

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE AND SIX-MONTH
PERIODS ENDED JUNE 30, 2025
(in millions of Canadian dollars)



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INTRODUCTION

Three- and six-month periods ended June 30, 2025 compared with the three- and six-month periods ended June 30, 2024

The following is Stella-Jones Inc.'s management discussion and analysis ("MD&A"). Throughout this MD&A, the terms "Company" and "Stella-Jones" shall 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 August 6, 2025. The MD&A provides a review of the significant developments and financial position, operating results and cash flows of the Company as at and for the quarter ended June 30, 2025. The MD&A should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements for the periods ended June 30, 2025 and 2024 and the notes thereto, as well as the Company's annual audited consolidated financial statements and MD&A for the year ended December 31, 2024.

This MD&A contains statements that are forward-looking in nature. 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, without limitation, the financial guidance and other statements contained in the "Strategy" and "2023-2025 Financial Objectives" sections below, which 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 assumptions and involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements. Such items include, among others: general political, economic and business conditions, evolution in customer demand for the Company's products and services, product selling prices, availability and cost of raw materials, operational disruption, climate change, failure to recruit and retain qualified workforce, information security breaches or other cyber-security threats, changes in foreign currency rates, the ability of the Company to raise capital, regulatory and environmental compliance and factors and assumptions referenced herein and in the Company's continuous disclosure filings. 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.

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.

OUR BUSINESS

Stella-Jones is a leading North American manufacturer of products focused on supporting infrastructure that are essential to the delivery of electrical distribution and transmission, and the operation and maintenance of railway transportation systems. It supplies the continent's major electrical utilities companies with treated wood and steel utility poles and steel lattice towers, 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 reinvest in its network and return capital to shareholders through steadily increasing dividends and share repurchases.

As at June 30, 2025, 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 MISSION

Stella-Jones aims to be the performance leader in the industries in which it operates and a model corporate citizen, acting with integrity, and exercising a rigorous standard of environmental and social responsibility, and governance.

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

Stella-Jones will achieve these goals by focusing on customer satisfaction, innovative work practices and the optimal use of its resources and by investing in its people through training and development to enable professional growth across the organization.

OUR STRATEGY

Stella-Jones' strategy is to solidify its leadership position in its core product categories and in key markets, through organic growth, network efficiencies, innovation and accretive acquisitions. The Company pursues infrastructure-related and other strategic opportunities that leverage its extensive network, customer base, fibre sourcing and numerous competitive strengths while also contributing to its ability to generate a consistent cash flow.

The Company integrates environmental, social and governance considerations into its daily business decisions and strategies, recognizing that this will make it a more resilient, agile, and sustainable business.

Capital Management

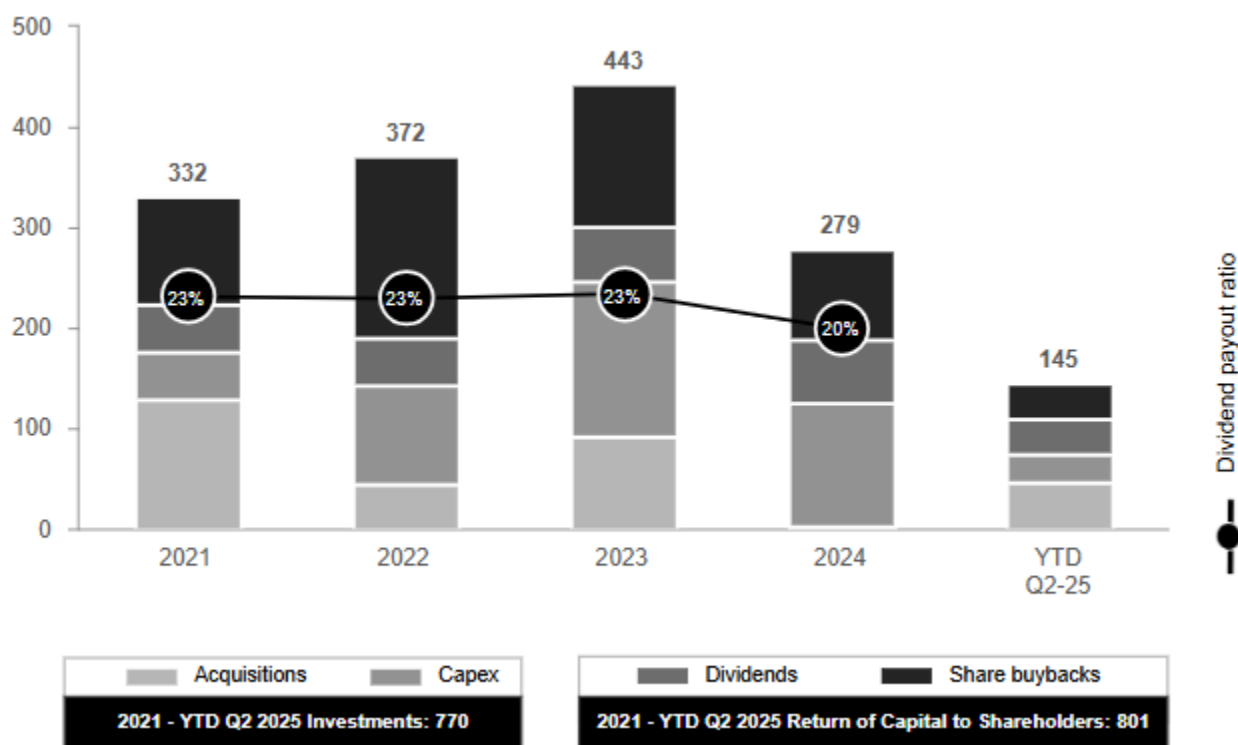
The Company's capital allocation strategy leverages its consistent and strong cash flow generation while enhancing its long-term stability and shareholder value creation. To maintain the Company's strong financial position and financial flexibility, capital is deployed in a disciplined manner, balancing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

The Company's current strategy is to:

- Invest between \$75 and \$85 million 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;
- 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 earnings per share; and
- Return excess capital to shareholders through share repurchases.

