STELLA JONES

Management's Discussion and Analysis

For the three and six-month periods ended June 30, 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 August 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 June 30, 2026. The MD&A should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements for the periods ended June 30, 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), statements relating to the Company's expansion of its steel lattice structure business in the U.S. with the construction of a new manufacturing facility, statements relating to the Company's expected benefits of its network optimization initiatives and other additional actions to improve operating efficiency and enhance profitability over time and the Company's recovery of certain cost increases through pricing mechanisms, 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 August 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. 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 June 30, 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

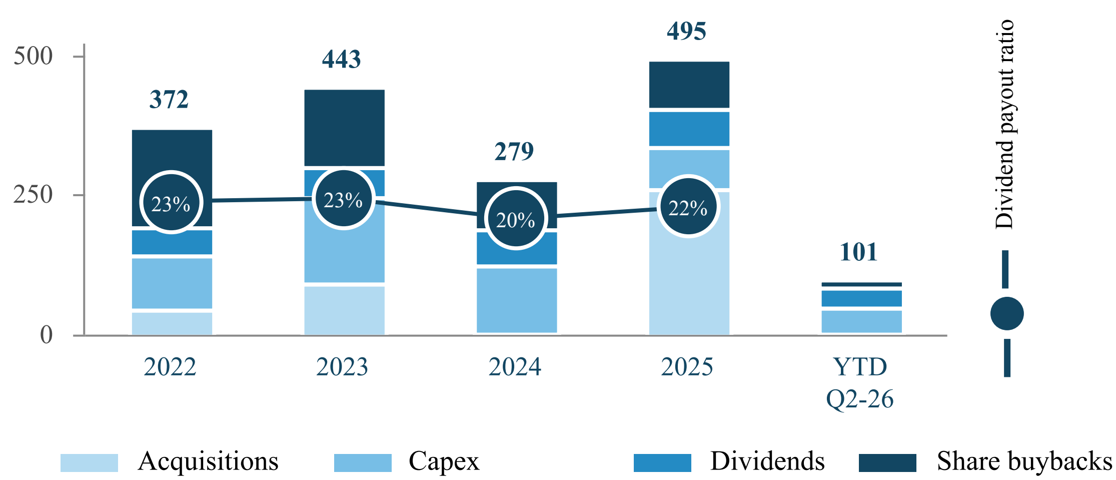
The Company's capital allocation strategy leverages its consistent and strong cash flow generation while enhancing its long-term stability and shareholder value creation. To maintain the Company's strong financial position and financial flexibility, capital is deployed in a disciplined manner, balancing 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 adjusted 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 second quarter of 2026

Sales for the second quarter of 2026 were $1,042 million, compared to $1,034 million in the same period last year. The increase was driven by a $29 million of contribution from the acquisition of Brooks Manufacturing Co. (“Brooks”), and volume growth in wood utility poles, supported by sustained demand. These gains were in large part offset by lower residential lumber sales, primarily reflecting a weaker pricing environment, as well as reduced trading activity in logs and lumber. Second-quarter sales also reflected continued softer demand from Class 1 railroads. Spot market prices for wood utility poles were below the prior-year period, but remained broadly consistent with levels observed since the second half of 2025.

Operating income for the second quarter of 2026 was $95 million, compared to $155 million in the second quarter of 2025. This decrease was primarily driven by $32 million in impairment of assets and restructuring costs associated with the optimization of the railway ties network. On an adjusted basis, operating income[(1)] was $129 million versus $155 million in the prior-year period. Adjusted performance was primarily affected by an increase in site-specific costs, largely related to environmental management and control activities and maintenance work. Results were also impacted by higher fuel costs, and operational inefficiencies at the Company’s steel structures facility during its modernization project, with the overall impact compounded by a lag in recovering certain cost increases through pricing mechanisms. These factors more than offset the incremental earnings contributed by the Brooks acquisition and the solid volume growth in wood utility poles. The Company is pursuing network optimization measures and reviewing additional actions to improve operating efficiency and enhance profitability over time. Consistent with these results, adjusted EBITDA[(1)] for the second quarter of 2026 was $167 million, or 16.0% of sales, compared to $189 million, or 18.3% of sales, in the second quarter of 2025.

During the quarter ended June 30, 2026, the Company used cash generated from operations of $192 million to fund capital expenditures, repay debt and return capital to shareholders through dividends. Capital expenditures included approximately seven million dollars incurred during the quarter for the development of the new steel lattice manufacturing facility in Fayetteville, Tennessee, primarily related to equipment deposits.

