

**STELLA
JONES**

Management's Discussion and Analysis

For the three-month period ended March 31, 2026
(in millions of Canadian dollars)



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Introduction

The following is Stella-Jones Inc.'s management discussion and analysis ("MD&A"). Throughout this MD&A, the terms "Company" and "Stella-Jones" mean Stella-Jones Inc. with its subsidiaries, either individually or collectively.

This MD&A and the Company's condensed interim unaudited consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors on May 5, 2026. The MD&A provides information concerning the financial position, operating results and cash flows of the Company as at and for the quarter ended March 31, 2026. The MD&A should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements for the periods ended March 31, 2026 and 2025 and the notes thereto, as well as the Company's annual audited consolidated financial statements and MD&A for the year ended December 31, 2025.

This MD&A contains forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). The words "may", "could", "should", "would", "assumptions", "plan", "strategy", "believe", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Forward-looking statements include, among others, statements about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments, including the statements contained in sections of this MD&A entitled "Our Vision and Mission" and "Our Strategy" (including statements regarding the Company's capital allocation strategy, the Company's strategy in respect of capital expenditures, pursuing infrastructure-related acquisitions, its dividend payout target and share repurchases, and the Company's target net debt-to-adjusted EBITDA) and statements relating to the Company's plans to expand its steel lattice structure business in the U.S. with the construction of a new manufacturing facility, and are provided for the purpose of assisting the reader in understanding the Company's financial position, operating results and cash flows and management's current expectations and plans (and may not be appropriate for other purposes). Such statements are based upon a number of estimates and assumptions and are made by the Company in light of the experience of management and their perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such risks and uncertainties may relate to, among other things, the Company's dependence on major customers, the availability and cost of raw materials, operational disruption, climate change, reliance on key personnel, information technology, cybersecurity and data protection incidents, global economic conditions, geopolitical uncertainty, the Company's acquisition strategy, the Company's future plant expansion, the Company's ability to raise capital, environmental compliance and litigation, and factors and assumptions referenced herein and in the Company's continuous disclosure filings. These and other risks and uncertainties related to the business of the Company are described in greater detail in the section entitled "Risks and Uncertainties" of the Company's management discussion and analysis for the year ended December 31, 2025. Many of these risks are beyond the Company's ability to control or predict. Because of these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the date they are made. This MD&A reflects information available to the Company as of May 5, 2026, the date of this MD&A. Unless required to do so under applicable securities legislation, the Company's management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes after the date hereof.

The Company's condensed interim unaudited consolidated financial statements are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

Certain figures included in this MD&A have been rounded for ease of presentation. Percentage figures included in this MD&A have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this MD&A may vary slightly from those obtained by performing the same calculations using the figures in the Company's condensed interim consolidated financial statements or in the associated text. Certain other amounts that appear in this MD&A may similarly not sum due to rounding.

This MD&A also contains non-GAAP financial measures, non-GAAP ratios and other financial measures which are not prescribed by IFRS Accounting Standards and are not likely to be comparable to similar measures and ratios presented by other issuers. Refer to the section entitled “Non-GAAP and Other Financial Measures” of this MD&A for an explanation of the non-GAAP financial measures, non-GAAP ratios and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

Additional information, including the Company’s Annual Information Form, quarterly and annual reports, and supplementary information is available on the SEDAR+ website at www.sedarplus.ca. Press releases and other information are also available in the Investor Relations section of the Company’s website at www.stella-jones.com. Documents and other information contained in the Company's website or in any other site referred to in the Company's website are not part of this MD&A and are not incorporated by reference herein.

Our Business

Stella-Jones 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. It supplies the continent’s major electrical utility 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. It 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’s organic growth and strategic acquisitions have allowed it to expand its North American network by broadening its product offerings and capacity, to reinforce the strength and reliability of its raw material sourcing, and to provide greater service to customers. This strategy has contributed to solid and sustained customer relationships across North America and has expanded access to critical suppliers. It has also enabled the Company to further strengthen its seasoned management team, adding extensive expertise in all divisions throughout North America.

Stella-Jones’ proven track record of delivering solid results has set the foundation for a strong cash flow-generating business, enabling the Company to continually invest in its business both organically and through acquisitions, and return capital to shareholders.

As at March 31, 2026, the Company operated 44 wood treating plants, one steel transmission structure manufacturing facility and a coal tar distillery, and its workforce comprised approximately 3,200 employees. The Company’s facilities are located across Canada and the United States and are complemented by an extensive procurement and distribution network.

The Company’s common shares are listed on the Toronto Stock Exchange (TSX: SJ).

Our Vision and Mission

Stella-Jones’ strategic vision is to build a future-ready, agile business committed to serving the utility and railroad industries. Its mission is to support infrastructures that connect communities, both locally and across North America. The Company is driven to staying ahead of the curve and serving these industries with excellence, ensuring its innovative solutions meet today’s demand and anticipate the challenges of tomorrow.

Our Strategy

Stella-Jones’ strategy is to be the partner of choice to infrastructure customers across North America by strengthening its offering through organic initiatives, innovation and strategic acquisitions and investments aligned with its long-term value creation goals. It actively pursues opportunities that leverage its extensive manufacturing and distribution network, and strong customer relationships, enhancing its ability to generate a consistent cash flow.

Sustainability and safety are embedded in the Company’s day-to-day decisions and long-term strategies, ensuring that business and operations are consistently aligned with these core values. Stella-Jones prioritizes meaningful actions in every aspect of its operations and is committed to practices that protect people, communities and the environment, while future-proofing the business.

