

**STELLA
JONES**

Management's Discussion and Analysis

For the years ended December 31, 2025 and 2024
(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 audited consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors on February 25, 2026. 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 years ended December 31, 2025 and 2024. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2025 and 2024 and the notes thereto.

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", "Our Strategy" (including statements regarding the Company's capital allocations 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-EBITDA) and "Subsequent Event" (including statements regarding the Company's plans to expand its steel lattice structure business in the U.S. with the construction of a new manufacturing facility (including the anticipated benefits from the project and expected timing for full commissioning of the project), 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 this MD&A. 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 February 25, 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 audited 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"). 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 audited 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 utilities companies with treated wood poles and crossarms, steel lattice towers and steel transmission poles, as well as North America's Class 1, short line and commercial railroad operators with treated wood railway ties and timbers. 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 December 31, 2025, the Company operated 44 wood treating plants, one steel transmission structure manufacturing facility and a coal tar distillery, and its workforce comprised of more than 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 servicing 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 operational decisions 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

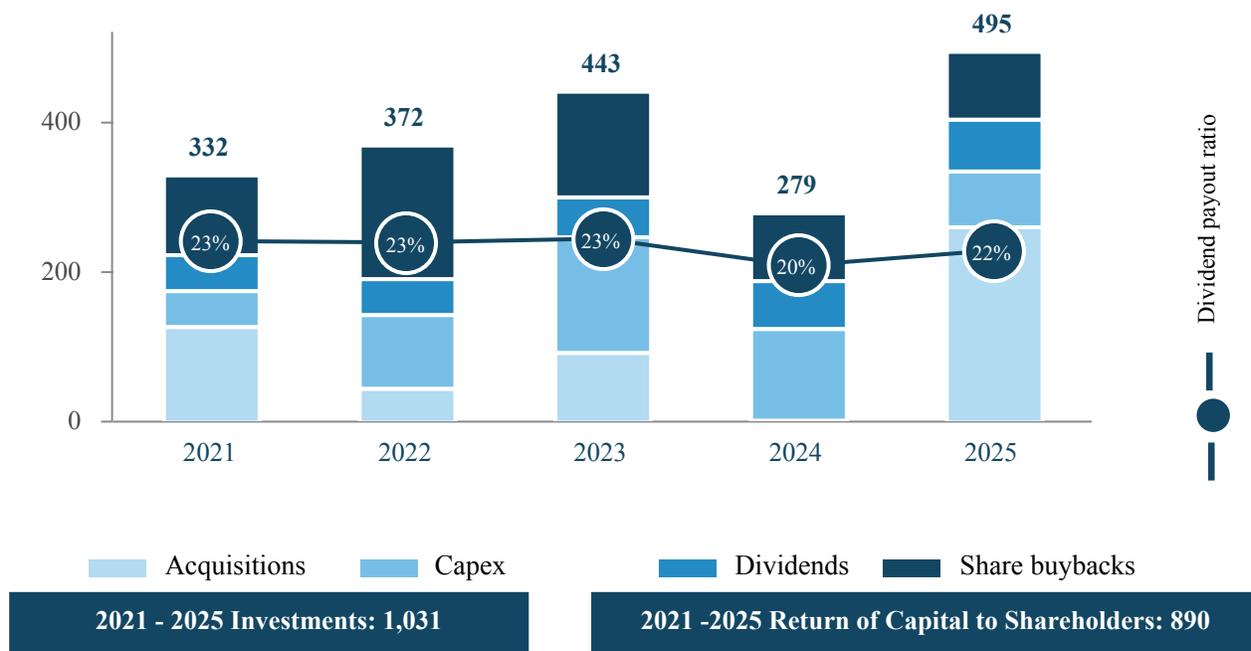
The Company’s capital allocation strategy leverages its consistent and strong cash flow generation while enhancing its long-term stability and shareholder value creation. To maintain the Company’s strong financial position and financial flexibility, capital is deployed in a disciplined manner, balancing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