As part of its capital allocation approach, Stella-Jones targets a net debt-to-EBITDA ratio 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 2021 is summarized below:
(in millions of \$, except %)



2023-2025 FINANCIAL OBJECTIVES

The following is a summary of the Company's latest 2023-2025 financial objectives:

<i>(in millions of dollars, except percentages and ratios)</i>	2023-2025 Objectives ⁽³⁾	2023-2025 Revised Objectives
Sales	approx. \$3,600	approx. \$3,500
EBITDA margin ⁽¹⁾	> 17%	> 17%
Return to Shareholders: cumulative	> \$500	> \$500
Net Debt-to-EBITDA ^{(1) (2)}	2.0x-2.5x	2.0x-2.5x

⁽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⁾ The Company may deviate from its leverage target to pursue acquisitions and other strategic opportunities, and/or fund its seasonal working capital requirements.

⁽³⁾ Refer to the 2024 Annual MD&A for further details.

The Company has updated its sales objective and now expects sales to be approximately \$3.5 billion in 2025, including the acquisition of Locweld Inc., compared to the previous sales objective of approximately \$3.6 billion. Largely influenced by ongoing macroeconomic challenges, the revision was primarily driven by lower-than expected organic sales growth in utility poles in the first half of the year and a projected low single-digit growth for the remainder of the year, with a return to mid-single digit growth anticipated towards the end of 2025. The revised sales guidance also reflects lower-than expected railway ties sales growth in 2025, as the reduction in sales resulting from a Class 1 railroad customer's shift to treating railway ties in-house is not expected to be recovered by year-end. The Company now expects a modest year-over-year decline in railway ties sales, in the low single-digit range.

Over the long-term, for utility poles, the Company believes its extensive network and strong product offering position it well to benefit as utilities continue to forecast meaningful increases in infrastructure investments to replace aging infrastructure and increase grid resiliency, supporting a mid-single digit sales growth for this product category. Given the stable maintenance-driven demand for railway ties and the Company's focus on servicing customers, the Company continues to expect railway ties to be a low single-digit sales growth business. For residential lumber, sales are forecasted to remain in the \$600 million to \$650 million target range, representing less than 20% of total sales.

The Company is maintaining its EBITDA margin target of greater than 17%, its target to return more than \$500 million to shareholders cumulatively over the three-year outlook period and its commitment to maintain net debt-to-EBITDA ratio within 2.0x to 2.5x.

Since 2023, the Company has delivered a significant improvement in EBITDA margin. It generated an EBITDA margin of 18% in 2023 and 2024 and in the first six months of 2025.

As at June 30, 2025, the Company had returned to shareholders \$417 million out of the \$500 million target, through dividends and share repurchases, and its net debt-to-EBITDA ratio stood at 2.4x.

The financial objectives do not include the impact of future acquisitions. The Company assumes that the Canadian dollar will trade, on average, at \$1.36 per U.S. dollar for the remainder of 2025 and that sales in the U.S. will continue to be approximately 70% of total sales.

HIGHLIGHTS

Business acquisition

On May 7, 2025, the Company completed the acquisition of Locweld Inc. ("Locweld"), a designer and manufacturer of steel lattice transmission towers and steel 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 results of Locweld will be reported in the utility poles product category.

Overview – Second Quarter of 2025

Sales in the second quarter of 2025 were \$1,034 million, compared to sales of \$1,049 million for the corresponding period last year. Excluding the contribution from the Locweld acquisition and the positive effect of currency conversion, sales were down \$42 million, or 4%, largely explained by lower sales volumes for utility poles and railway ties. While the pace of purchases by certain utilities remained slow during the quarter, there was a sequential improvement in volumes, with this quarter's volumes exceeding levels seen since the end of the second quarter of last year. For railway ties, the decline in volumes stemmed from the transition of a Class 1 railroad to treating railway ties in-house. Lower sales volumes, compared to the same period last year, largely explained the \$13 million decline in operating income to \$155 million in the second quarter of 2025. Similarly, EBITDA⁽¹⁾ decreased by \$11 million to \$189 million compared to \$200 million in the same period last year. Despite lower sales, the Company continued to deliver a strong EBITDA margin of 18.3%. When compared to the 19.1% margin generated in the second quarter of last year, the decrease was largely attributable to an unfavourable sales mix.

During the second quarter ended June 30, 2025, Stella-Jones used the cash generated from operations of \$224 million to broaden its infrastructure product offering with the acquisition of Locweld, return \$54 million to shareholders, through dividends and share repurchases, and repay \$118 million of debt. As at June 30, 2025, the Company continued to maintain a solid financial position. It had available liquidity of \$693 million and its net debt-to-EBITDA stood at 2.4x.

