finance expenses include interest expense on long-term debt and on lease liabilities, as well as other financial charges. Financial expenses are recognized in the consolidated statement of income in the period in which they are incurred.

Leases

The Company leases certain property, plant and equipment and recognizes a right-of-use asset and liability at the lease commencement date. Right-of-use assets represent the right to use an underlying asset for the term of the lease, and the related liabilities represent the obligation to make the lease payments arising from the lease. Right-of-use assets and the related liabilities are recognized at the lease commencement date based on the present value of the lease payments over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined,

Stella-Jones Inc.

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the Company's incremental borrowing rate. Renewal and termination options are included in the lease terms when it is reasonably certain that they will be exercised.

Lease payments comprise of fixed payments, including in-substance fixed payments, the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period that the Company is reasonably certain to exercise and penalties for early termination of a lease if the Company is reasonably certain to terminate. Each lease payment is allocated between the liability and finance cost. The interest element of the finance cost is charged to the consolidated statement of income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. The depreciation expense is included in cost of sales and selling and administrative expense in the consolidated statement of income.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease-term of less than 12 months and leases of low-value assets. Payments associated with short-term leases and low-value assets are charged to the consolidated statement of income on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets with finite useful lives are recorded at cost and are amortized over their useful lives. Intangible assets with indefinite useful lives are recorded at cost and are not amortized. The amortization method and estimate of the useful life of an intangible asset are reviewed on an annual basis.

Assets	Method	Useful life
Customer relationships	Straight-line	10 to 12 years
Customer relationships	Declining balance	4% to 20%
Software	Straight-line	5 to 10 years
Creosote registration	Not applicable	Indefinite

Development costs that are directly attributable to the design, development, implementation, and testing of identifiable software products are recognized as software if certain criteria are met, including technical feasibility and intent and ability to develop and use the software to generate probable future economic benefits; otherwise they are expensed as incurred. Configuration or customization costs in a cloud computing arrangement that do not meet capitalization criteria are expensed and presented in the consolidated statement of income. Directly attributable costs that are capitalized include software related, employee and third-party development costs.

The amortization expense is included in cost of sales and selling and administrative expense in the consolidated statement of income.

The creosote registration is subject to an annual impairment test or more frequently if events or changes in circumstances indicate that it might be impaired.

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Goodwill

Goodwill is not amortized and tested annually for impairment, or more frequently, whenever indicators of potential impairment exist. Impairment losses on goodwill are not reversed. For the purpose of impairment testing, goodwill is allocated to cash-generating units (“CGUs”) or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The Company defines CGUs as either plants specialized in the treatment of utility products and residential lumber - U.S., specialized in the treatment of residential lumber - Canada, and specialized in the treatment of railway ties.

Impairment

The carrying values of non-financial assets with finite lives, such as property, plant and equipment and intangible assets with finite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Long-lived assets that are not amortized are tested at least annually for impairment or when events or changes in circumstances warrant such consideration. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Impairments are recorded when the recoverable amounts of assets are less than their carrying amounts. The recoverable amount is the higher of an asset’s fair value less cost of disposal and its value in use (being the present value of the expected future cash flows of the relevant asset or CGU).

Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment when events or changes in circumstances warrant such consideration.

Provisions

Provisions for site remediation and other provisions are recognized when the Company has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recorded in the consolidated statement of financial position as a separate asset, but only if it is virtually certain that reimbursement will be received.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a financial expense.

The Company considers the current portion of the provision to be an obligation whose settlement is expected to occur within the next 12 months.

Site remediation obligations

Site remediation obligations relate to the discounted present value of estimated future expenditures associated with the obligations of restoring the environmental integrity of certain properties. The Company reviews estimates of future site remediation expenditures on an ongoing basis and records any revisions, along with the accretion expense on existing obligations, in other losses (gains), net in the consolidated statement of income.

At each reporting date, the liability is remeasured for changes in discount rates and in the estimate of the amount, timing and cost of the work to be carried out.

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Income taxes

The income tax expense for the period is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current and deferred tax is recognized in the consolidated statement of income, except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case, the tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

Employee future benefits

Defined benefit pension plan

The Company accrues obligations and related costs under defined benefit pension plans, net of plan assets. The cost of pensions earned by employees is actuarially determined using the projected unit credit method and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and discount rates on obligations. Past service costs from plan amendments are recognized in the consolidated statement of income when incurred. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are charged or credited to other comprehensive income (loss). These amounts are recognized immediately in retained earnings without recycling to the consolidated statement of income in subsequent periods.

Other post-employment benefit program

The Company provides other post-employment benefits to certain retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are attributed from the date when service by the employee first leads to benefits under the plan, until the date when further service by the employee will lead to no material amount of further benefits. The cost of future benefits earned by employees is established by actuarial calculations using the projected benefit method pro-rated on years of service based on Management's best estimate of economic and demographic assumptions. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income (loss) in the period in which they arise and are recognized immediately in retained earnings without recycling to the consolidated statement of income in subsequent periods.

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Share-based payments

The Company operates a number of equity-settled and cash-settled share-based compensation plans under which it receives services from employees and non-executive directors as consideration for equity instruments of the Company or cash payments. Equity-settled share-based payments are comprised of the stock option plan, restricted stock units (“TRSUs”) and performance stock units (“TPSUs”) and cash-settled share-based payments include restricted stock units (“RSUs”), performance stock units (“PSUs”) and deferred share units (“DSUs”).

Equity-settled plan

The Company accounts for stock options granted using the fair value method. Under this method, compensation expense for stock options granted is measured at fair value at the grant date using the Black-Scholes option pricing model and is recognized in the consolidated statement of income over the vesting period of the options granted, with a corresponding credit to contributed surplus. For options with graded vesting, each tranche is considered a separate grant with a different vesting date and fair value. Any consideration paid on the exercise of stock options is credited to capital stock together with any related share-based compensation expense included in contributed surplus.

The Company has equity-based awards, TRSUs and TPSUs, which are measured at fair value using the Company’s share price on the date of the grant. The compensation expenses, adjusted for expectations related to attainment of performance criteria, if any, are recognized in the consolidated statement of income over the vesting periods, with a corresponding increase to contributed surplus, on a straight-line basis. Where TRSUs and TPSUs are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such units are reversed effective from the date of the forfeiture.

Cash-settled plan

The Company has liability-based awards, RSUs, PSUs and DSUs, which are initially measured at fair value at the grant date using an option pricing model. Until the liability is settled, the fair value of that liability is remeasured at each reporting date, with changes in fair value recognized in the consolidated statement of income. The compensation expenses, adjusted for expectations related to attainment of performance criteria, if any, are recognized in the consolidated statement of income over the vesting periods, based on the fair value of the awards at the end of each reporting period. Where RSUs and PSUs are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such units are reversed effective from the date of the forfeiture.

Financial instruments

The Company recognizes a financial asset or a financial liability in its consolidated statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

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Financial assets

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

- a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
 - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, where those cash flows represent solely payments of principal and interest.
- c) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned in a) and b) are measured at fair value through profit or loss.

If the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash and cash equivalents, accounts receivable and derivative financial instruments. Cash and cash equivalents and accounts receivable are measured at amortized cost.