As at June 30, 2026, the Company maintained a solid financial position with available liquidity[(2)] of $759 million and a net debt-to-adjusted EBITDA[(1)] of 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. 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 - Second Quarter

Selected Key Indicators

(in millions of dollars except ratios and per share data)	Three-month periods ended June 30, 2026	2025	Variation ($)	Variation (%)
Operating results				
Sales	1,042	1,034	8	1%
Gross profit(1)	186	206	(20)	(10%)
Gross profit margin(1)	17.9%	19.9%	n/a	(200 bps)
Operating income	95	155	(60)	(39%)
Adjusted EBITDA(1)	167	189	(22)	(12%)
Adjusted EBITDA margin(1)	16.0 %	18.3 %	n/a	(230 bps)
Net income	61	106	(45)	(42%)
EPS – basic	1.12	1.91	(0.79)	(41%)
Adjusted EPS – basic(1)	1.59	1.91	(0.32)	(17%)
Cash flows from (used in)				
Operating activities	192	224	(32)	
Financing activities	(112)	(188)	76	
Investing activities	(36)	(52)	16	

	As at June 30, 2026	As at December 31, 2025	Variation ($)
Financial position			
Cash and cash equivalents	138	44	94
Inventories	1,552	1,653	(101)
Total assets	4,289	4,117	172
Long-term debt(2)	1,346	1,339	7
Lease liabilities(2)	300	303	(3)
Total non-current liabilities	1,695	1,805	(110)
Shareholders' equity	2,183	2,039	144
Other data			
Working capital ratio(1)(3)	5.25	7.40	
Net debt-to-adjusted EBITDA(1)	2.5x	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.

Financial Highlights - Year-to-Date

Selected Key Indicators

(in millions of dollars except ratios and per share data)	Six-month periods ended June 30, 2026	2025	Variation ($)	Variation (%)
Operating results				
Sales	1,833	1,807	26	1%
Gross profit[1]	341	374	(33)	(9%)
Gross profit margin[1]	18.6%	20.7%	n/a	(210 bps)
Operating income	192	298	(106)	(36%)
Adjusted EBITDA[1]	303	330	(27)	(8%)
Adjusted EBITDA margin[1]	16.5%	18.3%	n/a	(180 bps)
Net income	121	199	(78)	(39%)
EPS – basic	2.22	3.58	(1.36)	(38%)
Adjusted EPS – basic[1]	2.71	3.06	(0.35)	(11%)
Cash flows from (used in)				
Operating activities	239	208	31	
Financing activities	(103)	(119)	16	
Investing activities	(51)	(74)	23	
Other data				
Return on average equity[1]	12.4%	17.4%	n/a	(500 bps)
Adjusted return on average capital employed[1]	11.5%	12.4%	n/a	(90 bps)
Dividends per share	0.68	0.62	0.06	10%

[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 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.

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, impairment of assets, restructuring costs including closure and other network optimization costs, 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, impairment of assets, restructuring costs including closure and other network optimization costs, 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 June 30,**		**Six-month periods ended June 30,**	
	2026	**2025**	**2026**	**2025**
Operating income	95	155	192	298
Reconciling items:				
Insurance settlement				
Gain on insurance settlement	—	—	—	*(28)*
Business interruption insurance recovery	—	—	—	*(10)*
Impairment of assets and restructuring costs				
Impairment of assets	*24*	—	*24*	—
Closure and other network optimization costs	*8*	—	*8*	—
Amortization of acquisition-related intangibles	2	—	4	—
Adjusted operating income	**129**	**155**	**228**	**260**
Depreciation and amortization excluding the amortization of acquisition-related intangibles	38	34	75	70
Adjusted EBITDA	**167**	**189**	**303**	**330**

Adjusted net income and adjusted EPS - basic

- Adjusted net income: Net income excluding the following items, net of tax: gain on insurance settlement, business interruption insurance recovery, impairment of assets, restructuring costs including closure and other network optimization costs, 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

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 June 30,**		**Six-month periods ended June 30,**	
	2026	**2025**	**2026**	**2025**
Net income	61	106	121	199
Reconciling items:				
Insurance settlement				
Gain on insurance settlement	—	—	—	*(28)*
Business interruption insurance recovery	—	—	—	*(10)*
Impairment of assets and restructuring costs				
Impairment of assets	*24*	—	*24*	—
Closure and other network optimization costs	*8*	—	*8*	—
Amortization of acquisition-related intangibles	2	—	4	—
Income taxes related to above items [(1)]	(8)	—	(9)	9
Adjusted net income	**87**	**106**	**148**	**170**
Adjusted EPS – basic	**$1.59**	**$1.91**	**$2.71**	**$3.06**