Capital Management

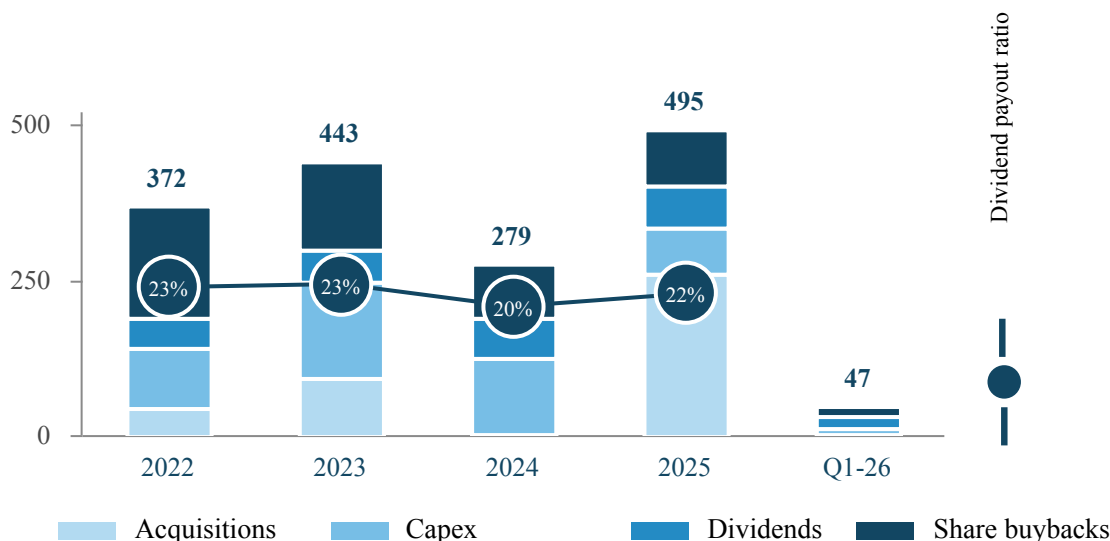
The Company’s capital allocation strategy leverages its consistent and strong cash flow generation while enhancing its long-term stability and shareholder value creation. To maintain the Company’s strong financial position and financial flexibility, capital is deployed in a disciplined manner, balancing growth investments and the return of capital to shareholders.

The Company’s strategy is to:

- Invest approximately 2.5% of sales annually in capital expenditures to maintain the quality and reliability of its assets, ensure the safety of its employees, improve productivity and pursue environmental and sustainability initiatives;
- Invest in strategic capital expenditures to expand production capacity, as needed, to support the Company’s growth plans;
- Pursue accretive infrastructure-related acquisitions that enhance the Company’s strategic positioning and drive future earnings growth;
- Maintain a durable dividend payout, targeting dividends equivalent to 20% to 30% of the prior year’s reported basic Earnings Per Share (“EPS”); and
- Return excess capital to shareholders through share repurchases.

As part of its capital allocation approach, Stella-Jones targets a net debt-to-adjusted EBITDA⁽¹⁾ between 2.0x and 2.5x, but may deviate from its leverage target to pursue acquisitions and other strategic opportunities, and/or fund its seasonal working capital requirements.

The Company’s capital allocation since 2022 is summarized below:
(in millions of \$, except %)



⁽¹⁾ This indicated term has no standardized meaning under GAAP and is not likely to be comparable to similar measures presented by other issuers. Refer to the section entitled “Non-GAAP and Other Financial Measures” of this MD&A.

Highlights

Overview of the first quarter of 2026

Sales for the first quarter of 2026 reached \$791 million, an increase from \$773 million in the same period of 2025. Excluding the impact of 2025 acquisitions, namely those of Brooks Manufacturing Co. and Locweld Inc., and the negative effect of currency conversion, sales grew by six million dollars, or 1%. The increase was primarily driven by a 6% organic sales growth for wood utility poles, fueled by sustained demand from utilities. These results were largely offset by a decline in residential lumber sales, driven by softer market demand and downward pressure on pricing. Meanwhile, railway tie sales remained stable, performing consistently with the prior-year period.

Operating income for the first quarter of 2026 was \$97 million, compared to \$143 million in the same period last year. This variance was primarily attributable to a \$38 million insurance settlement recognized in the first quarter of 2025 related to a 2023 facility fire. On an adjusted basis, operating income⁽¹⁾ declined to \$99 million from \$105 million in the prior-year period, as the incremental earnings from 2025 acquisitions were outweighed by a less favourable product mix for wood utility poles and higher costs. The latter was largely driven by the mark-to-market impact of stock-based compensation resulting from the appreciation of the Company's share price. Correspondingly, adjusted EBITDA⁽¹⁾ was \$136 million, or 17.2% of sales, compared to \$141 million, or 18.2% of sales, in the first quarter of 2025.

During the quarter ended March 31, 2026, Stella-Jones used its liquidity to support the seasonal increase in working capital requirements, invest in capital expenditures, and repurchase \$15 million of shares. The Company also declared a quarterly dividend of \$0.34 per common share totaling \$18 million.

During the quarter, the Company finalized the site selection for its new U.S. steel lattice manufacturing facility in Fayetteville, Tennessee. While the project is underway, no capital expenditures were incurred during the first quarter of 2026.

As at March 31, 2026, the Company maintained a healthy financial position. It had available liquidity⁽²⁾ of \$646 million and its net debt-to-adjusted EBITDA⁽¹⁾ stood at 2.6x, reflecting the typical seasonal build in working capital in the first quarter of the year.

⁽¹⁾ These indicated terms have no standardized meaning under GAAP and are not likely to be comparable to similar measures presented by other issuers. Refer to the section entitled “Non-GAAP and Other Financial Measures” of this MD&A.

⁽²⁾ Sum of cash and cash equivalents and undrawn credit facilities net of outstanding letters of credit and certain guarantees.