Derivative financial instruments that are not designated as hedging instruments are measured at fair value through profit or loss. Derivative financial instruments that are designated as hedging instruments are measured at fair value through other comprehensive income.

A financial asset is derecognized when the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset or the contractual rights to the cash flows from the financial asset expire.

When the transfer of a trade receivable results in the derecognition of the asset, the corresponding cash proceeds are classified as cash flows from operating activities.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, long-term debt and derivative financial instruments. Accounts payable and accrued liabilities and long-term debt are measured at amortized cost. Derivative financial instruments that are not designated as hedging instruments are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in profit or loss. After initial recognition, an entity cannot reclassify any financial liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in the consolidated statement of income.

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Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Hedging transactions

As part of its hedging strategy, the Company considers derivative financial instruments such as foreign exchange forward contracts to limit its exposure under contracted cash inflows of sales denominated in U.S. dollars. The Company also considers interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its long-term debt. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument. These derivative financial instruments are treated as cash flow hedges for accounting purposes and are fair valued through other comprehensive income.

The effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income, within other losses (gains), net.

When forward contracts are used to hedge forecast transactions, the Company generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognized within other comprehensive income (loss) in the costs of hedging reserve within equity. In some cases, the Company may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated statement of income.

Earnings per share

Basic earnings per share is calculated by dividing the net income for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is determined by dividing the net income for the year attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for the effects of all dilutive potential common shares, which comprise TRSUs, TPSUs and stock options.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing

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performance of the operating segments, has been identified as the senior management team, which makes strategic and operational decisions.

Accounting pronouncements not yet adopted

The following amendments and new standard were issued by the International Accounting Standards Board (“IASB”) and were not yet adopted in preparing the consolidated financial statements.

Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7, to clarify when a financial asset or a financial liability is recognized and derecognized and to introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date. The amendments also clarify the classification of financial assets with environmental, social and governance (“ESG”)-linked features, non-recourse loans and contractually linked instruments, and introduce disclosure requirements for financial instruments with contingent features and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. These amendments are not expected to have a significant impact on the Company’s consolidated financial statements.

Presentation and Disclosure in Financial Statements – IFRS 18

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements, which replaces IAS 1, Presentation of Financial Statements. IFRS 18 introduces three sets of new requirements to improve companies’ reporting of financial performance and give investors a better basis for analyzing and comparing companies:

- improved comparability in the statement of income by introducing three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures by requiring companies to disclose explanations of those company-specific measures that are related to the statement of income; and
- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

3 Critical Accounting Estimates and Significant Judgements

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards 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 date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates and assumptions include the estimated useful life of assets, recoverability of long-lived assets and goodwill and determination of the fair value of the assets acquired and liabilities assumed in the context of an acquisition. Management also makes estimates and assumptions in the context of business combination mainly with sales forecast, margin forecast and discount rate. It is possible that 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 consolidated statement of income in the period in which they become known.

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4 Business Combinations

a) On May 7, 2025, the Company completed the acquisition of Locweld Inc. (“Locweld”), a designer and manufacturer of steel lattice towers and steel transmission poles. The total consideration consisted of a purchase price of \$58 million on a debt-free basis, plus a working capital adjustment and a performance-based contingent consideration. The cash outlay at closing was \$48 million, excluding acquisition-related costs of two million dollars, recognized in the consolidated statement of income under selling and administrative expenses. With this acquisition, the Company has established a presence in the steel transmission structure market.

As at the reporting date, the Company had not completed the purchase price allocation to the fair value of the identifiable net assets acquired and goodwill. The fair value determination of the assets acquired and liabilities assumed was based on Management’s best estimates and information known at the time of preparing these consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to property, plant and equipment, intangible assets and deferred tax liabilities. If new information obtained about facts and circumstances that existed at the date of acquisition identifies adjustments to the below amounts, or any additional provisions that existed at the date of acquisition, the accounting for this acquisition will be revised.

The following is a preliminary summary of the assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date.

(Amounts in millions of Canadian dollars)

Assets Acquired	
Accounts receivable	36
Inventories	16
Other current assets	8
Property, plant and equipment	39
Intangible assets	9
	108
Liabilities Assumed	
Accounts payable and accrued liabilities	(23)
Income taxes payable	(3)
Long-term debt and notes payable	(22)
Provisions and other long-term liabilities	(7)
Deferred tax liabilities	(6)
Total identifiable net assets acquired	47
Cash outlay at closing	48
Payment of long-term debt and notes payable	(22)
Contingent consideration	5
Deferred consideration	16
Consideration transferred to shareholders	47

The Company agreed to pay an additional consideration to some of the selling shareholders of up to seven million dollars, contingent upon achieving specific financial milestones in a future period. The fair value of the contingent consideration of five million dollars was estimated by calculating the present value of the future expected cash flows. The estimates were based on a discount rate of 10%.

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At the acquisition date, the trade receivables comprise gross amounts of \$36 million, which were expected to be collectible.

The Company's valuation of intangible assets has mainly identified customer relationships having a useful life of 10 years. Significant assumptions used in the determination of intangible assets, as defined by Management, include year-over-year sales growth, discount rate and operating income before depreciation and amortization margin.

In the period from May 7, 2025 to December 31, 2025, the sales and net income of Locweld amounted to \$54 million and six million dollars, respectively.

b) On November 5, 2025, the Company acquired the assets of Brooks Manufacturing Co. ("Brooks"), a manufacturer of treated wood distribution crossarms and transmission framing components. The total consideration consisted of a purchase price of \$198 million (US\$140 million), plus a working capital adjustment. The cash outlay at closing was \$198 million excluding acquisition-related costs of one million dollars, recognized in the consolidated statement of income under selling and administrative expenses. With this acquisition, the Company has broadened its product offerings to better serve utilities across North America.

As at the reporting date, the Company had not completed the purchase price allocation to the fair value of the identifiable net assets acquired and goodwill. The fair value determination of the assets acquired and liabilities assumed was based on Management's best estimates and information known at the time of preparing these consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to property, plant and equipment, intangible assets and goodwill. If new information obtained about facts and circumstances that existed at the date of acquisition identifies adjustments to the below amounts, or any additional provisions that existed at the date of acquisition, the accounting for this acquisition will be revised.

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The following is a preliminary summary of the assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date. The original transaction was made in U.S. dollars and converted into Canadian dollars as at the acquisition date.

(Amounts in millions of Canadian dollars)	
Assets Acquired	
Accounts receivable	10
Inventories	23
Property, plant and equipment	41
Intangible assets	83
Goodwill	48
Deferred tax assets	2
	207
Liabilities Assumed	
Accounts payable and accrued liabilities	(1)
Income taxes payable	(1)
Provisions and other long-term liabilities	(7)
	198
Total identifiable net assets acquired	198
Cash outlay at closing	198
Consideration transferred	198

At the acquisition date, the trade receivables comprise gross amounts of \$10 million, which were expected to be collectible.

The Company's valuation of intangible assets has mainly identified customer relationships having a useful life of 10 years. Significant assumptions used in the determination of intangible assets, as defined by Management, include year-over-year sales growth, discount rate and operating income before depreciation and amortization margin. For impairment test purposes, goodwill is allocated to a CGU defined as plants specialized in the treatment of utility products and residential lumber - U.S.