[(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 June 30, 2026**	**As at June 30, 2025**
Average total assets	4,164	4,070
Average cash and cash equivalents	(82)	(39)
Average current liabilities	(344)	(306)
Average current portion of lease liabilities	64	62
Average current portion of long-term debt	71	5
Average capital employed	**3,873**	**3,792**
Adjusted operating income (TTM)	446	471
Adjusted ROCE	**11.5%**	**12.4%**

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 June 30, 2026**	**As at December 31, 2025**
Long-term debt, including current portion	1,346	1,339
Lease liabilities, including current portion	300	303
Cash and cash equivalents	(138)	(44)
Net debt	**1,508**	**1,598**
Adjusted EBITDA (TTM)	596	623
Net debt-to-adjusted EBITDA	**2.5x**	**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	1.42	1.38	1.36
Third Quarter			1.38	1.39
Fourth Quarter			1.40	1.37
Fiscal Year			1.40	1.37

- Average rate: There was no change in the value of the U.S. dollar relative to the Canadian dollar during the second quarter of 2026 compared to the second quarter of 2025. As a result, there was no impact on sales and cost of sales.

- Closing rate: The appreciation of the U.S. dollar relative to the Canadian dollar as at June 30, 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 second quarter of 2026 were $1,042 million, up eight million dollars, versus sales of $1,034 million for the second quarter of last year. Excluding the $29 million contribution from the Brooks acquisition, pressure-treated wood sales decreased by $13 million, or 1%. This performance reflected higher wood utility poles sales, largely offset by the lower market price of lumber for residential lumber and lower volumes in railway ties, particularly impacted by the continued softer demand from Class 1 railroads. Logs and lumber sales declined by eight million dollars, or 31%, primarily due to a reduction in logs trading 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**
Q2 2025	**476**	**240**	**246**	**46**	**1,008**	**26**	**1,034**
Acquisition	29	—	—	—	**29**	—	**29**
Foreign exchange	—	—	—	—	**—**	—	**—**
Organic growth [3]	5	(5)	(12)	(1)	**(13)**	(8)	**(21)**
Q2 2026	**510**	**235**	**234**	**45**	**1,024**	**18**	**1,042**
Organic growth % [3]	1%	(2%)	(5%)	(2%)	**(1%)**	(31%)	**(2%)**

[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.

For the six months ended June 30, 2026, sales totaled $1,833 million, compared to $1,807 million for the same period last year. Excluding the contribution from the 2025 acquisitions of Brooks and Locweld Inc. of $71 million and the unfavourable currency conversion of $30 million, pressure-treated wood sales decreased by three million dollars. The decrease was largely explained by weaker pricing and volumes for residential lumber and a reduction in railway ties sales from Class 1 railroads. These factors were largely offset by a 7% increase in wood utility poles volumes, although the benefit of higher volumes was moderated by a less favourable product mix and softer spot market pricing. The decline in logs and lumber sales compared to the corresponding period last year was primarily driven by lower logs and lumber trading activity, and the impact of softer lumber market pricing.

Sales (in millions of dollars, except percentages)	Utility Products	Railway Ties	Residential Lumber	Industrial Products	**Total Pressure-Treated Wood**	Logs & Lumber	**Consolidated Sales**
Q2 YTD 2025	**895**	**448**	**334**	**85**	**1,762**	**45**	**1,807**
Acquisitions	71	—	—	—	**71**	—	**71**
Foreign exchange	(18)	(8)	(2)	(2)	**(30)**	—	**(30)**
Organic growth	31	(7)	(22)	(5)	**(3)**	(12)	**(15)**
Q2 YTD 2026	**979**	**433**	**310**	**78**	**1,800**	**33**	**1,833**
Organic growth %	3%	(2%)	(7%)	(6%)	**—%**	(27%)	**(1%)**

Utility Products

Utility products sales increased to $510 million in the second quarter of 2026, compared to sales of $476 million in the corresponding period last year. Excluding $29 million contribution from the 2025 Brooks acquisition, utility products sales increased by five million dollars, or 1% versus the same period last year. Sales growth was driven by the continued solid volume performance of wood utility poles, supported by multi-year contract commitments. This increase was partially offset by project delays in certain regions due to unusual wet weather in the U.S. southeast, softer spot market pricing and lower steel structures sales. Beginning in the second quarter of 2026, the steel structure business, acquired in the second quarter of 2025, was included in organic growth. Steel structures sales in the quarter were lower, primarily reflecting the temporary impact of equipment changeovers during the quarter intended to double capacity by the third quarter of 2026. Utility products sales accounted for 49% of the Company's second-quarter sales in 2026.