⁽¹⁾ Non-GAAP financial measures and non-GAAP ratios without a standardized meaning under GAAP, which 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.

FINANCIAL HIGHLIGHTS - SECOND QUARTER OF 2025

Selected Key Indicators (in millions of dollars except ratios and per share data)	Three-month periods ended June 30,		Variation (\$)	Variation (%)
	2025	2024		
Operating results				
Sales	1,034	1,049	(15)	(1%)
Gross profit ⁽¹⁾	206	226	(20)	(9%)
Gross profit margin ⁽¹⁾	19.9%	21.5%	n/a	(160 bps)
Operating income	155	168	(13)	(8%)
Operating income margin ⁽¹⁾	15.0%	16.0%	n/a	(100 bps)
EBITDA ⁽¹⁾	189	200	(11)	(6%)
EBITDA margin ⁽¹⁾	18.3%	19.1%	n/a	(80 bps)
Net income	106	110	(4)	(4%)
Earnings per share (“EPS”) – basic & diluted	1.91	1.94	(0.03)	(2%)
Cash flows from (used in)				
Operating activities	224	177	47	
Financing activities	(188)	(142)	(46)	
Investing activities	(52)	(35)	(17)	
Financial position	As at June 30, 2025	As at December 31, 2024	Variation (\$)	
Inventories	1,613	1,759	(146)	
Total assets	4,078	4,103	(25)	
Long-term debt ⁽²⁾	1,322	1,380	(58)	
Lease liabilities ⁽²⁾	294	323	(29)	
Total non-current liabilities	1,786	1,876	(90)	
Shareholders' equity	1,981	1,941	40	
Other data				
Working capital ratio ⁽¹⁾	6.93	7.48		
Net debt-to-total capitalization ⁽¹⁾	0.44:1	0.46:1		
Net debt-to-EBITDA ⁽¹⁾	2.4x	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.

FINANCIAL HIGHLIGHTS - YEAR-TO-DATE

Selected Key Indicators (in millions of dollars except ratios and per share data)	Six-month periods ended June 30,		Variation (\$)	Variation (%)
	2025	2024		
Operating results				
Sales	1,807	1,824	(17)	(1%)
Gross profit ⁽¹⁾	374	398	(24)	(6%)
Gross profit margin ⁽¹⁾	20.7%	21.8%	n/a	(110 bps)
Operating income	298	292	6	2%
Operating income margin ⁽¹⁾	16.5%	16.0%	n/a	50 bps
EBITDA ⁽¹⁾	368	356	12	3%
EBITDA margin ⁽¹⁾	20.4%	19.5%	n/a	90 bps
Net income	199	187	12	6%
EPS - basic & diluted	3.58	3.30	0.28	8%
Cash flows from (used in)				
Operating activities	208	115	93	
Financing activities	(119)	(65)	(54)	
Investing activities	(74)	(50)	(24)	
Other data				
Return on average equity ⁽¹⁾	17.4%	20.6%	n/a	(320 bps)
Return on average capital employed ⁽¹⁾	13.4%	15.8%	n/a	(240 bps)
Dividends per share	0.62	0.56	0.06	11%

⁽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.

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, non-GAAP ratios and other 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.

Non-GAAP financial measures include:

- **Organic sales growth:** Sales of a given period compared to sales of the comparative period, excluding the effect of acquisitions and foreign currency changes
- **Gross profit:** Sales less cost of sales
- **EBITDA:** Operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization)
- **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
- **Net debt:** Sum of long-term debt and lease liabilities (including the current portion) less cash and cash equivalents

Non-GAAP ratios include:

- **Organic sales growth percentage:** Organic sales growth divided by sales for the corresponding period
- **Gross profit margin:** Gross profit divided by sales for the corresponding period
- **EBITDA margin:** EBITDA divided by sales for the corresponding period
- **Return on average capital employed (“ROCE”):** Trailing 12-month (“TTM”) operating income divided by the average capital employed
- **Net debt-to-total capitalization:** Net debt divided by the sum of net debt and shareholders’ equity
- **Net debt-to-EBITDA:** Net debt divided by TTM EBITDA

Other financial measures include:

- **Operating income margin:** Operating income divided by sales for the corresponding period
- **Return on average equity:** TTM net income divided by the average shareholders’ equity (average of the beginning and ending 12-month period)
- **Working capital ratio:** Current assets divided by current liabilities

Management considers these 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. Management uses non-GAAP financial measures, non-GAAP financial ratios and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, to assess the Company’s ability to meet future debt service, capital expenditure and working capital requirements, and to evaluate senior management’s performance. More specifically:

- **Organic sales growth and organic sales growth percentage:** The Company uses these 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.

- **Gross profit and gross profit margin:** The Company uses these financial measures to evaluate its ongoing operational performance.
- **EBITDA and EBITDA margin:** The Company believes these measures 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 to meet other payment obligations, or as a common valuation measurement. These measures are also key metrics of the Company's operational and financial performance and are used to evaluate senior management's performance.
- **Average capital employed:** The Company uses the average capital employed to evaluate and monitor how much it is investing in its business.
- **ROCE:** The Company uses ROCE as a performance indicator to measure the efficiency of its invested capital and to evaluate senior management's performance.
- **Net debt, net debt-to-EBITDA and net debt-to-total capitalization:** The Company believes these measures are indicators of the financial leverage of the Company.