In the period from November 5, 2025 to December 31, 2025, the sales and net income of Brooks amounted to \$12 million and two million dollars, respectively.

5 Accounts Receivable

(Amounts in millions of Canadian dollars)	2025	2024
Trade receivables	238	247
Less: Credit loss allowance	(1)	(1)
Trade receivables	237	246
Other receivables	25	31
	262	277

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The aging of gross trade receivables at each reporting date was as follows:

(Amounts in millions of Canadian dollars)	2025	2024
Current	190	202
Past due 1-30 days	15	17
Past due 31-60 days	16	9
Past due more than 60 days	17	19
	238	247

In the normal course of its business, the Company has entered into facilities with certain financial institutions whereby it can sell, without credit recourse, eligible receivables to the concerned financial institutions.

6 Inventories

(Amounts in millions of Canadian dollars)	2025	2024
Raw materials	980	1,047
Finished goods	673	712
	1,653	1,759

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7 Property, Plant and Equipment

(Amounts in millions of Canadian dollars)	Land	Buildings	Production equipment	Rolling stock	Others	Total
As at January 1, 2024						
Cost	76	202	823	44	19	1,164
Accumulated depreciation	—	(43)	(179)	(23)	(13)	(258)
Net book amount	76	159	644	21	6	906
Year ended December 31, 2024						
Opening net book amount	76	159	644	21	6	906
Additions	3	44	83	4	—	134
Disposals / impairments	—	—	(4)	(1)	—	(5)
Reclassification between categories	—	4	(4)	—	—	—
Depreciation	—	(7)	(33)	(5)	(1)	(46)
Exchange differences	4	11	43	1	—	59
Closing net book amount	83	211	729	20	5	1,048
As at December 31, 2024						
Cost	83	265	950	48	19	1,365
Accumulated depreciation	—	(54)	(221)	(28)	(14)	(317)
Net book amount	83	211	729	20	5	1,048
Year ended December 31, 2025						
Opening net book amount	83	211	729	20	5	1,048
Business combination	29	19	32	—	—	80
Additions	2	35	46	4	3	90
Disposals / impairments	(1)	(2)	(4)	(3)	—	(10)
Depreciation	—	(9)	(40)	(5)	(1)	(55)
Exchange differences	(3)	(8)	(26)	—	—	(37)
Closing net book amount	110	246	737	16	7	1,116
As at December 31, 2025						
Cost	110	307	990	45	22	1,474
Accumulated depreciation	—	(61)	(253)	(29)	(15)	(358)
Net book amount	110	246	737	16	7	1,116

As at December 31, 2025, four million dollars is included in accounts payable and accrued liabilities for the purchases of property, plant and equipment (December 31, 2024 – \$10 million).

As at December 31, 2025, \$23 million (Buildings – three million dollars and Production equipment – \$20 million) of property, plant and equipment was under construction and not yet subject to depreciation (December 31, 2024 – \$110 million (Buildings – \$51 million dollars and Production equipment – \$59 million)).

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8 Leases

The consolidated statement of financial position shows the following amounts relating to leases:

(Amounts in millions of Canadian dollars)	2025	2024
Right-of use assets		
Rolling stock	208	245
Land	76	62
Other assets	4	4
	288	311
Lease liabilities		
Current lease liabilities	63	64
Non-current lease liabilities	240	259
	303	323

The following table provides a reconciliation of the right-of-use assets, presented in the consolidated statements of financial position for the years ended December 31, 2025 and 2024:

Right-of-use assets (Amounts in millions of Canadian dollars)	Rolling stock	Land	Other assets	Total
As at January 1, 2024	227	54	4	285
Additions	58	18	—	76
Terminations	(1)	(4)	—	(5)
Depreciation	(56)	(9)	(1)	(66)
Remeasurement	—	1	1	2
Exchange differences	17	2	—	19
As at December 31, 2024	245	62	4	311
Additions	33	1	—	34
Terminations	(2)	—	—	(2)
Depreciation	(59)	(8)	(1)	(68)
Remeasurement	1	22	1	24
Exchange differences	(10)	(1)	—	(11)
As at December 31, 2025	208	76	4	288

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The following table provides a reconciliation of the lease liabilities, presented in the consolidated statements of financial position for the years ended December 31, 2025 and 2024:

Lease liabilities (Amounts in millions of Canadian dollars)	Rolling stock	Land	Other assets	Total
As at January 1, 2024	232	58	4	294
Payments under lease agreements	(62)	(10)	(1)	(73)
Finance costs	8	3	—	11
Additions	58	18	—	76
Terminations	(1)	(5)	—	(6)
Remeasurement	—	1	1	2
Exchange differences	17	2	—	19
As at December 31, 2024	252	67	4	323
Payments under lease agreements	(66)	(10)	(1)	(77)
Finance costs	8	3	—	11
Additions	33	1	—	34
Terminations	(2)	—	—	(2)
Remeasurement	1	22	1	24
Exchange differences	(9)	(1)	—	(10)
As at December 31, 2025	217	82	4	303

The Company leases various rolling stock (mobile equipment, road vehicles and rail cars), land and other assets. Leases are typically made for fixed periods of one to 10 years and may have extension options that are considered when it is reasonably certain that the option will be exercised. Extension and termination options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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9 Intangible Assets and Goodwill

The net book amount of these intangible assets and goodwill was as follows:

(Amounts in millions of Canadian dollars)	Intangible assets				Total	Goodwill
	Customer relationships	Creosote registration	Software	Others		
As at January 1, 2024						
Cost	181	41	61	18	301	375
Accumulated amortization	(101)	—	(20)	(11)	(132)	—
Net book amount	80	41	41	7	169	375
Year ended December 31, 2024						
Opening net book balance	80	41	41	7	169	375
Additions	—	—	9	1	10	—
Amortization	(10)	—	(7)	(1)	(18)	—
Exchange differences	6	3	—	—	9	31
Closing net book amount	76	44	43	7	170	406
As at December 31, 2024						
Cost	195	44	67	19	325	406
Accumulated amortization	(119)	—	(24)	(12)	(155)	—
Net book amount	76	44	43	7	170	406
Year ended December 31, 2025						
Opening net book balance	76	44	43	7	170	406
Business combinations	93	—	—	—	93	48
Additions	—	—	8	1	9	—
Amortization	(12)	—	(9)	(1)	(22)	—
Exchange differences	(5)	(2)	—	—	(7)	(20)
Closing net book amount	152	42	42	7	243	434
As at December 31, 2025						
Cost	278	42	68	17	405	434
Accumulated amortization	(126)	—	(26)	(10)	(162)	—
Net book amount	152	42	42	7	243	434

Customer relationships comprise long-term agreements with certain customers and ongoing business relationships. The acquisition cost was established based on future benefits associated with these relationships.

Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to CGUs which reflect how it is monitored for internal management purposes.

The recoverable amount of a CGU is determined based on fair value less cost to dispose (“FVLCTD”) calculations. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

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FVLCTD calculations use cash flow projections covering a five-year period that are based on the latest financial budgets for revenue and cost as approved by senior management. Cash flow projections beyond five years are based on a growth rate not exceeding gross domestic product for the respective countries. Two percent growth rates are assumed in perpetuity. Post-tax cash flow projections are discounted using a real post-tax discount rate of 8%, that is based on past experience, and industry average weighted average cost of capital. The assumptions used in calculating FVLCTD have considered the current economic environment.