For the first six months of 2026, utility products sales totaled $979 million, compared to $895 million in the same period of 2025. Excluding the impact of the 2025 acquisitions and the currency conversion effect, utility products sales increased $31 million, or 3%, primarily driven by a 7% increase in wood utility poles volumes, reflecting the continued strength of contract business. This volume growth was partially offset by lower pricing, largely due to a less favourable product mix compared to the prior-year period, which included a higher proportion of fire-resistant wrapped utility poles. In addition, spot market pricing was slightly lower than in the first half of 2025, but has remained stable since the second half of 2025. Utility products sales accounted for 53% of the Company's total sales for the first six months of 2026.

Railway Ties

Railway ties sales decreased by five million dollars to $235 million in the second quarter of 2026, compared to sales of $240 million in the same period last year. The decrease was primarily attributable to lower volumes from Class 1 railway customers, as broader industry dynamics, including reduced capital spending and continued competitive market conditions, weighed on demand. These lower Class 1 volumes were largely offset by continued healthy demand and strong project activity from non-Class 1 customers. Pricing was modestly lower, reflecting a less favourable sales mix, including a higher proportion of lower-priced treating service-only volumes. Railway ties sales accounted for 23% of the Company's second-quarter sales in 2026.

For the first six months of 2026, railway ties sales totaled $433 million, versus $448 million for the corresponding period last year. Excluding the currency conversion effect, sales decreased seven million dollars, or 2%. The decrease primarily reflected lower volumes from Class 1 railway customers and reduced pricing due to a shift in product mix toward treated services only volumes, partially offset by solid demand from non-Class 1 customers. Railway ties sales accounted for 24% of the Company's total sales for the first six months of 2026.

Residential Lumber

Residential lumber sales decreased by $12 million to $234 million in the second quarter of 2026, compared to sales of $246 million in the second quarter of 2025. The decrease primarily reflected lower lumber market prices and, to a lesser extent, lower sales volumes compared with the prior-year period, due to softer demand and unfavourable weather conditions. Residential lumber sales accounted for 22% of the Company's second-quarter sales in 2026.

For the first six months of 2026, residential lumber sales decreased to $310 million versus $334 million for the corresponding period last year. This decline was driven by lower pricing and volumes, consistent with second-quarter trends, as market conditions remained soft throughout the first half of the year. Residential lumber sales accounted for 17% of the Company's total sales for the first six months of 2026.

Industrial Products

Industrial products sales remained relatively stable at $45 million in the second quarter of 2026, compared to $46 million in the second quarter of 2025. Industrial products sales represented 4% of the Company's second-quarter sales in 2026.

For the first six months of 2026, industrial products sales totaled $78 million, compared to $85 million in the corresponding period last year. The decrease was largely driven by less timber volumes for railway bridge projects. Industrial products sales accounted for 4% of the Company's total sales for the first six months of 2026.

Logs and Lumber

Sales in the logs and lumber product category were $18 million in the second quarter of 2026, compared to $26 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 second quarter of 2025 was largely attributable to lower logs activity. Logs and lumber sales represented 2% of the Company's second-quarter sales in 2026.

For the first six months of 2026, sales in the logs and lumber product category totaled $33 million, down from $45 million for the corresponding period last year, due to lower logs and lumber activity. Logs and lumber sales accounted for 2% of the Company's total sales for the first six months of 2026.

Sales by Geographic Region

Sales in the United States were $731 million, or 70% of sales in the second quarter of 2026, down by three million dollars, compared to sales of $734 million, or 71% of sales in the corresponding period last year. Sales increased primarily due to the contribution from the Brooks acquisition. This growth was more than offset by a shift in the geographic distribution of steel structures sales, with a higher proportion realized in Canada relative to the U.S., together with lower railway ties sales and reduced logs activity. For the first six months of 2026, sales in the United States amounted to $1,368 million compared to $1,369 million in the corresponding period last year. The sales for the six months ended June 30, 2026 included an unfavourable impact of $30 million from the depreciation of the U.S. dollar relative to the Canadian dollar compared to the same period in 2025.