The following tables present the reconciliations of non-GAAP financial measures to their most comparable GAAP measures.

Reconciliation of Operating Income to EBITDA (in millions of dollars)	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2025	2024	2025	2024
Operating income	155	168	298	292
Depreciation and amortization	34	32	70	64
EBITDA	189	200	368	356

Reconciliation of Average Capital Employed (in millions of dollars)	As at June 30, 2025	As at June 30, 2024
Average total assets	4,070	3,722
Less:		
Average cash and cash equivalents	39	—
Average current liabilities	306	376
Add:		
Average current portion of lease liabilities	62	52
Average current portion of long-term debt	5	61
Average capital employed	3,792	3,459
Operating income (TTM)	509	547
ROCE	13.4%	15.8%

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	As at June 30, 2025	As at December 31, 2024
Long-term debt, including current portion	1,322	1,380
Add:		
Lease liabilities, including current portion	294	323
Less:		
Cash and cash equivalents	65	50
Net Debt	1,551	1,653
EBITDA (TTM)	645	633
Net Debt-to-EBITDA	2.4x	2.6x

FOREIGN EXCHANGE

The table below shows average and closing exchange rates applicable to Stella-Jones' quarters for the years 2025 and 2024. 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	2025		2024	
	Average	Closing	Average	Closing
First Quarter	1.44	1.44	1.35	1.36
Second Quarter	1.38	1.36	1.37	1.37
Third Quarter			1.36	1.35
Fourth Quarter			1.40	1.44
Fiscal Year			1.37	1.44

- Average rate: The appreciation of the U.S. dollar relative to the Canadian dollar during the second quarter of 2025 compared to the second quarter of 2024 resulted in a positive impact on sales and an unfavourable impact on cost of sales.
- Closing rate: The depreciation of the U.S. dollar relative to the Canadian dollar as at June 30, 2025, compared to December 31, 2024 resulted in a lower value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars.

OPERATING RESULTS

Sales

Sales for the second quarter of 2025 were \$1,034 million, down \$15 million, versus sales of \$1,049 million for the corresponding period last year. Excluding the contribution from the Locweld acquisition of \$18 million and the currency conversion of nine million dollars, pressure-treated wood sales decreased by \$43 million, or 4%, while logs and lumber sales remained relatively stable. Comparing against a strong prior-year period for both utility poles and railway ties, the decrease in pressure-treated wood sales was largely driven by a decline in volumes for railway ties and utility poles and lower utility poles pricing. Residential lumber sales were unchanged as softer demand was offset by the higher market price of lumber compared to the same period last year.

Sales (in millions of dollars, except percentages)	Utility Poles	Railway Ties	Residential Lumber	Industrial Products	Total Pressure- Treated Wood	Logs & Lumber	Consolidated Sales
Q2 2024	470	265	243	46	1,024	25	1,049
Acquisition	18	—	—	—	18	—	18
FX impact	5	3	1	—	9	—	9
Organic growth	(17)	(28)	2	—	(43)	1	(42)
Q2 2025	476	240	246	46	1,008	26	1,034
Organic growth %	(4%)	(11%)	1%	—%	(4%)	4%	(4%)

For the first six months of 2025, sales amounted to \$1,807 million, versus \$1,824 million for the corresponding period last year. Excluding the contribution from the Locweld acquisition of \$18 million and the currency conversion of \$47 million, pressure-treated wood sales decreased by \$79 million, or 4%. Lower volumes for utility poles and railway ties explained most of the lower sales. The decrease in logs and lumber sales compared to the corresponding period last year was largely attributable to less lumber trading activity.

Sales (in millions of dollars, except percentages)	Utility Poles	Railway Ties	Residential Lumber	Industrial Products	Total Pressure- Treated Wood	Logs & Lumber	Consolidated Sales
Q2 YTD 2024	872	492	330	82	1,776	48	1,824
Acquisition	18	—	—	—	18	—	18
FX impact	27	15	3	2	47	—	47
Organic growth	(22)	(59)	1	1	(79)	(3)	(82)
Q2 YTD 2025	895	448	334	85	1,762	45	1,807
Organic growth %	(3%)	(12%)	—%	1%	(4%)	(6%)	(4%)

Utility poles

Utility poles sales increased to \$476 million in the second quarter of 2025, compared to sales of \$470 million in the corresponding period last year. Excluding the contribution from the acquisition of Locweld, whose sales benefited from the execution of backlog orders during the quarter, and the currency conversion effect, utility poles sales decreased by \$17 million, or 4% versus the same period last year due to lower pricing and volumes. While sales volumes were lower compared to the strong shipments recorded in the second quarter last year, incremental volumes from new customers led to volume levels above those recorded since the second quarter of last year. Utility poles sales accounted for 46% of the Company's second-quarter sales.

For the first six months of 2025, utility poles sales totaled \$895 million, versus \$872 million for the corresponding period last year. Excluding the contribution from the acquisition of Locweld and the currency conversion effect, utility poles sales decreased \$22 million, or 3%, largely due to lower volumes.

Railway ties

Railway ties sales decreased by \$25 million to \$240 million in the second quarter of 2025, compared to sales of \$265 million in the same period last year. Excluding the currency conversion effect, sales of railway ties decreased by \$28 million, or 11%, mostly attributable to a Class 1 railroad's shift to treating railway ties in-house and delays in non-Class 1 projects. Railway ties sales accounted for 23% of the Company's second-quarter sales.