The carrying value of goodwill is allocated to the following CGUs:

CGUs (Amounts in millions of Canadian dollars)	2025	2024
Plants specialized in the treatment of utility products and residential lumber - U.S.	274	238
Plants specialized in the treatment of railway ties	154	162
Plants specialized in the treatment of residential lumber - Canada	6	6
	434	406

Impairment tests for intangible assets with indefinite useful life

The only intangible asset with indefinite useful life is the creosote registration. This registration provides the Company with the right to produce and sell creosote out of its Memphis, Tennessee facility. The Company's approach to creosote supply is to produce a portion of its requirements and to buy the remainder on the open market. As a result, the creosote registration procures the advantage of being able to produce, which is less expensive than buying on the market.

The recoverable amount of the creosote registration is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections covering a five-year period that are based on the latest financial budgets of cost savings as approved by senior management. No growth rate is assumed in the cash flow projections beyond five years, given the commodity nature of the product (i.e. volume growth is assumed to be offset by real price declines). Pre-tax cash flow projections are discounted using a real pre-tax discount rate of 11%.

10 Accounts Payable and Accrued Liabilities

(Amounts in millions of Canadian dollars)	2025	2024
Trade payables and accrued expenses	112	127
Other payables	41	53
	153	180

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11 Long-term Debt

(Amounts in millions of Canadian dollars)	Maturity date	2025	2024
Unsecured:			
Revolving credit facilities ^{(a)(b)(c)}	2026-2030	427	295
Term loan facilities ^(b)			
US\$125, variable rate based on SOFR plus 1.725%	2028	171	180
US\$100, fixed rates ranging from 3.27% to 4.47%, with quarterly amortization payments starting in 2026	2029-2030	137	144
US\$25, fixed rate of 4.52%	2029	34	36
US\$47.8 (as at December 31, 2024 – US\$150), variable rate based on SOFR plus applicable margin	2030-2031	66	216
Senior notes ^(d)			
\$400, fixed rate of 4.312%	2031	400	400
US\$75, fixed rate of 3.81%	2027	103	108
Other ^(e)			
		2	3
		1,340	1,382
Deferred financing costs		(1)	(2)
		1,339	1,380
Less: Current portion of long-term debt		37	1
		1,302	1,379

a) Unsecured Syndicated Credit Facilities

The Company has in place unsecured revolving credit facilities with a syndicate of lenders amounting to US\$600 million, maturing on December 20, 2029. The syndicated credit agreement also includes an accordion feature whereby the Company may request an increase in an aggregate amount of US\$400 million, subject to lenders' approval.

Borrowings under the syndicated credit facilities may be obtained in the form of prime rate loans, Canadian Overnight Repo Rate Average ("CORRA") loans, U.S. base rate loans, Secured Overnight Financing Rate ("SOFR") loans and letters of credit. The interest rate margin will range from 0.00% to 1.25% with respect to prime rate loans and U.S. base rate loans and from 1.00% to 2.25% with respect to CORRA, SOFR loans and fees for letters of credit, in each case based upon the Company's net funded debt-to-earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio.

As at December 31, 2025, borrowings under the syndicated credit agreement by Canadian entities denominated in U.S. dollars represented \$69 million (US\$50 million) and were designated as hedges of net investment in foreign operations.

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b) Unsecured Senior U.S. Farm Credit Facilities

The Company is party to a credit agreement with a syndicate of lenders within the farm credit system (the “U.S. Farm Credit Agreement”) pursuant to which unsecured senior credit facilities in an aggregate amount of up to US\$448 million are available. The U.S. Farm Credit Agreement provides a term loan facility of up to US\$298 million (or, the “Term Loan Facility”), and a revolving credit facility (or, the “Revolving Credit Facility”). On February 4, 2025, the Company amended the U.S. Farm Credit Agreement in order to, among other things, extend the term of the revolving credit facility of US\$150 million from March 3, 2028 to February 4, 2030. The U.S. Farm Credit Agreement also provides an uncommitted option to increase the unsecured senior credit facilities by up to an additional US\$150 million, subject to certain terms and conditions.

Interest rates under the Revolving Credit Facility are based, at the Company’s election, on either a floating rate based on SOFR, or a base rate, in each case plus a margin over the index. The applicable margin ranges from 0.5% to 1.25% for base rate loans, and from 1.5% to 2.25% for SOFR loans, in each case based upon the Company’s net funded debt-to-EBITDA ratio.

The unsecured senior credit facilities were issued by a syndicate of lenders within the farm credit system and are eligible for patronage refunds. Patronage refunds are distributions of profits from lenders in the farm credit system, which are cooperatives that are required to distribute profits to their members. Patronage distributions, in the form of cash, are received in the year after they were earned. Future refunds are dependent on future farm credit lender profits, made at the discretion of each farm credit lender.

Loans under the U.S. Farm Credit Facilities, other than fixed rate term loans, may be prepaid from time to time at the Company’s discretion without premium or penalty but subject to breakage costs, if any. If all or any portion of a fixed rate term loan is prepaid, a prepayment premium may apply. Term loans amounts repaid may not be subsequently re-borrowed. Principal amounts under the Revolving Credit Facility may be drawn, repaid, and redrawn until February 4, 2030.

c) Unsecured U.S. Credit Facility

In 2025, the Company entered into a credit agreement providing for a U.S. revolving credit facility with a maximum amount of US\$15 million, maturing in August 2026. The facility is used for general corporate purposes and will be automatically renewed on an annual basis unless the Company or the lender provides notice of non-renewal. The applicable interest rate for this credit facility is SOFR plus 1.45%.

d) Unsecured Senior Notes

The Company has unsecured senior notes pursuant to a private placement of \$400 million in aggregate principal amount, bearing interest at the rate of 4.312% per annum, payable semi-annually and maturing October 1st, 2031. The notes rank pari passu with all other unsecured and unsubordinated obligations of the Company.

The Company also has US\$75 million of unsecured senior notes, issued pursuant to a private placement with certain U.S. investors, which are payable in a single installment at maturity on January 17, 2027 and are designated as hedges of net investment in foreign operations.

e) Other Notes Payable

Other notes payable consists of a promissory note pursuant to a business acquisition in the amount of two million

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dollars (US\$2 million), secured by the land of the Company's facility in Pineville.

In order to maintain in place the credit facilities, and private placement senior notes with certain U.S. investors, the Company needs to comply with customary affirmative covenants, negative covenants, reporting requirements and financial ratios. As at December 31, 2025, the Company was required to maintain a net funded debt-to-EBITDA ratio of no more than 3.75:1.00, an interest coverage ratio equal to or greater than 3.00:1.00 and a priority debt to consolidated net tangible assets ratio not more than 15%, which are measured on a quarterly basis. As at December 31, 2025, the Company was in full compliance with these covenants, requirements and ratios.