Sales in Canada increased to $311 million, or 30% of sales in the second quarter of 2026, compared to sales of $300 million or 29% of sales in the second quarter last year. The increase was driven by stronger wood utility poles sales and a greater proportion of steel structures sales realized in Canada, offset in part by lower residential lumber pricing. For the first six months of 2026, sales in Canada stood at $465 million, up from $438 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 $856 million, or 82.1% of sales in the second quarter of 2026, compared to $828 million, or 80.1% of sales, in the corresponding period last year. The increase on an absolute basis primarily reflected the inclusion of Brooks acquired in 2025, an increase in site-specific costs, largely related to environmental management and control activities and maintenance work, higher fuel costs, operational inefficiencies associated with the steel structures capacity expansion in Candiac, and a lag in recovering certain cost increases through pricing mechanisms. These increases were partially offset by lower sales volumes in railway ties, residential lumber, and logs and lumber product categories.

Total depreciation and amortization was $40 million in the second quarter of 2026, with $34 million recorded as cost of sales, compared to $34 million in the corresponding period last year, with $31 million recorded as cost of sales. The increase was primarily attributable to the depreciation of capital additions completed in 2025.

For the first six months of 2026, cost of sales was $1,492 million, or 81.4% of sales, compared to $1,433 million, or 79.3% of sales, in the same period of 2025. The increase was primarily attributable to incremental cost of sales from the 2025 acquisitions, higher sales volumes, particularly in wood utility poles, and a less favourable product mix within that product category. Cost of sales was further affected by higher site-specific and fuel costs, delays in passing through certain higher costs and the absence of the $10 million insurance recovery recognized in the prior-year period, which provided a one-time benefit to 2025 earnings. These pressures were partially offset by the favourable impact of the depreciation of the U.S. dollar relative to the Canadian dollar.

Total depreciation and amortization was $79 million in 2026, with $68 million recorded as cost of sales, compared to $70 million in 2025, with $63 million recorded as cost of sales.

Gross Profit

Gross profit was $186 million, or 17.9% of sales, in the second quarter of 2026, compared to $206 million, or 19.9%, in the corresponding period last year. The decrease in gross profit and gross profit margin primarily reflected an increase in site-specific costs, largely related to environmental management and control activities and maintenance work. Gross profit was also impacted by higher fuel costs, and operational inefficiencies at the Company’s steel structures facility during its modernization project, with the overall impact compounded by a lag in recovering certain cost increases through pricing mechanisms. These factors were partially offset by the incremental earnings contributed by the Brooks acquisition and the solid volume growth in wood utility poles.

For the first six months of 2026, gross profit amounted to $341 million, or 18.6% of sales, compared to $374 million, or 20.7%, in the same period last year. The lower gross profit and gross margin primarily reflected higher site-specific and fuel costs compounded by delays in recovering certain cost increases through pricing mechanisms. Gross profit was also impacted by a less favourable product mix and softer spot market pricing in wood utility poles, as well as the absence of the $10 million insurance recovery recognized in the prior-year period. These headwinds were partially offset by higher wood utility poles volumes and the incremental gross profit contribution from the 2025 acquisitions.

Selling and Administrative

Selling and administrative expenses for the second quarter of 2026 were $57 million, compared to $55 million in the corresponding period last year, including depreciation and amortization of six million dollars in the second quarter of 2026 and three million dollars in the corresponding period last year. Excluding depreciation and amortization, selling and administrative expenses were relatively unchanged at $51 million, compared to $52 million in the prior-year period. As a percentage of sales, selling and administrative expense, excluding depreciation and amortization, represented 4.9% of sales in the second quarter of 2026 compared to 5.0% in the corresponding period last year.

Selling and administrative expenses for the first six months of 2026 were $119 million, compared to $105 million in the corresponding period last year, including depreciation and amortization of $11 million in 2026 and seven million dollars in 2025. As a percentage of sales, selling and administrative expenses, excluding depreciation and amortization, represented 5.9% in 2026 compared to 5.4% in 2025, primarily driven by higher compensation expense.