For the first six months of 2025, railway ties sales totaled \$448 million, versus \$492 million for the corresponding period last year. Excluding the currency conversion effect, railway ties sales decreased \$59 million, or 12% explained by lower Class 1 and non-Class 1 volumes.

Residential lumber

Sales in residential lumber remained relatively stable at \$246 million in the second quarter of 2025, compared to sales of \$243 million in the corresponding period last year. Higher pricing stemming from the increase in the market price of lumber when compared to the second quarter of 2024 was offset by softer demand, particularly during the earlier part of the quarter. Residential lumber sales accounted for 24% of the Company's second-quarter sales.

For the first six months of 2025, residential lumber sales were relatively unchanged at \$334 million versus \$330 million for the corresponding period last year, as higher pricing was offset by lower demand.

Industrial products

Industrial product sales were stable at \$46 million in the second quarter of 2025. Industrial product sales represented 4% of the Company's second-quarter sales.

For the first six months of 2025, industrial product sales totaled \$85 million, compared to \$82 million in the corresponding period last year.

Logs and lumber

Sales in the logs and lumber product category were \$26 million in the second quarter of 2025, compared to \$25 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. Logs and lumber sales represented 3% of the Company's second-quarter sales.

For the first six months of 2025, sales in the logs and lumber product category totaled \$45 million, down from \$48 million for the corresponding period last year, largely due to less lumber trading activity.

Sales by Geographic Region

Sales in the United States amounted to \$734 million, or 71% of sales in the second quarter of 2025, up \$27 million, or 4%, compared to sales of \$707 million in the corresponding period last year. The increase was mostly explained by higher utility poles sales, mainly attributable to incremental volumes from new customers, the contribution from the Locweld acquisition and the appreciation of the value of the U.S. dollar relative to the Canadian dollar compared to the second quarter of 2024, offset in large part by lower volumes for railway ties. For the first six months of 2025, sales in the United States stood at \$1,369 million, up from \$1,308 million in the corresponding period last year.

Sales in Canada amounted to \$300 million, or 29% of sales in the second quarter of 2025, down \$42 million, or 12%, compared to sales of \$342 million in the second quarter last year. The decrease was attributable to lower volumes across all product categories, partially offset by favourable pricing. For the first six months of 2025, sales in Canada stood at \$438 million, down from \$516 million in the corresponding period last year.

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 \$828 million, or 80.1% of sales, in the second quarter of 2025. This compares to cost of sales of \$823 million, or 78.5% of sales, in the corresponding period last year. The increase in absolute dollars was explained by higher costs, particularly higher fibre costs for residential lumber, the additional cost of sales stemming from the Locweld acquisition and the appreciation of the U.S. dollar. These factors were partially offset by lower sales volumes compared to the same period last year.

Total depreciation and amortization was \$34 million in the second quarter of 2025, with \$31 million recorded as cost of sales, compared to \$32 million in the corresponding period last year, with \$28 million recorded as cost of sales. The increase was largely explained by the depreciation of additional right-of-use assets and new capital projects.

For the first six months of 2025, cost of sales, including depreciation of property, plant and equipment, right-of-use assets as well as amortization of intangible assets, was \$1,433 million, or 79.3% of sales compared to \$1,426 million, or 78.2% of sales, in 2024. Total depreciation and amortization was \$70 million in 2025, with \$63 million recorded as cost of sales, compared to total depreciation and amortization of \$64 million in 2024, with \$56 million recorded as cost of sales.

Gross profit

Gross profit was \$206 million in the second quarter of 2025 compared to \$226 million in the corresponding period last year, representing a margin of 19.9% and 21.5%, respectively. The decrease in gross profit was largely driven by lower sales volumes across most product categories, lower utility poles pricing and higher fibre costs, particularly for residential lumber. As a percentage of sales, the gross profit was also impacted by an unfavourable sales mix.

For the first six months of 2025, gross profit amounted to \$374 million, or 20.7%, compared to \$398 million, or 21.8% of sales, in the corresponding period last year.

Selling and administrative

Selling and administrative expenses for the second quarter of 2025 were relatively stable at \$55 million, compared to \$56 million in the corresponding period last year, including depreciation and amortization of three million dollars in the second quarter of 2025 and four million dollars in the corresponding period last year. As a percentage of sales, selling and administrative expense, excluding depreciation and amortization, represented 5.0% of sales in the second quarter of 2025 and 2024.

Selling and administrative expenses for the first six months of 2025 amounted to \$105 million, compared to \$103 million in the prior year period, including depreciation and amortization of seven million dollars in 2025 and eight million dollars in 2024. As a percentage of sales, selling and administrative expenses, excluding depreciation and amortization, represented 5.4% in 2025 compared to 5.2% in 2024.

Other (gains) losses, net

During the second quarter of 2025, other gains, net were four million dollars, mainly stemming from the gain on disposition of a non-core property asset. In the corresponding quarter of 2024, other losses, net were two million dollars and consisted largely of site remediation provisions.

For the first six months of 2025, other gains, net consisted of the gain on disposition of assets recorded in the second quarter net of site remediation provisions. For the first six months of 2024, other losses, net was explained by site remediation provisions.

Insurance settlement

During the first quarter of 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 in the first quarter of 2025 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 Q2 2025.