The repayment requirements on the long-term debt as at December 31, 2025 are as follows:

(Amounts in millions of Canadian dollars)	Principal
2026	37
2027	138
2028	206
2029	450
2030	78
Thereafter	431
	<hr/> 1,340

The aggregate fair value of the Company's long-term debt was estimated at \$1,340 million as at December 31, 2025 (as at December 31, 2024 – \$1,368 million) based on discounted future cash flows, using interest rates available to the Company for issues with similar terms and average maturities.

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12 Provisions and Other Long-term Liabilities

(Amounts in millions of Canadian dollars)	Provisions			Other long-term liabilities			Grand total
	Site remediation	Others	Total	Share-based payment plans	Others	Total	
Balance as at January 1, 2024	24	1	25	21	11	32	57
Additions	10	1	11	14	—	14	25
Payments	(7)	(1)	(8)	(12)	(4)	(16)	(24)
Exchange differences	1	—	1	1	1	2	3
Balance as at December 31, 2024	28	1	29	24	8	32	61
Business combination	9	—	9	—	21	21	30
Additions	5	—	5	11	4	15	20
Payments	(13)	(1)	(14)	(14)	(18)	(32)	(46)
Exchange differences	(1)	—	(1)	—	—	—	(1)
Balance as at December 31, 2025	28	—	28	21	15	36	64
Current portion	5	—	5	12	3	15	20
Non-current portion	23	—	23	9	12	21	44
	28	—	28	21	15	36	64

13 Share-based Payments

In May 2024, the shareholders of the Company approved the Treasury Share Unit Plan (“TSU Plan”), which allows equity awards to be granted to the President and Chief Executive Officer, Senior Vice-Presidents and Vice-Presidents (collectively “Executive Officers”) in the form of TRSUs and TPSUs, starting in March 2025. The total number of shares reserved for issuance under the TSU Plan and the Stock Option Plan, on a combined basis, is 1,500,000.

The TSU Plan supplements the existing cash-settled Stock Unit Plan (“SUP”). Awards granted under the SUP will remain outstanding and governed by the terms of such plan, but no new awards will be granted to Executive Officers under the SUP. All awards made under the TSU Plan are considered equity-settled arrangements.

The Company’s share-based payment plans consist of two categories: equity-settled TRSUs and TPSUs and cash-settled RSUs, PSUs and DSUs.

Equity-settled TRSUs and TPSUs plan

Under the TSU Plan, TRSUs and TPSUs granted to Executive Officers are settled in shares, either issued from treasury or purchased on the open market, in cash or in a combination thereof, at the discretion of the Company. TPSUs granted vest based on the attainment of performance criteria and market conditions set out pursuant to the TSU Plan. TRSUs vest ratably over a period of three years and TPSUs vest three years after the grant date, subject to the participant’s continued employment at time of vesting.

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Changes in outstanding TRSUs during the years ended December 31, are as follows:

	2025	2024
TRSUs outstanding - Beginning of year	—	—
Granted	126,650	—
Forfeited	(19,710)	—
TRSUs outstanding - End of year	106,940	—

Changes in outstanding TPSUs during the years ended December 31, are as follows:

	2025	2024
TPSUs outstanding - Beginning of year	—	—
Granted	68,455	—
Forfeited	(10,654)	—
TPSUs outstanding - End of year	57,801	—

Cash-settled RSUs and PSUs plan

Under the SUP, RSUs and PSUs are granted to eligible participants of the Company. RSUs and PSUs entitle the holders to receive a cash payment equal to the average closing price on the TSX of the Company's common shares for the five trading days preceding the vesting date. PSUs granted vest based on the attainment of performance criteria and market conditions set out pursuant to the SUP. RSUs vest ratably over a period of up to three years and PSUs are paid three years after the grant date, subject to the participant's continued employment at time of vesting.

Changes in outstanding RSUs for the years ended December 31, are as follows:

	2025	2024
RSUs outstanding - Beginning of year	156,156	129,438
Granted	13,648	118,688
Vested	(94,150)	(90,508)
Forfeited	(10,985)	(1,462)
RSUs outstanding - End of year	64,669	156,156

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Changes in outstanding PSUs for the years ended December 31, are as follows:

	2025	2024
PSUs outstanding - Beginning of year	128,744	97,072
Granted	7,391	59,348
Performance multiplier	36,130	26,543
Vested	(72,260)	(53,086)
Forfeited	(13,231)	(1,133)
PSUs outstanding - End of year	86,774	128,744

DSUs

DSUs entitle non-executive directors of the Company to receive a minimum participation amount in the form of DSUs and they may elect to participate in the DSU plan for all or a portion of their Board fees. Such deferred remuneration is converted to DSUs based on the average closing price of the Company's common shares on the TSX of the five trading days immediately preceding the date such awards are granted to the non-executive director. DSUs are settled for cash only after a non-executive director ceases to act as a director.

Additionally, the Company maintains a supplementary executive retirement plan that permits certain Executive Officers to receive DSUs.

Changes in outstanding DSUs for the years ended December 31, are as follows:

	2025	2024
DSUs outstanding - Beginning of year	71,457	59,365
Granted	11,341	12,092
DSUs outstanding - End of year	82,798	71,457

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14 Cash Flow Information

The following table presents the movements in the liabilities from financing activities for the years ended December 31, 2025 and 2024:

(Amounts in millions of Canadian dollars)	Liabilities from financing activities			Total
	Long-term debt	Revolving credit facilities	Lease liabilities	
Balance as at January 1, 2024	(566)	(750)	(294)	(1,610)
Cash flows, net	(463)	471	62	70
Lease additions	—	—	(76)	(76)
Other non-cash movements	—	—	4	4
Foreign exchange adjustments	(56)	(16)	(19)	(91)
Balance as at December 31, 2024	(1,085)	(295)	(323)	(1,703)
Cash flows, net	144	(142)	66	68
Lease additions	—	—	(34)	(34)
Other non-cash movements	1	—	(22)	(21)
Foreign exchange adjustments	28	10	10	48
Balance as at December 31, 2025	(912)	(427)	(303)	(1,642)

15 Capital Stock and Earnings Per Share

The following table provides the number of common shares outstanding for the years ended December 31:

	2025	2024
Number of common shares outstanding - Beginning of year	55,824,953	56,866,712
Common shares repurchased	(1,169,037)	(1,078,577)
Stock option exercised	5,000	15,000
Employee share purchase plans	36,298	21,818
Number of common shares outstanding - End of year	54,697,214	55,824,953

Capital stock

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

All issued shares are fully paid. The common shares provide for the right to receive notice of, attend and vote at all meetings of shareholders and receive dividends, subject to the prior rights of the preferred shares and any other shares ranking senior to the common shares. To date, the Company has not issued any preferred shares.

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Normal Course Issuer Bid (“NCIB”)

On November 5, 2024, the TSX accepted the Company’s Notice of Intention to Make a NCIB (“Notice”) to purchase for cancellation up to 2,500,000 common shares during the 12-month period commencing November 14, 2024 and ending November 13, 2025, representing approximately 4.5% of the common shares outstanding.

On November 4, 2025, the TSX accepted the Company’s Notice to purchase for cancellation up to 1,500,000 common shares during the 12-month period commencing November 14, 2025 and ending November 13, 2026, representing approximately 2.7% of the common shares outstanding.