Impairment of Assets and Restructuring Costs

As part of its ongoing commitment to continuous improvement, the Company initiated network optimization actions for its railway ties business during the second quarter of 2026. These actions are designed to consolidate production into the Company's most efficient facilities and are expected to be substantially completed by the fourth quarter of 2026. In connection with these actions, the Company recorded impairment of assets and restructuring costs of $32 million in the second quarter of 2026, of which $24 million represented non-cash impairment charges related to the write-down of property, plant and equipment at affected facilities, and eight million dollars in closure and other network optimization costs, including costs related to site clean-up activities and employee termination benefits.

Gain on 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.

Other Losses (Gains), Net

In the second 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 second quarter of 2026 totaling four million dollars (nine million dollars for the first six months of 2026) and the corresponding insurance recoveries were recognized in the condensed interim consolidated statement of income under other losses (gains), 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 losses of two million dollars in the second quarter of 2026, mainly stemming from adjustments to existing site remediation provisions. In the corresponding quarter of 2025, other gains were four million dollars, consisting largely of a gain on disposition of a non-core property asset.

For the first six months of 2026, other gains of two million dollars consisted of the recovery of costs associated with restoration efforts for property damage incurred in a previous year net of site remediation expenses. For the first six months of 2025, other gains of one million dollars consisted of the gain on disposition of assets net of remediation expenses.

Financial Expenses

For the second quarter of 2026 and 2025, financial expenses were unchanged at $14 million.

For the first six months of 2026, financial expenses decreased to $31 million from $34 million in the same period last year due to the lower average borrowing cost and debt level.

Income Before Income Taxes and Income Tax Expense

Income before income taxes was $81 million in the second quarter of 2026, compared to $141 million in the corresponding period last year. The provision for income taxes totaled $20 million in the second quarter of 2026, compared to $35 million in the corresponding period last year, representing an effective tax rate of approximately 25% for the second quarter of 2026 and 2025.

For the six-month period ended June 30, 2026, income before income taxes was $161 million, compared to $264 million in the corresponding period last year. The provision for income taxes totaled $40 million for the first half of 2026, compared to $65 million in the same period last year, representing an effective tax rate of approximately 25% in the first six months of 2026 and 2025.

Net Income

Net income for the second quarter of 2026 was $61 million, or $1.12 per share, versus net income of $106 million, or $1.91 per share, in the corresponding period of 2025. On an adjusted basis, net income was $87 million, or $1.59 per share, compared to $106 million, or $1.91 per share, in the second quarter of 2025.

For the first six months of 2026, net income totaled $121 million, or $2.22 per share, compared to net income of $199 million, or $3.58 per share, in the same period last year. On an adjusted basis, net income was $148 million, or $2.71 per share, compared to $170 million, or $3.06 per share, in the first six months 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 ten quarters:

2026

For the quarters ended (in millions of dollars, except EPS)	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Sales	791	1,042			
Operating income	97	95			
Adjusted EBITDA	136	167			
Net income	60	61			
EPS – basic	1.10	1.12			
Adjusted EPS – basic	1.12	1.59			

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 (1)	1.67	1.91	1.59	0.91	6.09
Adjusted EPS – basic (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 (1)	1.36	1.94	1.42	0.93	5.66
Adjusted EPS – basic (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 June 30, 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 June 30, 2026, total assets stood at $4,289 million versus $4,117 million as at December 31, 2025. The increase in total assets largely resulted from the increase in current assets, including cash and cash equivalents, 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** **June 30, 2026**	**As at** **December 31, 2025**	**Variance**
Cash and cash equivalents	138	44	94
Accounts receivable	411	262	149
Inventories	1,552	1,653	(101)
Other	55	60	(5)
Total current assets	**2,156**	**2,019**	**137**
Property, plant and equipment	1,140	1,116	24
Right-of-use assets	285	288	(3)
Intangible assets	236	243	(7)
Goodwill	449	434	15
Other	23	17	6
Total non-current assets	**2,133**	**2,098**	**35**
Total assets	**4,289**	**4,117**	**172**

Accounts receivable were $411 million as at June 30, 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 $1,552 million as at June 30, 2026, down from $1,653 million as at December 31, 2025. The reduction in inventories primarily reflected the seasonal increase in sales and a shift toward more treating service-only volumes, partly offset by the impact of currency translation on U.S. dollar-denominated inventories of approximately $40 million.

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 $1,140 million as at June 30, 2026, compared with $1,116 million as at December 31, 2025. The increase reflected the additions of property, plant and equipment of $50 million during the first six months of 2026 and the effect of currency translation of U.S. dollar denominated property, plant and equipment of $28 million, partially offset by the depreciation expense of $30 million for the period and the impairment of assets of $24 million.