Financial expenses

Financial expenses amounted to \$14 million in the second quarter of 2025, down from \$20 million in the corresponding period last year. The decrease in financial expenses was largely explained by the lower average cost of borrowing, in part attributable to the issuance of a \$400 million private placement in October 2024 at a rate of 4.312%.

Financial expenses amounted to \$34 million for the first six months of 2025, down from \$42 million in the prior year period.

Income before income taxes and income tax expense

Income before income taxes was \$141 million in the second quarter of 2025 versus \$148 million in the corresponding period last year. The provision for income taxes totaled \$35 million compared to \$38 million in 2024, representing an effective tax rate of approximately 25% for the second quarter of 2025 and 26% in the corresponding period last year. The lower effective tax rate for the second quarter of 2025 was mainly attributable to a change in the mix of income from various jurisdictions.

For the six-month period ended June 30, 2025, income before income taxes was \$264 million versus \$250 million in the corresponding period of 2024. The provision for income taxes totaled \$65 million, compared to \$63 million in the same period last year, representing an effective tax rate of approximately 25% in both 2025 and 2024.

Net income

Net income for the second quarter of 2025 was \$106 million, or \$1.91 per share, versus net income of \$110 million, or \$1.94 per share, in the corresponding period of 2024.

For the first six months of 2025, net income totaled \$199 million, or \$3.58 per share, versus net income of \$187 million, or \$3.30 per share, in the same period last year.

QUARTERLY RESULTS

The Company's sales follow a seasonal pattern, with utility poles, 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 less 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 ten quarters:

2025

For the quarters ended (in millions of dollars, except EPS)	March 31	June 30	Sept. 30	Dec. 31	Total
Sales	773	1,034			
Operating income	143	155			
EBITDA	179	189			
Net income	93	106			
EPS - basic and diluted	1.67	1.91			

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
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

2023

For the quarters ended (in millions of dollars, except EPS)	March 31	June 30	Sept. 30	Dec. 31	Total
Sales	710	972	949	688	3,319
Operating income	95	149	166	89	499
EBITDA	120	175	193	120	608
Net income	60	100	110	56	326
EPS - basic and diluted ⁽¹⁾	1.03	1.72	1.91	0.98	5.62

⁽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 depreciation of the value of the U.S. dollar relative to the Canadian dollar as at June 30, 2025, compared to December 31, 2024 (see "Foreign Exchange section"), resulted in a lower value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars.

Assets

As at June 30, 2025, total assets stood at \$4,078 million versus \$4,103 million as at December 31, 2024. The decrease in total assets largely reflected a reduction in inventories and the currency translation effect on U.S. dollar denominated assets, partially offset by the acquisition of Locweld. 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 June 30, 2025	As at December 31, 2024	Variance
Cash and cash equivalents	65	50	15
Accounts receivable	408	277	131
Inventories	1,613	1,759	(146)
Other	68	53	15
Total current assets	2,154	2,139	15
Property, plant and equipment	1,069	1,048	21
Right-of-use assets	281	311	(30)
Intangible assets	167	170	(3)
Goodwill	386	406	(20)
Other	21	29	(8)
Total non-current assets	1,924	1,964	(40)
Total assets	4,078	4,103	(25)

Accounts receivable were \$408 million as at June 30, 2025, compared to \$277 million as at December 31, 2024. The increase was largely attributable to the normal seasonal increase in demand and additional accounts receivable pertaining to the acquisition of Locweld, partially offset by a reduction in the days of sales outstanding in trade receivables and the effect of currency translation of U.S. dollar denominated accounts 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 year.

Inventories stood at \$1,613 million as at June 30, 2025, down from \$1,759 million as at December 31, 2024. The reduction in inventories was largely due to the seasonal increase in sales and the effect of currency translation of U.S. dollar denominated inventories of about \$60 million, partially offset by the additional inventories pertaining to the acquisition of Locweld.

Given the long periods required to air-season wood, which can occasionally exceed nine months before a sale is concluded, inventories are a significant component of working capital 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 \$1,069 million as at June 30, 2025, compared with \$1,048 million as at December 31, 2024. The increase reflected the purchase of property, plant and equipment of \$54 million during the first six months of 2025 as well as additional property, plant and equipment of \$41 million from the acquisition of Locweld, partially offset by the effect of currency translation of U.S. dollar denominated property, plant and equipment of about \$40 million and the depreciation expense of \$27 million for the period.

Right-of-use assets totaled \$281 million as at June 30, 2025, compared to \$311 million as at December 31, 2024. The decrease reflected depreciation expense of \$34 million for the period and the effect of currency translation of U.S. dollar denominated right-of-use assets, offset in part by additions of right-of-use assets, largely rolling stock, of \$15 million.

Intangible assets and goodwill totaled \$167 million and \$386 million, respectively, as at June 30, 2025. Intangible assets consist mainly of customer relationships, a creosote registration and software costs. As at December 31, 2024, intangible assets and goodwill were \$170 million and \$406 million, respectively. The intangible assets decreased as the amortization expense of nine million dollars and the effect of currency translation of U.S. dollar denominated intangibles was partially offset by the customer relationships acquired with the purchase of Locweld and the software expenditures of four million dollars. The decrease in goodwill was explained by the effect of currency translation on U.S.-based goodwill.