During the year ended December 31, 2025, the Company repurchased for cancellation 1,169,037 common shares under its NCIBs then in effect (during the year ended December 31, 2024 - 1,078,577 common shares) for a total consideration of \$90 million (during the year ended December 31, 2024 - \$90 million), representing an average price of \$76.98 per common share (in 2024 - \$83.43).

As at December 31, 2025, the Company’s capital stock was reduced by four million dollars (as at December 31, 2024 – four million dollars) and the retained earnings decreased by \$88 million (as at December 31, 2024 – \$88 million), including two million dollars of related taxes (December 31, 2024 – two million dollars).

Stock option plan

The Company has a stock option plan (the “Plan”) for directors, officers and employees whereby the Board of Directors or a committee appointed for such purpose (“Committee”) may, from time to time, grant to directors, officers or employees of the Company options to acquire common shares in such numbers, for such terms and at such exercise prices as are determined by the Board of Directors or such Committee.

Each option shall be exercisable during a period established by the Board of Directors or Committee, and the term of the option may not exceed 10 years. The Company has not granted any stock options since 2015.

During the year ended December 31, 2025, 5,000 ordinary shares were issued as a result of the exercise of options arising from the share options granted in 2015 (December 31, 2024 - 15,000). Options were exercised at the option value price of \$49.01 per share.

As at December 31, 2025, the number of outstanding and exercisable options to acquire common shares issued under the Company’s Plan was nil (December 31, 2024 – 5,000).

Employee share purchase plans

The aggregate number of common shares reserved for issuance under the Company’s employee share purchase plans is 1,300,000.

The employee share purchase plans were amended in January 2025. Under the new plans, employees of the Company who are Canadian and U.S. residents are eligible to buy common shares from the Company, up to a maximum of 5% of their base annual salary, and the Company contributes an amount equal to 25% of the employee contributions.

Prior to the amendment, employees who held common shares in the employee share purchase plan for 18 months following the date of acquisition of such shares received additional common shares of the Company equivalent to 10% of the amount of their contributions made on the date of acquisition.

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In 2025, 36,298 common shares (2024 – 21,818) were issued to employees at an average price of \$57.27 per share (2024 – \$72.96).

Earnings per share

The following table provides the reconciliation for basic earnings per common share and diluted earnings per common share:

(Amounts in millions of Canadian dollars, except per share amounts)	2025	2024
Net income applicable to common shares	\$337	\$319
Weighted average number of common shares outstanding*	55,316	56,403
Effect of dilutive stock options and non-vested TRSUs and TPSUs*	54	4
Weighted average number of diluted common shares outstanding*	55,370	56,407
Basic and diluted earnings per common share	\$6.09	\$5.66

* Number of shares is presented in thousands.

Dividends

In 2025, the Company paid dividends of \$68 million (2024 - \$63 million), representing dividends declared per common share of \$1.24 (2024 - \$1.12).

16 Expenses by Nature

(Amounts in millions of Canadian dollars)	2025	2024
Raw materials and consumables	2,102	2,119
Employee benefit expenses	344	329
Freight	198	199
Depreciation and amortization	145	130
Expenses incurred in manufacturing process	129	96
Other expenses	86	93
Gain on insurance settlement	(28)	—
	2,976	2,966

(Amounts in millions of Canadian dollars)	2025	2024
Employee benefit expenses		
Salaries, wages and benefits	315	300
Share-based compensation	14	14
Pension costs	2	2
Group registered retirement savings plans	13	13
	344	329

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Employee benefit expenses are included in cost of sales and selling and administrative expenses.

(Amounts in millions of Canadian dollars)	2025	2024
Financial expenses		
Interest expense on long-term debt and other financial charges	58	77
Interest on lease liabilities	11	11
	69	88

17 Income Taxes

(Amounts in millions of Canadian dollars)	2025	2024
Current income tax		
Current tax on income for the year	90	99
Adjustments in respect of prior years	(6)	(11)
Changes in estimates related to prior years	—	(2)
Total current income tax	84	86
Deferred income tax		
Origination and reversal of temporary differences	17	3
Impact of change in tax rate	—	(3)
Adjustments in respect of prior years	9	10
Total deferred income tax	26	10
Income tax expense	110	96

Reconciliation of effective income tax rate	2025	2024
(Amounts in millions of Canadian dollars)		
Income before income tax	447	415
Canadian statutory rate (combined federal and provincial)	26.11 %	26.12 %
Income tax expense at that statutory rate	117	108
Tax effects of:		
Rate differential between jurisdictions	(5)	(6)
Non-deductible/non-taxable items	(5)	—
Remeasurement of deferred income tax - change in tax rate	—	(3)
Adjustments in respect of prior years' tax expense	3	(1)
Changes in estimates related to prior years	—	(2)
Income tax expense	110	96

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Deferred tax assets and liabilities

During the years ended December 31, 2025 and 2024, movements in temporary differences are as follows:

(Amounts in millions of Canadian dollars)	As at December 31, 2024	Recognized in statement of income	Recognized in other comprehensive income	Acquired in business combination	Recognized in translation adjustment	As at December 31, 2025
Property, plant and equipment (including right-of-use assets)	(238)	(15)	—	(6)	9	(250)
Intangible assets	(56)	(1)	—	(3)	2	(58)
Financial Instruments	(5)	—	3	—	—	(2)
Lease liabilities	81	(2)	—	—	(4)	75
Reserves	22	(8)	—	5	(1)	18
Deferred pension benefit	1	—	(1)	—	—	—
Others	(2)	—	—	—	2	—
Net deferred tax liabilities	(197)	(26)	2	(4)	8	(217)

(Amounts in millions of Canadian dollars)	As at December 31, 2023	Recognized in statement of income	Recognized in other comprehensive income	Acquired in business combination	Recognized in translation adjustment	As at December 31, 2024
Property, plant and equipment (including right-of-use assets)	(212)	(12)	—	—	(14)	(238)
Intangible assets	(51)	(1)	—	—	(4)	(56)
Financial Instruments	(5)	—	—	—	—	(5)
Lease liabilities	75	1	—	—	5	81
Reserves	18	3	—	—	1	22
Deferred pension benefit	2	(1)	—	—	—	1
Others	(2)	—	—	—	—	(2)
Net deferred tax liabilities	(175)	(10)	—	—	(12)	(197)

As of December 31, 2025, the Company did not recognize deferred income tax assets of six million dollars (as at December 31, 2024 – six million dollars) in respect of capital losses amounting to \$50 million (as at December 31, 2024 – \$47 million) that can be carried forward indefinitely against future taxable capital gains.

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totaled \$1,657 million as at December 31, 2025 (as at December 31, 2024 – \$1,465 million).

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18 Employee Future Benefits

The Company recognizes costs for several types of employee future benefits. In Canada, the Company contributed to two defined benefit pension plans covering some salaried and non-union hourly wage employees and to a multi-employer plan for certain hourly employees.

Other post-employment benefits are offered to a portion of retired employees and consist of group health and dental care, life insurance and complementary retirement benefits. The defined benefit pension plans and other post-employment benefits plan are closed to new participants.

The Company's wholly-owned subsidiary, Stella-Jones Corporation, contributes to two defined benefit pension plans, in the United States and one of these pension plans remains open to new participants.

All other active employees are entitled to a group registered retirement savings plan to which the Company matches one and a half times the employee contribution. The Company's contribution cannot exceed 6.0% of the employee's annual base salary.