Financial Highlights - First Quarter

Selected Key Indicators

(in millions of dollars except ratios and per share data)	Three-month periods ended		Variation	Variation
	2026	March 31, 2025	(\$)	(%)
Operating results				
Sales	791	773	18	2%
Gross profit ⁽¹⁾	155	168	(13)	(8%)
Gross profit margin ⁽¹⁾	19.6%	21.7%	n/a	(210 bps)
Adjusted EBITDA ⁽¹⁾	136	141	(5)	(4%)
Adjusted EBITDA margin ⁽¹⁾	17.2 %	18.2 %	n/a	(100 bps)
Net income	60	93	(33)	(35%)
Earnings per share (“EPS”) – basic and diluted	1.10	1.67	(0.57)	(34%)
Adjusted EPS – basic and diluted ⁽¹⁾	1.12	1.15	(0.03)	(3%)
Other data				
Declared dividends per share	0.34	0.31	0.03	10%
Adjusted return on average capital employed ⁽¹⁾	12.2%	12.8%	n/a	(60 bps)
Cash flows from (used in)				
Operating activities	47	(16)	63	
Financing activities	9	69	(60)	
Investing activities	(15)	(22)	7	
Financial position				
	As at	As at	Variation	
	March 31, 2026	December 31, 2025	(\$)	
Cash and cash equivalents	94	44	50	
Inventories	1,686	1,653	33	
Total assets	4,286	4,117	169	
Long-term debt ⁽²⁾	1,392	1,339	53	
Lease liabilities ⁽²⁾	302	303	(1)	
Total non-current liabilities	1,749	1,805	(56)	
Shareholders’ equity	2,099	2,039	60	
Other data				
Working capital ratio ⁽¹⁾⁽³⁾	4.96	7.40		
Net debt-to-adjusted EBITDA ⁽¹⁾	2.6x	2.6x		

⁽¹⁾ These indicated terms have no standardized meaning under GAAP and are not likely to be comparable to similar measures presented by other issuers. For more information, please refer to the section entitled “Non-GAAP and Other Financial Measures” of this MD&A for an explanation of the non-GAAP and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

⁽²⁾ Including current portion.

⁽³⁾ Current assets divided by current liabilities

Non-GAAP and Other Financial Measures

This section includes information required by National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure in respect of “specified financial measures” (as defined therein).

The below-described non-GAAP financial measures and non-GAAP ratios, as well as the other financial measures (namely gross profit and gross profit margin, which are presented as supplementary financial measures) have no standardized meaning under GAAP and are not likely to be comparable to similar measures presented by other issuers. The Company’s method of calculating these measures may differ from the methods used by others, and, accordingly, the definition of these measures may not be comparable to similar measures presented by other issuers. In addition, non-GAAP financial measures, non-GAAP ratios and other financial measures should not be viewed as a substitute for the related financial information prepared in accordance with GAAP. Management considers the below-described non-GAAP and specified financial measures to be useful information to assist knowledgeable investors to understand the Company’s financial position, operating results and cash flows as they provide a supplemental measure of its performance.

Beginning in the first quarter of 2026, the Company has elected to make adjustments to the presentation of certain of its non-GAAP financial measures and non-GAAP ratios. As a result, operating income, operating income margin, EBITDA, EBITDA margin, net income, EPS (basic and diluted), return on average capital employed and net debt-to-EBITDA are now presented as adjusted operating income, adjusted operating income margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income, adjusted EPS (basic and diluted), adjusted return on average capital employed (“Adjusted ROCE”) and net debt-to-adjusted EBITDA, respectively. Please refer to the discussion below for the definition of each measure and a reconciliation to the most comparable GAAP measure. In the context of historical events such as the insurance settlement that occurred in 2025 and strategic opportunities and transactions, including acquisitions and restructuring initiatives that occurred or may occur in the future, management believes that such presentation will facilitate the evaluation of the Company’s core operational performance and enhance period-over-period comparability.

Organic sales growth and organic sales growth percentage

- Organic sales growth: Sales of a given period compared to sales of the comparative period, excluding the effect of acquisitions and foreign currency changes
- Organic sales growth percentage: Organic sales growth divided by sales for the corresponding period

The Company uses these non-GAAP measures to analyze the level of activity excluding the effect of acquisitions and the impact of foreign exchange fluctuations, in order to facilitate period-to-period comparisons. Management believes these measures are used by investors and analysts to evaluate the Company’s performance.

The reconciliation of the above-non-GAAP financial measures to their most comparable GAAP measures can be found in the “Operating Results” section.

Gross profit and gross profit margin

- Gross profit: Sales less cost of sales
- Gross profit margin: Gross profit divided by sales for the corresponding period

The Company uses these supplementary financial measures to evaluate its ongoing operational performance.

Adjusted operating income, adjusted operating income margin, adjusted EBITDA and adjusted EBITDA margin

- Adjusted operating income: Operating income excluding gain on insurance settlement, business interruption insurance recovery, restructuring costs, impairment of assets, as well as acquisition costs, integration costs and the amortization of intangibles related to material acquisitions
- Adjusted operating income margin: Adjusted operating income divided by sales for the corresponding period

- Adjusted EBITDA: Operating income excluding gain on insurance settlement, business interruption insurance recovery, restructuring costs, impairment of assets, as well as acquisition costs and integration costs related to material acquisitions, and depreciation of property, plant and equipment, depreciation of right-of-use assets, and amortization of intangible assets including intangibles related to material acquisitions
- Adjusted EBITDA margin: Adjusted EBITDA divided by sales for the corresponding period

The Company uses these non-GAAP measures to evaluate the operational and financial performance. In addition, the Company believes adjusted EBITDA and adjusted EBITDA margin provide investors with useful information because they are common industry measures used by investors and analysts to measure a company's ability to service debt and meet other payment obligations, or as a common valuation measurement.