Liabilities

As at June 30, 2025, Stella-Jones' total liabilities stood at \$2,097 million, down from \$2,162 million as at December 31, 2024. The decrease in total liabilities largely reflected the net repayment of long-term debt and lease liabilities and the currency translation effect on U.S. dollar denominated liabilities, partially offset by additional liabilities related to the acquisition of Locweld. 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 June 30, 2025	As at December 31, 2024	Variance
Accounts payable and accrued liabilities	187	180	7
Income taxes payable	8	—	8
Current portion of long-term debt	15	1	14
Current portion of lease liabilities	62	64	(2)
Other	39	41	(2)
Total current liabilities	311	286	25
Long-term debt	1,307	1,379	(72)
Lease liabilities	232	259	(27)
Deferred income taxes	207	197	10
Other	40	41	(1)
Total non-current liabilities	1,786	1,876	(90)
Total liabilities	2,097	2,162	(65)

Long-Term Debt

The Company's long-term debt, including the current portion, decreased by \$58 million to \$1,322 million as at June 30, 2025 compared to \$1,380 million as at December 31, 2024. The decrease was largely explained by the impact of the depreciation of the closing U.S. dollar rate relative to the Canadian dollar on U.S. dollars denominated long-term debt of \$41 million and a net reduction of the Company's net borrowings of \$17 million.

Long-Term Debt (in millions of dollars)	As at June 30, 2025	As at December 31, 2024
Unsecured revolving credit facilities	365	295
Unsecured term loan facilities	455	576
Unsecured senior notes	502	508
Other	—	1
Total Long-Term Debt	1,322	1,380

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 and increase the required level of net funded debt to EBITDA ratio to 3.75:1.00.

As at June 30, 2025, the Company's net debt-to-EBITDA ratio stood at 2.4x and was in compliance with its debt covenants, reporting requirements and financial ratios.

Shareholders' Equity

Shareholders' equity stood at \$1,981 million as at June 30, 2025, compared to \$1,941 million as at December 31, 2024.

Shareholders' Equity (in millions of dollars)	As at June 30, 2025	As at December 31, 2024	Variance
Capital stock	188	188	—
Contributed surplus	2	—	2
Retained earnings	1,629	1,498	131
Accumulated other comprehensive income	162	255	(93)
Total shareholders' equity	1,981	1,941	40

The increase in shareholders' equity as at June 30, 2025 was attributable to net income of \$199 million, partially offset by a \$93 million decrease in accumulated other comprehensive income, mainly related to the currency translation of foreign operations, \$35 million of share repurchases and \$34 million of dividends.

On November 5, 2024, the TSX accepted the Company's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB") to purchase for cancellation up to 2,500,000 common shares during the 12-month period from November 14, 2024 to November 13, 2025, representing approximately 4.5% of the common shares outstanding.

During the three-month period ended June 30, 2025, 273,263 common shares were repurchased for cancellation in consideration of \$20 million under the Company's NCIB. During the six-month period ended June 30, 2025, 489,054 of the Company's common shares were repurchased for cancellation in consideration of \$35 million. Since the beginning of the NCIB on November 14, 2024, the Company repurchased a total of 629,553 common shares for cancellation in consideration of \$45 million.

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 June 30,		Six-month periods ended June 30,	
	2025	2024	2025	2024
Operating activities	224	177	208	115
Financing activities	(188)	(142)	(119)	(65)
Investing activities	(52)	(35)	(74)	(50)
Net change in cash and cash equivalents during the period	(16)	—	15	—
Cash and cash equivalents - Beginning of period	81	—	50	—
Cash and cash equivalents – End of period	65	—	65	—

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 June 30, 2025, the Company had \$693 million of available liquidity, including \$628 million (US\$460 million) available under its revolving credit facilities.

Cash flows from operating activities

Cash flows from operating activities amounted to \$224 million in the second quarter of 2025, compared to \$177 million in the corresponding period in 2024, mainly due to favourable movements in non-cash working capital. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was \$193 million in the second quarter of 2025, compared to \$197 million in the corresponding period in 2024. Changes in non-cash working capital components increased liquidity by \$87 million in the second quarter of 2025, primarily as a result of the decrease in inventories, mainly seasonal.

Cash flows from operating activities amounted to \$208 million in the first six months of 2025, compared to \$115 million in the corresponding period in 2024. The increase primarily reflected favourable non-cash working capital movements, partially offset by lower profitability net of non-cash items. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was \$330 million in the first six months of 2025, compared to \$356 million in the corresponding period in 2024. Changes in non-cash working capital components decreased liquidity by \$39 million in the first six months of 2025, largely attributable to an increase in accounts receivable following the seasonally stronger sales in the second quarter, partially offset by a decrease in inventories.

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

Cash flows from operating activities (in millions of dollars)	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2025	2024	2025	2024
Net income	106	110	199	187
Depreciation and amortization	34	32	70	64
Financial expenses	14	20	34	42
Income tax expense	35	38	65	63
Gain on insurance settlement	—	—	(28)	—
Other	4	(3)	(10)	—
Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid	193	197	330	356
Accounts receivable	(48)	(44)	(125)	(138)
Inventories	142	76	101	(41)
Other current assets	(7)	(13)	(4)	(6)
Accounts payable and accrued liabilities	—	10	(11)	21
Changes in non-cash working capital components	87	29	(39)	(164)
Interest paid	(9)	(20)	(34)	(42)
Income taxes paid	(47)	(29)	(49)	(35)
Cash flows from operating activities	224	177	208	115

Cash flows used in financing activities

Financing activities for the second quarter of 2025 decreased cash flow by \$188 million. During the quarter ended June 30, 2025, the Company decreased net borrowings under its revolving credit facilities by \$59 million and repaid term loans of \$59 million (US\$ 42.2 million) under the U.S. Farm Credit Facilities. In addition, the Company repaid lease liabilities of \$16 million, paid dividends of \$34 million and repurchased shares for \$20 million. In the second quarter of 2024, financing activities decreased cash by \$142 million, primarily attributable to the decrease of net borrowings under its revolving credit facilities by \$75 million, the payment of dividends of \$32 million and the repurchase of shares totaling \$20 million.