In 2025, employee future benefit expenses were \$15 million (2024 - \$15 million), with \$13 million of contributions to the group registered retirement savings plan (2024 - \$13 million). As at December 31, 2025, the net liability for the defined benefit pension plan and other post-employment benefits recorded on the consolidated statements of financial position was one million dollars (December 31, 2024 - four million dollars).

The Company's Canadian defined benefit pension plans benefits are based on years of service and final average earnings. The Stella-Jones Corporation defined benefit pension plans benefits consist of a flat dollar amount payable monthly based on years of service. The other post-employment benefits plan is not funded.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year.

There was no change in the accrued benefit obligation for the other post-employment benefits plan for the year ended December 31, 2025 (for the year ended December 31, 2024 - nil).

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The following table presents financial information related to the Company's defined benefit pension plans, other than the multi-employer defined benefit plan:

(Amounts in millions of Canadian dollars)	2025	2024
Accrued benefit obligation		
Balance – Beginning of year	26	32
Current service cost	1	1
Interest cost	1	1
Benefits payments	(1)	(2)
Defined benefit obligation extinguished on settlement	—	(6)
Remeasurement adjustments		
Changes in financial assumptions	(1)	(1)
Exchange difference	—	1
Balance – End of year	26	26
Plan assets		
Fair value – Beginning of year	24	24
Interest income on plan assets	1	1
Return on plan asset excluding interest income	—	1
Employer's contributions	1	5
Asset distributed on settlement	—	(5)
Effect of asset ceiling	2	—
Benefits paid	(1)	(2)
Fair value – End of year	27	24
Net benefit liability	1	(2)

Risks associated with the Company's defined benefit plans are similar to those of typical benefit plans, including market risk, interest rate risk, liquidity risk, credit risk, currency risk and longevity risk. The most significant risks are the exposure to asset volatility and changes in bond yields. Weaker than expected investment returns and a decrease in corporate bond yields will increase the net benefit liability and worsen the plans' funded position.

A 0.25% decrease in the discount rate would increase the defined benefit obligation as at December 31, 2025 by one million dollars.

Expected contributions to the defined benefit pension plans for the year ending December 31, 2026 are one million dollars.

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The items of the Company's defined benefit plans costs recognized during the year are as follows:

Consolidated statement of income (Amounts in millions of Canadian dollars)	2025	2024
Current service cost	1	1
Interest cost	1	1
Interest income on plan assets	(1)	(1)
Total cost recognized	1	1
Consolidated statement of comprehensive income		
Actuarial gains	3	1
Total recognized in other comprehensive income (loss) before income tax	3	1
Accumulated actuarial losses recognized in other comprehensive income		
Balance of actuarial losses as at January 1	(2)	(3)
Net actuarial gains recognized in the year, net of tax	2	1
Balance of actuarial losses as at December 31	—	(2)

The significant weighted average assumptions used are as follows:

	Defined benefit pension plans		Other post-employment plan	
	2025	2024	2025	2024
	%	%	%	%
Accrued benefit obligation as at December 31				
Discount rate	5.10	4.90	4.90	4.90
Rate of compensation increase	3.25	3.25	n/a	n/a
Benefit costs for the year ended December 31				
Discount rate	4.90	4.70	4.70	4.70

The percentage of plan assets held by the defined benefit plans consists of the following as at December 31:

	2025	2024
	%	%
Listed equity securities	—	22
Listed debt securities	54	29
Guaranteed insurance contracts	31	36
Real assets	13	13
Short-term investments and cash	2	—
	100 %	100 %

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19 Commitments and Contingencies

- a) The Company has issued guarantees under letters of credit and various bid and performance bonds for a total of \$68 million (2024 – \$68 million). The Company does not believe these guarantees are likely to be called on. As a result, no provisions have been recorded in the consolidated financial statements. The Company has also entered into a ten-year agreement to purchase renewable energy certificates for a total of eight million dollars (2024 – eight million dollars).
- b) The Company's operations are subject to Canadian federal and provincial as well as U.S. federal and state environmental laws and regulations governing, among other matters, air emissions, waste management, wastewater effluent discharges and use of antimicrobial pesticide products. The Company takes measures to comply with such laws and regulations. However, the measures taken are subject to the uncertainties of changing legal requirements, enforcement practices and developing technological processes.

20 Financial Instruments and Management of Financial Risk

Carrying values and fair values

The Company has determined that the fair value of its current financial assets and financial liabilities approximates their carrying amounts as at the consolidated statement of financial position dates because of the short-term maturity of those instruments. The fair values of the non-current receivables and interest-bearing financial liabilities also approximate their carrying amounts unless otherwise disclosed elsewhere in these consolidated financial statements.

The fair values of interest rate swap agreements have been determined and recorded using mark-to-market values as at December 31, 2025 and 2024 from third parties. These types of measurement fall under Level 2 in the fair value hierarchy as per IFRS 7, *Financial Instruments: Disclosures*. A description of each level of the hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for these assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table provides a summary of the fair values:

(Amounts in millions of Canadian dollars)	2025	2024
Current assets		
Interest rate swap agreements	1	—
	1	—
Non-current assets		
Interest rate swap agreements	9	21
	9	21

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Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at December 31, 2025, the Company's credit exposure consists primarily of the carrying amount of accounts receivable and derivative financial instruments.

Credit risk associated with derivative financial instruments is minimized by dealing with creditworthy financial institutions.

The Company's exposure to credit risk for accounts receivable is influenced mainly by the individual characteristics of each customer. Management believes that the credit risk is limited because the Company deals primarily with large-scale utilities, Class 1 railroad operators and large retailers as well as other major corporations.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and credit references from other suppliers. Purchase limits are established for each customer, which represent the maximum open amount not requiring additional approval from Management. A monthly review of the accounts receivable aging is performed by Management. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Note 5 provides details on the receivable aging for the years ended December 31, 2025 and 2024. The Company's largest customer had sales representing 14% of the total sales for the year ended December 31, 2025 (for the year ended December 31, 2024 – 14%) and an account receivable balance of eight million dollars as at December 31, 2025 (as at December 31, 2024 – \$10 million). The sales for this customer are included in the residential lumber product category.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, on a long-term basis, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring losses or risking damage to its reputation.

The operating activities of the Company are the primary source of cash flows. The Company also has credit facilities (Note 11) which can be used for working capital and general corporate requirements. As at December 31, 2025, the Company had \$634 million of available liquidity, including \$590 million (US\$431 million) under the Company's credit facilities.