The following table presents the reconciliation of above non-GAAP financial measures to their most comparable GAAP measures:

(in millions of dollars)	Three-month periods ended March 31,	
	2026	2025
Operating income	97	143
Reconciling items:		
Insurance settlement	—	(38)
<i>Gain on insurance settlement</i>	—	(28)
<i>Business interruption insurance recovery</i>	—	(10)
Amortization of acquisition-related intangibles	2	—
Adjusted operating income	99	105
Depreciation and amortization excluding the amortization of acquisition-related intangibles	37	36
Adjusted EBITDA	136	141

Adjusted net income and adjusted EPS - basic and diluted

- Adjusted net income: Net income excluding the following items, net of tax: gain on insurance settlement, business interruption insurance recovery, restructuring costs, impairment of assets, as well as acquisition costs, integration costs and the amortization of intangibles related to material business combinations
- Adjusted EPS - basic: Adjusted net income for the period attributable to the common shareholders of the Company divided by the weighted average number of common shares outstanding during the period
- Adjusted EPS - diluted: Adjusted net income for the period attributable to the common shareholders of the Company divided by the weighted average number of common shares outstanding during the period, adjusted for the effects of all dilutive potential common shares

The Company uses these non-GAAP measures to evaluate its ongoing operational performance.

The following table presents the reconciliation of above non-GAAP financial measures to their most comparable GAAP measures:

(in millions of dollars, except per share data)	Three-month periods ended March 31,	
	2026	2025
Net income	60	93
Reconciling items:		
Insurance settlement	—	(38)
<i>Gain on insurance settlement</i>	—	(28)
<i>Business interruption insurance recovery</i>	—	(10)
Amortization of acquisition-related intangibles	2	—
Income taxes related to above items ⁽¹⁾	(1)	9
Adjusted net income	61	64
Adjusted EPS - basic and diluted	\$1.12	\$1.15

⁽¹⁾ Calculated using the effective tax rate of the period

Capital employed and adjusted return on average capital employed (“adjusted ROCE”)

- Capital employed: Total assets, excluding cash and cash equivalents, less current non-interest bearing liabilities
- Average capital employed: 12-month average of the capital employed balance at the beginning of the 12-month period and the quarter-end capital employed balances throughout the remainder of the 12-month period
- Adjusted ROCE: Trailing 12-month (“TTM”) adjusted operating income divided by the average capital employed

The Company uses the average capital employed to evaluate and monitor how much it is investing in its business and uses adjusted ROCE as a performance indicator to measure the efficiency of its invested capital.

The following table presents the reconciliation of above non-GAAP financial measures to their most comparable GAAP measures:

(in millions of dollars)	As at March 31, 2026	As at March 31, 2025
Average total assets	4,159	4,051
Average cash and cash equivalents	(71)	(26)
Average current liabilities	(324)	(312)
Average current portion of lease liabilities	63	60
Average current portion of long-term debt	45	2
Average capital employed	3,872	3,775
Adjusted operating income (TTM)	472	484
Adjusted ROCE	12.2%	12.8%

Net debt and net debt-to-adjusted EBITDA

- Net debt: Sum of long-term debt and lease liabilities (including, in each case, the current portion) less cash and cash equivalents
- Net debt-to-adjusted EBITDA: Net debt divided by TTM adjusted EBITDA

The Company believes these non-GAAP measures are indicators of the financial leverage of the Company.

The following table presents the reconciliation of above non-GAAP financial measures to their most comparable GAAP measures:

(in millions of dollars)	As at March 31, 2026	As at December 31, 2025
Long-term debt, including current portion	1,392	1,339
Lease liabilities, including current portion	302	303
Cash and cash equivalents	(94)	(44)
Net debt	1,600	1,598
Adjusted EBITDA (TTM)	618	623
Net debt-to-adjusted EBITDA	2.6x	2.6x

Foreign Exchange

The table below shows average and closing exchange rates applicable to Stella-Jones' quarters for the years 2026 and 2025. Average rates are used to translate sales and expenses for the periods mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities of the Canadian operations denominated in U.S. dollars.

US\$/Can\$ rate	2026		2025	
	Average	Closing	Average	Closing
First Quarter	1.37	1.39	1.44	1.44
Second Quarter			1.38	1.36
Third Quarter			1.38	1.39
Fourth Quarter			1.40	1.37
Fiscal Year			1.40	1.37

- Average rate: The depreciation of the U.S. dollar relative to the Canadian dollar during the first quarter of 2026 compared to the first quarter of 2025 resulted in a negative impact on sales and a favourable impact on cost of sales.
- Closing rate: The appreciation of the U.S. dollar relative to the Canadian dollar as at March 31, 2026, compared to December 31, 2025, resulted in a higher value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars.

Operating Results

Sales

Sales for the first quarter reached \$791 million, versus sales of \$773 million in the corresponding period last year. Excluding the impact of 2025 acquisitions of \$42 million and the unfavourable currency conversion effect of \$30 million, pressure-treated wood sales increased by \$10 million, or 1%, largely driven by an increase in wood utility poles volumes. This increase was offset in part by a less favourable product mix for wood utility poles, when compared to the same period last year, and a decline in sales for residential lumber. The decrease in logs and lumber sales compared to the corresponding period last year was largely attributable to less lumber activity.

Sales (in millions of dollars, except percentages)	Utility Products ⁽¹⁾	Railway Ties	Residential Lumber	Industrial Products ⁽²⁾	Total Pressure-Treated Wood	Logs & Lumber	Consolidated Sales
Q1-25	419	208	88	39	754	19	773
Acquisitions	42	—	—	—	42	—	42
Foreign exchange	(18)	(8)	(2)	(2)	(30)	—	(30)
Organic sales growth ⁽³⁾	26	(2)	(10)	(4)	10	(4)	6
Q1-26	469	198	76	33	776	15	791
Organic sales growth % ⁽³⁾	6%	(1%)	(11%)	(10%)	1%	(21%)	1%

⁽¹⁾ Utility Products are comprised of wood utility poles, crossarms and steel structures, namely steel lattice towers and steel transmission poles.