The Company’s strategy is to:

- Invest approximately 2.5% of sales annually, which translates to \$85 and \$95 million per year in capital expenditures to maintain the quality and reliability of its assets, ensure the safety of its employees, improve productivity and pursue environmental and sustainability initiatives;
- Invest in strategic capital expenditures to expand production capacity, as needed, to support the Company’s growth plans;
- Pursue accretive infrastructure-related acquisitions that enhance the Company’s strategic positioning and drive future earnings growth;
- Maintain a durable dividend payout, targeting dividends equivalent to 20% to 30% of the prior year’s reported basic Earnings Per Share (“EPS”); and
- Return excess capital to shareholders through share repurchases.

As part of its capital allocation approach, Stella-Jones targets a net debt-to-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 2021 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

Financial Objectives

In November 2025, at its investor day, the Company outlined a growth strategy focused on strengthening its position as the supplier of choice for infrastructure customers. The Company also established new financial objectives for 2026-2028 with respect to sales, EBITDA margin⁽¹⁾ and basic EPS growth based on its current asset base. For more information on the Company's growth strategy and financial objectives for 2026-2028, please refer to the Company's press release dated November 20, 2025.

As reflected in its 2025 results, the Company met or exceeded the previously disclosed financial objectives relating to sales, EBITDA margin⁽¹⁾, and return of capital to shareholders. Please refer to the updated financial objectives disclosed in the Company's second quarter of 2025 MD&A dated August 6, 2025.

Business Acquisitions

On November 5, 2025, the Company completed the acquisition of the assets of Brooks Manufacturing Co. ("Brooks") for an initial consideration of US\$140 million plus customary working capital adjustments. Brooks manufactures treated wood distribution crossarms and transmission framing components from its facility located in Bellingham, Washington.

On May 7, 2025, the Company completed the acquisition of Locweld Inc. ("Locweld"), a designer and manufacturer of steel lattice towers and steel transmission poles. The total consideration consisted of a purchase price of \$58 million on a debt-free basis, plus a working capital adjustment and a performance-based contingent consideration.

The results of Brooks and Locweld are reported in the Utility Products category. Utility Products are comprised of wood utility poles, crossarms and steel structures, namely steel lattice towers and steel transmission poles.

Overview of 2025

Sales in 2025 were \$3,492 million, compared to \$3,469 million last year. Excluding the contribution from acquisitions and the positive effect of currency conversion, sales were down \$96 million, or 3%. Despite the increase in the pace of wood utility poles purchases by some utilities in the latter part of the year, organic sales⁽¹⁾ declined in 2025 due to lower railway ties sales and lower logs and lumber volumes. The decrease in railway ties sales was largely explained by the transition of a Class 1 railroad toward treating railway ties internally and increased competitive pressures. For residential lumber, although demand was softer, sales were relatively unchanged when compared to 2024 due to improved pricing.

Despite lower sales volumes, operating income increased to \$516 million in 2025, compared to \$503 million in 2024, largely as a result of acquisitions completed in 2025 and the recognition of an insurance settlement gain related to a 2023 fire incident at one of the Company's facilities. Similarly, EBITDA⁽¹⁾ increased to \$661 million in 2025, representing a margin⁽¹⁾ of 18.9%, compared to \$633 million, or a margin⁽¹⁾ of 18.2%, in last year. The insurance settlement gain recognized in 2025 increased EBITDA⁽¹⁾ by \$28 million and EBITDA margin⁽¹⁾ by 0.8%.

During the year ended December 31, 2025, Stella-Jones used the cash generated from operations of \$557 million to broaden its infrastructure product offering with the acquisitions of Locweld and Brooks, invest in the business and return \$158 million to shareholders, thereby achieving its \$500 million capital return objective over the 2023-2025 period, with total returns of \$506 million. The dividend paid in 2025 amounted to \$1.24 per share, representing an 11% increase compared to 2024.