For the first six months of 2025, financing activities decreased cash flow by \$119 million, compared to a decrease of \$65 million for the same period in 2024.

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

Cash flows used in financing activities (in millions of dollars)	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2025	2024	2025	2024
Net change in revolving credit facilities	(59)	(75)	78	(34)
Net (repayment) proceeds (of) from long-term debt	(59)	—	(95)	66
Repayment of lease liabilities	(16)	(15)	(33)	(30)
Dividends on common shares	(34)	(32)	(34)	(32)
Repurchase of common shares	(20)	(20)	(35)	(35)
Cash flows used in financing activities	(188)	(142)	(119)	(65)

Cash flows used in investing activities

Investing activities used \$52 million of cash flows in the second quarter of 2025, mainly explained by the acquisition of Locweld and the purchase of property, plant and equipment, net of insurance proceeds received related to a fire incident in 2023 at one of the Company's facilities. In the second quarter of 2024, investing activities totaled \$35 million and primarily consisted of the the purchase of property, plant and equipment.

For the first six months of 2025, the Company invested \$74 million, mainly explained by the acquisition of Locweld and the purchase of property, plant and equipment, net of insurance proceeds. In 2024, investing activities totaled \$50 million and primarily consisted of the purchase of property, plant and equipment.

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 June 30,		Six-month periods ended June 30,	
	2025	2024	2025	2024
Business combinations	(48)	—	(48)	—
Purchase of property, plant and equipment	(34)	(33)	(54)	(56)
Property insurance proceeds	26	—	26	10
Additions of intangible assets	(2)	(2)	(4)	(4)
Other	6	—	6	—
Cash flows used in investing activities	(52)	(35)	(74)	(50)

Financial obligations

The following table details the maturities of the financial obligations as at June 30, 2025:

Financial obligations (in millions of dollars)	Carrying Amount	Contractual Cash flows	Less than 1 year	Years 2-3	Years 4-5	More than 5 years
Accounts payable and accrued liabilities	187	187	187	—	—	—
Long-term debt obligations*	1,322	1,591	72	449	532	538
Minimum payment under lease liabilities*	294	343	71	118	48	106
Financial obligations	1,803	2,121	330	567	580	644

* Includes interest payments. Interest on variable interest debt is assumed to remain unchanged from the rates in effect as at June 30, 2025.

SHARE AND STOCK OPTION INFORMATION

As at June 30, 2025, the capital stock issued and outstanding of the Company consisted of 55,359,773 common shares (55,824,953 as at December 31, 2024).

The following table presents the outstanding capital stock activity for the three- and six-month periods ended June 30, 2025:

Number of shares	Three-month period ended June 30, 2025	Six-month period ended June 30, 2025
Balance – Beginning of period	55,625,638	55,824,953
Common shares repurchased	(273,263)	(489,054)
Stock option exercised	—	5,000
Employee share purchase plans	7,398	18,874
Balance – End of period	55,359,773	55,359,773

As at August 5, 2025, the capital stock issued and outstanding consisted of 55,240,960 common shares.

As at June 30, 2025, there were no outstanding and exercisable options to acquire common shares issued under the Company's Stock Option Plan (December 31, 2024 – 5,000).

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 2024 Annual Report.

SUBSEQUENT EVENTS

On August 6, 2025, the Board of Directors declared a quarterly dividend of \$0.31 per common share payable on September 25, 2025 to shareholders of record at the close of business on September 2, 2025. 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 2024 Annual Report.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Company's material accounting policies and critical accounting estimates and judgements are respectively described in Note 2 and in Note 3 to the December 31, 2024 and 2023 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.

New Accounting Standards Announced but not yet Adopted

A number of new standards and amendments to standards are effective for the annual reporting period beginning January 1, 2026 or after. The Company is currently assessing the impact of these new standards and amendments on its 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 June 30, 2025 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 June 30, 2025.

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

Stella-Jones Inc. is taking a phased approach to its migration to a new Enterprise Resource Planning ("ERP") system. In order to maintain appropriate internal controls over financial reporting in the product categories that have migrated to the new ERP system, relevant changes have been made.

There were no other changes made to the design of ICFR during the period from April 1, 2025 to June 30, 2025 that have materially affected or are reasonably likely to materially affect the Company's ICFR.

It should be noted that the operations derived from Locweld, acquired May 7, 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 Locweld acquisition under the NI 52-109 scope limitation is summarized as follows. As at June 30, 2025, current assets and non-current assets were \$72 million and \$50 million respectively, whereas current liabilities amounted to \$29 million and non-current liabilities to eight million dollars. In the period from May 7, 2025 to June 30, 2025, sales and net income amounted to \$18 million and three million dollars, respectively.

August 6, 2025