⁽²⁾ Industrial Products are mainly comprised of timbers for railway bridges, crossings and construction, and marine and foundation pilings.

⁽³⁾ These indicated terms have no standardized meaning under GAAP and are not likely to be comparable to similar measures presented by other issuers. Please refer to the section entitled “Non-GAAP and Other Financial Measures” of this MD&A.

Utility Products

Utility products sales increased to \$469 million in the first quarter of 2026, compared to sales of \$419 million in the corresponding period last year. Excluding the impact of 2025 acquisitions and the currency conversion effect, wood utility poles sales increased by \$26 million, or 6% versus the same period last year. The increase in sales was driven by the ongoing solid volume performance from utilities, reflecting contributions from multi-year contract commitments. This sales growth was tempered by a decline in pricing, primarily due to a shift in product mix. The prior period mix included a higher proportion of fire-resistant wrapped utility poles, which contributed to a more favourable average price level in the first quarter of 2025. Utility product sales accounted for 59% of the Company’s first-quarter sales in 2026.

Railway Ties

Railway ties sales decreased by \$10 million to \$198 million in the first quarter of 2026, compared to sales of \$208 million in the same period last year. Excluding the currency conversion effect, sales of railway ties remained relatively stable. The decline in volume from Class 1 customers, reflecting current competitive dynamics, was offset by strong growth from non-Class 1 customers, driven by the carryover of projects from 2025 and an acceleration in project execution. Railway ties sales accounted for 25% of the Company’s first-quarter sales in 2026.

Residential Lumber

Residential lumber sales decreased to \$76 million in the first quarter of 2026, compared to sales of \$88 million in the corresponding period last year. Excluding the currency conversion effect, sales of residential lumber decreased by \$10

million, or 11%. This decrease was driven by softer market demand and the lower market price of lumber relative to the same period last year. Residential lumber sales accounted for 10% of the Company's first-quarter sales in 2026.

Industrial Products

Industrial products sales decreased by six million dollars to \$33 million in the first quarter of 2026, compared to \$39 million in the corresponding period last year. Excluding the currency conversion effect, industrial products sales decreased by four million dollars, or 10%, largely driven by less timber volumes for railway bridge projects. Industrial products sales represented 4% of the Company's first-quarter sales in 2026.

Logs and Lumber

Sales in the logs and lumber product category were \$15 million in the first quarter of 2026, compared to \$19 million in the corresponding period last year. In the course of procuring logs for utility poles and lumber for its residential lumber program, logs unsuitable for use as utility poles and excess lumber are obtained and resold. The decrease in sales compared to the first quarter of 2025 was largely attributable to lower lumber activity. Logs and lumber sales represented 2% of the Company's first-quarter sales in 2026.

Sales by Geographic Region

Sales in the United States amounted to \$637 million, or 81% of sales in 2026, up two million dollars, compared to sales of \$635 million, or 82% of sales in the corresponding period last year. Sales increased primarily due to the contribution from the 2025 acquisitions and higher wood utility poles sales. This growth was largely offset by less sales for railway ties, residential lumber and industrial products, and the depreciation of the value of the U.S. dollar relative to the Canadian dollar compared to the same period in 2025.

Sales in Canada amounted to \$154 million, or 19% of sales in 2026, up \$16 million, compared to sales of \$138 million or 18% of sales in the corresponding period last year. The increase in sales was driven primarily by the organic sales growth for wood utility poles, the contribution from a 2025 acquisition, and higher railway ties volumes, fueled by strong demand from non-Class 1 customers. These growth drivers were partially offset by a decline in residential lumber sales and a reduction in lumber trading activity.

Cost of Sales

Cost of sales, including depreciation of property, plant and equipment, right-of-use assets as well as amortization of intangible assets, was \$636 million, or 80.4% of sales, compared to cost of sales of \$605 million, or 78.3% of sales, in the corresponding period last year. The increase in absolute dollars was primarily driven by the integration of 2025 acquisitions and higher sales volumes, most notably wood utility poles. Additionally, the increase reflected the impact of a \$10 million insurance recovery for business interruption losses recognized in the first quarter of 2025 following a 2023 facility fire. These factors were partially offset by the favourable impact of a weaker U.S. dollar relative to the Canadian dollar and lower operating costs.

Total depreciation and amortization was \$39 million in 2026, with \$34 million recorded as cost of sales, compared to \$36 million last year, with \$32 million recorded as cost of sales.

Gross Profit

Gross profit was \$155 million in 2026, compared to \$168 million in 2025, representing a margin of 19.6% and 21.7% respectively. The decrease reflected a less favourable product mix for wood utility poles, the negative impact of the currency conversion and the impact of a \$10 million insurance recovery for business interruption losses recognized in 2025, offset in part by the incremental gross profit contribution from 2025 acquisitions.

Selling and Administrative

Selling and administrative expenses for the first quarter of 2026 amounted to \$62 million, compared to \$50 million in the same period of 2025, including depreciation and amortization of five million dollars in 2026 and four million dollars in 2025. Excluding depreciation and amortization, selling and administrative expenses represented 7.2% of sales in the first quarter of 2026 compared to 6.0% in the prior-year period. The increase was primarily driven by higher compensation expenses, most notably an increase in stock-based compensation expense resulting from the appreciation of the Company's share price. Excluding a five million dollars mark-to-market impact related to these awards, the selling and administrative expense ratio was 6.5% of sales.

Other (Gains) Losses, Net

In the first quarter of 2026, the Company incurred incremental operating expenses and site clean-up costs related to a portion of the Company's Brierfield, Alabama, manufacturing operation that was damaged by fire in the third quarter of 2025. The total costs incurred in the first quarter of 2026 of five million dollars and corresponding insurance recoveries were recognized in the condensed interim consolidated statement of income under other (gains) losses, net. The insurance recoverable asset, net of any advances received, was recorded in accounts receivable. Any gain resulting from insurance proceeds exceeding the net book value of the affected assets will be recognized in income upon settlement of the claim as an insurance settlement gain.