Right-of-use assets totaled $285 million as at June 30, 2026, compared to $288 million as at December 31, 2025. The decrease reflected depreciation expense of $34 million for the period, offset in part by additions of new leases of $22 million, largely rolling stock.

Intangible assets and goodwill totaled $236 million and $449 million, respectively, as at June 30, 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 $15 million for the period, while the increase in goodwill was due to the effect of currency translation on U.S. based goodwill.

Liabilities

As at June 30, 2026, Stella-Jones' total liabilities stood at $2,106 million, up from $2,078 million as at December 31, 2025. The increase in total liabilities largely reflected 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 June 30, 2026**	**As at December 31, 2025**	**Variance**
Accounts payable and accrued liabilities	169	153	16
Income taxes payable	1	—	1
Current portion of long-term debt	139	37	102
Current portion of lease liabilities	67	63	4
Other	35	20	15
Total current liabilities	**411**	**273**	**138**
Long-term debt	1,207	1,302	(95)
Lease liabilities	233	240	(7)
Deferred income taxes	213	218	(5)
Other	42	45	(3)
Total non-current liabilities	**1,695**	**1,805**	**(110)**
Total liabilities	**2,106**	**2,078**	**28**

Long-Term Debt

The Company's long-term debt, including the current portion, was $1,346 million as at June 30, 2026, compared to $1,339 million as at December 31, 2025. The increase primarily reflected a $24 million foreign exchange impact resulting from the appreciation of the U.S. dollar relative to the Canadian dollar on U.S.dollar denominated debt, partially offset by $17 million of debt repayments for the period. Long-term debt, net of cash and cash equivalents, decreased to $1,208 million from $1,295 million as at December 31, 2025, as the higher cash position more than offset the foreign exchange-related increase in debt.

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 June 30, 2026**	**As at December 31, 2025**
Unsecured revolving credit facilities	433	427
Unsecured term loan facilities	408	408
Unsecured senior notes	506	503
Other	(1)	1
Total Long-Term Debt	**1,346**	**1,339**

As at June 30, 2026, the Company's net debt-to-adjusted EBITDA stood at 2.5x and the Company was in compliance with its debt covenants, reporting requirements and financial ratios.

Shareholders' Equity

Shareholders' equity stood at $2,183 million as at June 30, 2026, compared to $2,039 million as at December 31, 2025.

Shareholders' Equity (in millions of dollars)	**As at June 30, 2026**	**As at December 31, 2025**	**Variance**
Capital stock	189	187	2
Contributed surplus	6	5	1
Retained earnings	1,749	1,681	68
Accumulated other comprehensive income	239	166	73
Total shareholders' equity	**2,183**	**2,039**	**144**

The increase in shareholders' equity as at June 30, 2026 was attributable to net income of $121 million and a $73 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 $37 million of dividends.

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 three-month period ended June 30, 2026, no common shares were repurchased for cancellation under the Company's NCIB. During the six-month period ended June 30, 2026, 160,983 of the Company's common shares were repurchased for cancellation in consideration of $15 million. Since the beginning of the NCIB on November 14, 2025, the Company repurchased a total of 278,131 common shares for cancellation in consideration of $25 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,**	
	2026	**2025**	**2026**	**2025**
Operating activities	192	224	239	208
Financing activities	(112)	(188)	(103)	(119)
Investing activities	(36)	(52)	(51)	(74)
Net change in cash and cash equivalents during the period	44	(16)	85	15
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	94	81	53	50
Cash and cash equivalents - End of period	**138**	**65**	**138**	**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, 2026, the Company had $759 million of available liquidity, including $621 million (US$437 million) available under its revolving credit facilities.

Cash flows from operating activities

Cash flows from operating activities amounted to $192 million in the second quarter of 2026, compared to $224 million in the same period in 2025. The decrease was mainly due to lower profitability net of non-cash items, partially offset by lower income taxes paid. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was $151 million in the second quarter of 2026, compared to $193 million in the corresponding period in 2025. Changes in non-cash working capital components increased operating cash flows by $86 million in the second quarter of 2026, mainly as a result of the decrease in inventories, particularly for railway ties, partially offset by the seasonal increase in accounts receivable.

Cash flows from operating activities amounted to $239 million in the first six months of 2026, compared to $208 million in the same period in 2025. 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 $295 million in the first six months of 2026, compared to $330 million in the corresponding period in 2025. Changes in non-cash working capital components increased operating cash flows by $20 million in the first six months of 2026, mainly due to lower inventories and higher accounts payable and deferred revenue, partly offset by higher accounts receivable following seasonally stronger second-quarter sales.