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The following table details the maturities of the financial liabilities as at December 31:

(Amounts in millions of Canadian dollars)						2025
	Carrying amount	Contractual cash flows	Less than 1 year	Years 2 and 3	Years 4 and 5	More than 5 years
Accounts payable and accrued liabilities	153	153	153	—	—	—
Long-term debt obligations ⁽¹⁾	1,339	1,557	88	437	588	444
Minimum payment under lease liabilities ⁽¹⁾	303	352	72	117	52	111
	1,795	2,062	313	554	640	555

						2024
	Carrying amount	Contractual cash flows	Less than 1 year	Years 2 and 3	Years 4 and 5	More than 5 years
Accounts payable and accrued liabilities	180	180	180	—	—	—
Long-term debt obligations ⁽¹⁾	1,380	1,710	62	299	686	663
Minimum payment under lease liabilities ⁽¹⁾	323	384	74	128	65	117
	1,883	2,274	316	427	751	780

⁽¹⁾ Includes interest payments. Interest on variable interest debt is assumed to remain unchanged from the rates in effect as at December 31, 2025 and December 31, 2024.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

Currency risk

A large portion of the Company's consolidated revenue and expenses are received or denominated in the functional currency of the business units operating in the markets in which it does business. Accordingly, the Company's sensitivity to variations in foreign exchange rates is economically limited. The Company's main source of foreign exchange risk resides in the Canadian operations' business transactions denominated in U.S. dollars. The Company's objective in managing its foreign exchange risk is to minimize its exposure to foreign currency cash flows and operations, by transacting with third parties in the functional currency of the business units to the maximum extent possible and through the use of foreign exchange forward contracts. As at December 31, 2025, the Company had no foreign exchange forward contract agreements in place.

The following table provides information on the impact of a 10% strengthening of the U.S. dollar against the Canadian dollar on net income and other comprehensive income (loss) for the years ended December 31, 2025 and 2024. For a 10% weakening of the U.S. dollar against the Canadian dollar, there would be an equal and opposite impact on net income and other comprehensive income (loss).

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This analysis considers the impact of foreign exchange variance on current financial assets and current financial liabilities denominated in U.S. dollars which are on the consolidated statement of financial position of the Canadian entities totaling \$11 million dollars (four million dollars as at December 31, 2024) and four million dollars (six million dollars as at December 31, 2024), respectively. The foreign exchange impact for the U.S. dollar-denominated long-term debt, in the Canadian entities, has been included in the sensitivity analysis for other comprehensive income (loss), as the long-term debt is designated as a hedge of net investment in foreign operations (Note 11).

(Amounts in millions of Canadian dollars)	2025	2024
Increase of net income	1	—
Decrease of other comprehensive income	18	29

Interest rate risk

The Company enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. As at December 31, 2025, the Company has mitigated its exposure to interest rate risk on long-term debt after giving effect to its interest rate swap agreements; 68% (2024 – 68%) of the Company's long-term debt is at fixed rates.

The Company designates its interest rate swap agreements as cash flow hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swap agreements. The cash flow hedge documentation allows the Company to substitute the underlying debt as long as the hedge effectiveness is demonstrated. As at December 31, 2025, all cash flow hedges were effective.

The following table summarizes the Company's interest rate swap agreements as at December 31:

Notional amount	Related debt instrument	Fixed rate %	Effective date	Maturity date	2025	2024
					Notional equivalent CAS	Notional equivalent CAS
US\$50	Revolving credit facilities	0.796*	Dec. 2021	Dec. 2026	69	72
US\$125	Term loan facility	1.0769**	July 2021	June 2028	171	180

* Plus applicable margin based on pricing grid included in the revolving credit agreements.

** Plus set margin of 1.725%.

During the year ended December 31, 2025, a 1% increase in interest rates would have increased interest expense by three million dollars and decreased the net loss recognized in other comprehensive income (loss) by approximately four million dollars. For a 1% decrease in the interest rates, there would be an opposite impact on interest expense and other comprehensive income (loss).

21 Capital Disclosures

The Company's objective in managing capital is to ensure sufficient liquidity and financial flexibility to pursue its growth strategy, while at the same time maintaining a disciplined approach to financial leverage and management of financial risk. The Company manages its capital structure and makes corresponding adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital

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structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or debt, acquire or sell assets, reduce the amount of existing debt or repurchase shares.

The Company's capital is composed of total debt, which includes lease liabilities, and shareholders' equity, which includes capital stock. The primary measure used by the Company to monitor its capital is the leverage ratio, which it aims to maintain within a range of 2.0 to 2.5x. The leverage ratio is defined as net debt divided by EBITDA. Net debt is the sum of total long-term debt and lease liabilities (including, for each, the current portion) less cash and cash equivalents.

The Company uses its capital to finance working capital requirements, capital expenditures and acquisitions. The Company currently funds these requirements out of its internally generated cash flows and its credit facilities. However, future acquisitions and growth opportunities may require new sources of financing.

22 Related Party Transactions

Key management compensation

Key management includes Stella-Jones Inc.'s non-executive directors, President and Chief Executive Officer and Senior Vice-Presidents. The compensation paid or payable to key management for services is as follows:

(Amounts in millions of Canadian dollars)	2025	2024
Salaries, compensation and benefits	7	8
Share-based compensation	9	9
	16	17

23 Segment Information

The Company operates within two business segments which are the production and sale of pressure-treated wood and the procurement and sales of logs and lumber. The reportable segments are managed independently as the operational processes and capital requirements are different.

The pressure-treated wood segment includes utility products, mainly wood utility poles, railway ties, residential lumber and industrial products.

The logs and lumber segment comprises the sales of logs harvested in the course of the Company's procurement process that are determined to be unsuitable for use as utility wood poles. Also included in this segment is the sale of excess lumber to local home-building markets. Assets and net income related to the logs and lumber segment are nominal.

Operating plants are located in six Canadian provinces and 17 American states. The Company also operates a large procurement and distribution network across North America.

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Sales attributed to countries based on location of customer are as follows:

(Amounts in millions of Canadian dollars)	2025	2024
U.S.	2,660	2,515
Canada	832	954
	3,492	3,469

Sales by product are as follows:

(Amounts in millions of Canadian dollars)	2025	2024
Utility products	1,822	1,705
Railway ties	821	890
Residential lumber	615	614
Industrial products	160	154
Pressure-treated wood	3,418	3,363
Logs and lumber	74	106
	3,492	3,469

Property, plant and equipment, right-of-use assets, intangible assets and goodwill attributed to the countries based on location are as follows as at December 31:

(Amounts in millions of Canadian dollars)	2025	2024
Property, plant and equipment		
U.S.	789	765
Canada	327	283
	1,116	1,048
Right-of-use assets		
U.S.	212	236
Canada	76	75
	288	311
Intangible assets		
U.S.	182	115
Canada	61	55
	243	170
Goodwill		
U.S.	413	385
Canada	21	21
	434	406

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24 Insurance Settlement

During 2025, the Company settled a claim with its insurer related to a fire event in 2023 at its Silver Springs, Nevada manufacturing facility for total proceeds, net of the deductible, of \$53 million (US\$37.5 million).

As result of the settlement, the Company recorded an insurance recovery for business interruption insurance losses of \$10 million (US\$7 million) as a reduction to “Cost of sales” and a gain on the property damage claim of \$28 million (US\$19.5 million) as “Gain on insurance settlement”. The remainder of the insurance settlement, \$15 million (US\$11 million), was used to reimburse the Company for the book value of damaged property, plant and equipment as well as clean-up and site remediation costs.

The Company received an advance from the insurance company for this claim of \$10 million (US\$7.5 million) in 2024. The remaining \$43 million (US\$30 million) was received in the second quarter of 2025.

25 Subsequent Event

On February 25, 2026, the Board of Directors declared a quarterly dividend of \$0.34 per common share payable on April 24, 2026 to shareholders of record at the close of business on April 2, 2026.