The Company also recorded other gains, net of four million dollars in 2026, primarily reflecting the recovery of costs associated with restoration efforts for property damage incurred in a previous year. In the first quarter of 2025, other losses, net totaled three million dollars and consisted primarily of site remediation expenses.

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 a result of the settlement, in the first quarter of 2025 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.

Financial Expenses

Financial expenses amounted to \$17 million in the first quarter of 2026, down from \$20 million in the corresponding period last year. The decrease in financial expenses primarily reflected a reduction in total debt level and, to a lesser extent, a decrease in the average cost of borrowing.

Income Before Income Taxes and Income Tax Expense

Income before income taxes was \$80 million in the first quarter of 2026 versus \$123 million in the corresponding period last year. The provision for income taxes totaled \$20 million in 2026 compared to \$30 million in 2025, representing an effective tax rate of approximately 25% in the first quarter of 2026 and 24% in 2025.

Net Income

Net income for the first quarter of 2026 was \$60 million, or \$1.10 per share, compared to \$93 million, or \$1.67 per share, in the same quarter of 2025. On an adjusted basis, net income was \$61 million, or \$1.12 per share, compared to \$64 million, or \$1.15 per share, in the first quarter of 2025.

Quarterly Results

The Company's sales follow a seasonal pattern, with utility products, railway ties, and industrial products shipments stronger in the second and third quarters to provide industrial end users with products for their summer maintenance projects. Residential lumber sales also follow a similar seasonal pattern. In the fall and winter seasons, there tends to be lower activity; as a result, the first and fourth quarters are typically characterized by relatively lower sales. The table below sets forth selected financial information for the Company's last nine quarters:

2026

For the quarters ended (in millions of dollars, except EPS)	March 31	June 30	Sept. 30	Dec. 31	Total
Sales	791				
Operating income	97				
Adjusted EBITDA	136				
Net income	60				
EPS - basic and diluted	1.10				
Adjusted EPS - basic and diluted	1.12				

2025

For the quarters ended (in millions of dollars, except EPS)	March 31	June 30	Sept. 30	Dec. 31	Total
Sales	773	1,034	958	727	3,492
Operating income	143	155	135	83	516
Adjusted EBITDA	141	189	171	122	623
Net income	93	106	88	50	337
EPS - basic and diluted ⁽¹⁾	1.67	1.91	1.59	0.91	6.09
Adjusted EPS - basic and diluted ⁽¹⁾	1.15	1.91	1.59	0.91	5.56

⁽¹⁾ Quarterly EPS may not add to year-to-date EPS due to rounding

2024

For the quarters ended (in millions of dollars, except EPS)	March 31	June 30	Sept. 30	Dec. 31	Total
Sales	775	1,049	915	730	3,469
Operating income	124	168	130	81	503
Adjusted EBITDA	156	200	162	115	633
Net income	77	110	80	52	319
EPS - basic and diluted ⁽¹⁾	1.36	1.94	1.42	0.93	5.66
Adjusted EPS - basic and diluted ⁽¹⁾	1.36	1.94	1.42	0.93	5.66

⁽¹⁾ Quarterly EPS may not add to year-to-date EPS due to rounding

Statement of Financial Position

As a majority of the Company's assets and liabilities are denominated in U.S. dollars, exchange rate variations may significantly affect their value. The appreciation of the value of the U.S. dollar relative to the Canadian dollar as at March 31, 2026, compared to December 31, 2025 (see "Foreign Exchange section"), resulted in a higher value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars.

Assets

As at March 31, 2026, total assets stood at \$4,286 million versus \$4,117 million as at December 31, 2025. The increase in total assets largely resulted from the increase in current assets and the currency translation effect on U.S. dollar denominated assets. Note that the following table provides information on assets using select line items from the condensed interim consolidated statements of financial position.

Assets (in millions of dollars)	As at March 31, 2026	As at December 31, 2025	Variance
Cash and cash equivalents	94	44	50
Accounts receivable	341	262	79
Inventories	1,686	1,653	33
Other	50	60	(10)
Total current assets	2,171	2,019	152
Property, plant and equipment	1,127	1,116	11
Right-of-use assets	286	288	(2)
Intangible assets	239	243	(4)
Goodwill	441	434	7
Other	22	17	5
Total non-current assets	2,115	2,098	17
Total assets	4,286	4,117	169

Accounts receivable were \$341 million as at March 31, 2026, compared to \$262 million as at December 31, 2025. The increase was largely attributable to the normal seasonal increase in demand, partially offset by a reduction in the days of sales outstanding in trade receivables. In the normal course of business, the Company has entered into facilities with certain financial institutions whereby it can sell, without credit recourse, eligible trade receivables to the concerned financial institutions. Accounts receivable are net of the trade receivables sold during the period.

Inventories stood at \$1,686 million as at March 31, 2026, up from \$1,653 million as at December 31, 2025. The increase in inventories was primarily driven by the seasonal build of residential lumber inventory ahead of peak demand in the second and third quarters, as well as approximately \$20 million due to the translation impact on U.S. dollar denominated inventories, offset in part by lower railway ties inventories.

Given the long periods required to air-season wood utility products, railway ties and certain industrial products, which can occasionally exceed nine months before a sale is concluded, inventories are a significant component of working capital and the turnover is relatively low. In addition, significant raw material and finished goods inventory are required at certain times of the year to support the residential lumber product category. The Company maintains solid relationships and enters into long-term contracts with customers to better ascertain inventory requirements. Management continuously monitors the levels of inventory and market demand for its products. Production is adjusted accordingly to optimize efficiency and capacity utilization.