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,**	
	2026	**2025**	**2026**	**2025**
Net income	61	106	121	199
Depreciation and amortization	40	34	79	70
Stock-based compensation	(14)	(5)	(5)	(2)
Financial expenses	14	14	31	34
Income tax expense	20	35	40	65
Impairment of assets	24	—	24	—
Gain on insurance settlement	—	—	—	(28)
Other	6	9	5	(8)
Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid	**151**	**193**	**295**	**330**
Accounts receivable	(62)	(48)	(139)	(125)
Inventories	153	142	139	101
Other current assets	(8)	(7)	(9)	(4)
Accounts payable and accrued liabilities	4	—	15	(11)
Deferred revenue	(1)	—	14	—
Changes in non-cash working capital components	**86**	**87**	**20**	**(39)**
Interest paid	(9)	(9)	(32)	(34)
Income taxes paid	(36)	(47)	(44)	(49)
Cash flows from operating activities	**192**	**224**	**239**	**208**

Cash flows used in financing activities

Financing activities for the second quarter of 2026 decreased cash flow by $112 million. During the quarter ended June 30, 2026, the Company decreased net borrowings under its revolving credit facilities by $50 million and repaid term loans of eight million dollars (US$6 million) under the U.S. Farm Credit Facilities. In addition, the Company repaid lease liabilities of $17 million and paid dividends of $37 million. In the second quarter of 2025, financing activities decreased cash by $188 million, primarily attributable to the decrease of net borrowings under its revolving credit facilities of $59 million, the repayment of term loans of $59 million (US$42 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 totaling $20 million.

For the first six months of 2026, financing activities decreased cash flow by $103 million, compared to a decrease of $119 million for the same period in 2025.

The following table provides information on cash flows used in financing activities 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,**	
	2026	**2025**	**2026**	**2025**
Net change in revolving credit facilities	(50)	(59)	—	78
Repayment of long-term debt	(8)	(59)	(17)	(95)
Repayment of lease liabilities	(17)	(16)	(34)	(33)
Dividends on common shares	(37)	(34)	(37)	(34)
Repurchase of common shares	—	(20)	(15)	(35)
Cash flows used in financing activities	**(112)**	**(188)**	**(103)**	**(119)**

Cash flows used in investing activities

Investing activities used $36 million of cash flows in the second quarter of 2026, mainly explained by the purchase of property, plant and equipment. In the second quarter of 2025, investing activities totaled $52 million and primarily consisted of the acquisition of Locweld Inc. 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.

For the first six months of 2026, the Company invested $51 million, mainly explained by the purchase of property, plant and equipment. In 2025, investing activities totaled $74 million and primarily consisted of the acquisition of Locweld Inc. and the purchase of property, plant and equipment, net of insurance proceeds.

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,**	
	2026	**2025**	**2026**	**2025**
Acquisition of other investments	—	—	(4)	—
Business combinations	(1)	(48)	(1)	(48)
Purchase of property, plant and equipment	(34)	(34)	(46)	(54)
Property insurance proceeds	—	26	2	26
Additions of intangible assets	(2)	(2)	(3)	(4)
Proceeds on disposal of assets	1	6	1	6
Cash flows used in investing activities	**(36)**	**(52)**	**(51)**	**(74)**

Share Information

As at June 30, 2026, the capital stock issued and outstanding of the Company consisted of 54,567,627 common shares (54,697,214 as at December 31, 2025).

The following table presents the outstanding capital stock activity for the three- and six-month periods ended June 30, 2026:

Number of shares	**Three-month period ended June 30, 2026**	**Six-month period ended June 30, 2026**
Balance - Beginning of period	54,555,733	54,697,214
Common shares repurchased	—	(160,983)
Common shares issued under treasury share unit plan	—	13,713
Employee share purchase plans	11,894	17,683
Balance - End of period	**54,567,627**	**54,567,627**

As at August 4, 2026, the issued and outstanding share capital of the Company consisted of 54,567,627 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 August 5, 2026, the Board of Directors declared a quarterly dividend of $0.34 per common share payable on September 18, 2026 to shareholders of record at the close of business on September 3, 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 does not anticipate any material 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 June 30, 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 June 30, 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 April 1, 2026 to June 30, 2026 that have materially affected or are reasonably likely to materially affect the Company's ICFR.

August 5, 2026