Property, plant and equipment stood at \$1,127 million as at March 31, 2026, compared with \$1,116 million as at December 31, 2025. The increase reflected the additions of property, plant and equipment of \$12 million during the first quarter and the effect of currency translation of U.S. dollar denominated property, plant and equipment of \$13 million, partially offset by the depreciation expense of \$14 million for the period.

Right-of-use assets totaled \$286 million as at March 31, 2026, compared to \$288 million as at December 31, 2025. The decrease reflected depreciation expense of \$18 million for the period, offset in part by additions of new leases, largely rolling stock.

Intangible assets and goodwill totaled \$239 million and \$441 million, respectively, as at March 31, 2026. Intangible assets consist mainly of customer relationships, a creosote registration and software costs. As at December 31, 2025, intangible assets and goodwill were \$243 million and \$434 million, respectively. The decrease in intangible assets was primarily attributable to the amortization expense of seven million dollars for the period, while the increase in goodwill was due to the effect of currency translation on U.S. based goodwill.

Liabilities

As at March 31, 2026, Stella-Jones' total liabilities stood at \$2,187 million, up from \$2,078 million as at December 31, 2025. The increase in total liabilities largely reflected the increase in current liabilities and the currency translation effect on U.S. dollar denominated liabilities. Note that the following table provides information on liabilities using select line items from the condensed interim consolidated statements of financial position.

Liabilities (in millions of dollars)	As at March 31, 2026	As at December 31, 2025	Variance
Accounts payable and accrued liabilities	180	153	27
Income taxes payable	12	—	12
Current portion of long-term debt	142	37	105
Current portion of lease liabilities	65	63	2
Other	39	20	19
Total current liabilities	438	273	165
Long-term debt	1,250	1,302	(52)
Lease liabilities	237	240	(3)
Deferred income taxes	213	218	(5)
Other	49	45	4
Total non-current liabilities	1,749	1,805	(56)
Total liabilities	2,187	2,078	109

Long-Term Debt

The Company's long-term debt, including the current portion, increased by \$53 million to \$1,392 million as at March 31, 2026, compared to \$1,339 million as at December 31, 2025, including an increase due to the appreciation of the closing U.S. dollar rate relative to the Canadian dollar on U.S. dollars denominated long-term debt of approximately \$12 million. Despite seasonal working capital requirements, the balance of long-term debt, net of cash and cash equivalents, remained relatively unchanged at \$1,298 million, compared to \$1,295 million as at December 31, 2025, as the increase in long-term debt was largely offset by a higher cash position.

The increase in the current portion of long-term debt reflected the reclassification of the unsecured senior notes of US\$75 million maturing in January 2027.

Long-Term Debt (in millions of dollars)	As at March 31, 2026	As at December 31, 2025
Unsecured revolving credit facilities	481	427
Unsecured term loan facilities	408	408
Unsecured senior notes	504	503
Other	(1)	1
Total Long-Term Debt	1,392	1,339

As at March 31, 2026, the Company's net debt-to-adjusted EBITDA stood at 2.6x and was in compliance with its debt covenants, reporting requirements and financial ratios.

Shareholders' Equity

Shareholders' equity stood at \$2,099 million as at March 31, 2026, compared to \$2,039 million as at December 31, 2025.

Shareholders' Equity (in millions of dollars)	As at March 31, 2026	As at December 31, 2025	Variance
Capital stock	188	187	1
Contributed surplus	4	5	(1)
Retained earnings	1,708	1,681	27
Accumulated other comprehensive income	199	166	33
Total shareholders' equity	2,099	2,039	60

The increase in shareholders' equity as at March 31, 2026 was attributable to net income of \$60 million and a \$33 million increase in accumulated other comprehensive income, mainly related to the currency translation of foreign operations, partially offset by \$15 million of share repurchases and \$18 million of dividends declared.

On November 4, 2025, the TSX accepted the Company's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to 1,500,000 common shares during the 12-month period from November 14, 2025 to November 13, 2026, representing approximately 2.7% of the common shares outstanding as of such date.

During the quarter ended March 31, 2026, the Company repurchased 160,983 common shares for cancellation in consideration of \$15 million under the NCIB.

Liquidity and Capital Resources

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

Summary of cash flows (in millions of dollars)	Three-month periods ended March 31,	
	2026	2025
Operating activities	47	(16)
Financing activities	9	69
Investing activities	(15)	(22)
Net change in cash and cash equivalents during the period	41	31
January 1, 2026 opening balance prior to restatement for amendments to IFRS 9	44	—
Adjustment on adoption for 2025 outstanding cheques on January 1, 2026	9	—
Cash and cash equivalents - Beginning of period	53	50
Cash and cash equivalents - End of period	94	81

The Company believes that its cash flow from operations and available credit facilities are adequate to finance its business plans, meet its working capital requirements and maintain its assets. As at March 31, 2026, the Company had \$646 million of available liquidity, including \$552 million (US\$396 million) available under its revolving credit facilities.

Cash flows from (used in) operating activities

Cash flows from operating activities amounted to \$47 million in the first quarter of 2026, compared to \$16 million used in the first quarter of 2025, largely due to favourable non-cash working capital movements. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid were \$144 million

in the first quarter of 2026, compared to \$137 million in the first quarter of 2025. Changes in non-cash working capital components decreased liquidity by \$66 million in the first quarter of 2026, largely driven by the seasonal increase in accounts receivable.

The following table provides information on cash flows from operating activities from the condensed interim consolidated statements of cash flows.

Cash flows from (used in) operating activities (in millions of dollars)	Three-month periods ended March 31,	
	2026	2025
Net income	60	93
Depreciation and amortization	39	36
Stock-based compensation	9	3
Financial expenses	17	20
Income tax expense	20	30
Gain on insurance settlement	—	(28)
Business interruption insurance recovery	—	(10)
Other	(1)	(7)
Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid	144	137
Accounts receivable	(77)	(77)
Inventories	(14)	(41)
Other current assets	(1)	3
Accounts payable and accrued liabilities	11	(11)
Deferred revenue	15	—
Changes in non-cash working capital components	(66)	(126)
Interest paid	(23)	(25)
Income taxes paid	(8)	(2)
Cash flows from (used in) operating activities	47	(16)

Cash flows from financing activities

Financing activities in the first quarter of 2026 increased cash flows by nine million dollars. During the quarter ended March 31, 2026, the Company increased its net borrowings by \$41 million, repaid lease liabilities of \$17 million and repurchased shares for \$15 million. In the first quarter of 2025, the Company increased its net borrowings by \$101 million, repaid lease liabilities of \$17 million and repurchased shares for \$15 million.

The following table provides information on cash flows from financing activities from the condensed interim consolidated statements of cash flows.

Cash flows from financing activities (in millions of dollars)	Three-month periods ended March 31,	
	2026	2025
Net change in revolving credit facilities	50	137
Repayment of long-term debt	(9)	(36)
Repayment of lease liabilities	(17)	(17)
Repurchase of common shares	(15)	(15)
Cash flows from financing activities	9	69

Cash flows used in investing activities

Investing activities used liquidity of \$15 million in first quarter of 2026 and \$22 million in the same quarter last year mainly explained by the purchase of property, plant and equipment. In the first quarter of 2026, the Company also acquired an interest in Lizzie Bay Logging for a total consideration of five million dollars, of which four million dollars was paid in cash at closing.

The following table provides information on cash flows used in investing activities from the condensed interim consolidated statements of cash flows.

Cash flows used in investing activities (in millions of dollars)	Three-month periods ended March 31,	
	2026	2025
Acquisition of other investments	(4)	—
Purchase of property, plant and equipment	(12)	(20)
Property insurance proceeds	2	—
Additions of intangible assets	(1)	(2)
Cash flows used in investing activities	(15)	(22)

Share Information

As at March 31, 2026, the capital stock issued and outstanding of the Company consisted of 54,555,733 common shares (54,697,214 as at December 31, 2025).

The following table presents the outstanding capital stock activity for the three-month period ended March 31, 2026:

Number of shares	Three-month period ended March 31, 2026
Balance - Beginning of period	54,697,214
Common shares repurchased	(160,983)
Common shares issued under treasury share unit plan	13,713
Employee share purchase plans	5,789
Balance - End of period	54,555,733

As at May 4, 2026, the issued and outstanding share capital of the Company consisted of 54,556,381 common shares.

Commitments and Contingencies

The commitments and contingencies susceptible to affect the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2025 Annual Report.

Subsequent Event

On May 5, 2026, the Board of Directors declared a quarterly dividend of \$0.34 per common share payable on June 19, 2026 to shareholders of record at the close of business on June 2, 2026. This dividend is designated to be an eligible dividend.

Risks and Uncertainties

The risks and uncertainties affecting the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2025 Annual Report.

Material Accounting Policies and Critical Accounting Estimates

The Company's material accounting policies and critical accounting estimates and judgments are respectively described in Note 2 and in Note 3 to the December 31, 2025 and 2024 audited consolidated financial statements.

The Company prepares its condensed interim consolidated financial statements in accordance with IFRS Accounting Standards.

The preparation of condensed interim 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 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 condensed interim consolidated statement of income in the period in which they become known.

Changes in accounting policy

Effective January 1, 2026, the Company adopted the Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7. These amendments clarify when a financial asset or a financial liability is recognized and derecognized and 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.

As a result of these amendments, the Company has changed its accounting policy regarding the derecognition of trade payables settled by physical printed cheques. Previously, trade payables settled by cheque were derecognized at the date the cheques were issued. Under the revised policy, consistent with the clarifications provided by the amendments, such liabilities are now derecognized on the date the cheques are cleared by the bank. In addition, the Company has elected to derecognize financial liabilities settled through electronic payments prior to the settlement date when the Company loses practical ability to cancel such payments.

The amendments apply retrospectively; however, the Company was not required to restate prior periods to reflect their application under the transitional provisions. The adoption of these amendments did not have a material impact on the Company's condensed interim consolidated financial statements.

Accounting Standard Announced but not yet Adopted

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 annual and condensed interim consolidated financial statements.

Disclosure Controls and Procedures

The Company maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. The disclosure controls and procedures (“DC&P”) are designed to provide reasonable assurance that information required to be disclosed in the annual filings, interim filings or other reports filed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to Management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have evaluated, or caused the evaluation of, under their direct supervision, the design effectiveness of the Company’s DC&P (as defined in Regulation 52-109 - Certification of Disclosure in Issuer’s Annual and Interim Filings) as at March 31, 2026 and have concluded that such DC&P were designed effectively.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

Management has evaluated the design effectiveness of its ICFR as defined in Regulation 52-109 – Certification of Disclosure in Issuer’s Annual and Interim Filings. The evaluation was based on the criteria established in the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). This evaluation was performed by the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer concluded that the ICFR were effectively designed, as at March 31, 2026.

Management does recognize that any controls and procedures, no matter how well designed, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

Changes in Internal Control Over Financial Reporting

There were no changes made to the design of ICFR during the period from January 1, 2026 to March 31, 2026 that have materially affected or are reasonably likely to materially affect the Company's ICFR.

It should be noted that the operations derived from Brooks Manufacturing Co. (“Brooks”), acquired on November 5, 2025, have been excluded from the scope of the design of disclosure controls and procedures as well as the design of internal controls over financial reporting. Certain financial information related to the Brooks acquisition under the NI 52-109 scope limitation is summarized as follows. As at March 31, 2026, current assets and non-current assets were \$36 million and \$40 million respectively, whereas current liabilities amounted to five million dollars and non-current liabilities to six million dollars. In the period from January 1, 2026 to March 31, 2026, sales and net income amounted to \$26 million and seven million dollars, respectively.

May 5, 2026