As at December 31, 2025, the Company maintained a healthy financial position. It had available liquidity⁽²⁾ of \$634 million and its net debt-to-EBITDA⁽¹⁾ stood within the targeted range at 2.4x.

⁽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

| Selected Key Indicators | 2025 | 2024 | 2023 |
|------------------------------------------------------------------|-------------|-------------|-------------|
| <i>(in millions of dollars except ratios and per share data)</i> | | | |
| Operating results | | | |
| Sales | 3,492 | 3,469 | 3,319 |
| Gross profit ⁽¹⁾ | 705 | 724 | 688 |
| Gross profit margin ⁽¹⁾ | 20.2% | 20.9% | 20.7% |
| Operating income | 516 | 503 | 499 |
| Operating income margin ⁽¹⁾ | 14.8% | 14.5% | 15.0% |
| EBITDA ⁽¹⁾ | 661 | 633 | 608 |
| EBITDA margin ⁽¹⁾ | 18.9% | 18.2% | 18.3% |
| Net income | 337 | 319 | 326 |
| EPS - basic & diluted ⁽²⁾ | 6.09 | 5.66 | 5.62 |
| Cash flows from (used in) | | | |
| Operating activities | 557 | 408 | 107 |
| Financing activities | (226) | (221) | 151 |
| Investing activities | (337) | (137) | (258) |
| Financial Position | | | |
| Inventories | 1,653 | 1,759 | 1,580 |
| Total assets | 4,117 | 4,103 | 3,708 |
| Long-term debt ⁽³⁾ | 1,339 | 1,380 | 1,316 |
| Lease liabilities ⁽³⁾ | 303 | 323 | 294 |
| Total non-current liabilities | 1,805 | 1,876 | 1,672 |
| Shareholders' equity | 2,039 | 1,941 | 1,652 |
| Other data | | | |
| Return on average equity ⁽¹⁾ | 16.9% | 17.8% | 20.3% |
| Return on average capital employed ⁽¹⁾ | 13.4% | 13.7% | 15.8% |
| Declared dividends per share | 1.24 | 1.12 | 0.92 |
| Working capital ratio ⁽¹⁾ | 7.40 | 7.48 | 5.07 |
| Net debt-to-total capitalization ⁽¹⁾ | 0.44:1 | 0.46:1 | 0.49:1 |
| Net debt-to-EBITDA ⁽¹⁾ | 2.4x | 2.6x | 2.6x |

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

⁽²⁾ EPS - basic is defined as net income for the year divided by the weighted average number of shares outstanding during the year and is used as metric for financial objectives; EPS - diluted is defined as net income for the year divided by the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential common shares.

⁽³⁾ Including current portion.

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:** Sales of a given period, excluding the effect of acquisitions and foreign currency changes
- **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, in each case, 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, 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 December 31, | | Years ended December 31, | | |
|--------------------------------------------------------------------------|-------------------------------------------|------------|-----------------------------|------------|------------|
| | 2025 | 2024 | 2025 | 2024 | 2023 |
| Operating income | 83 | 81 | 516 | 503 | 499 |
| Depreciation and amortization | 39 | 34 | 145 | 130 | 109 |
| EBITDA | 122 | 115 | 661 | 633 | 608 |

| Reconciliation of Average Capital Employed (in millions of dollars) | Years ended December 31, | | |
|------------------------------------------------------------------------|--------------------------|--------------|--------------|
| | 2025 | 2024 | 2023 |
| Average total assets | 4,122 | 3,940 | 3,407 |
| Less: | | | |
| Average cash and cash equivalents | 62 | 10 | — |
| Average current liabilities | 293 | 328 | 376 |
| Add: | | | |
| Average current portion of lease liabilities | 63 | 58 | 46 |
| Average current portion of long-term debt | 17 | 21 | 82 |
| Average capital employed | 3,847 | 3,681 | 3,159 |
| Operating income (TTM) | 516 | 503 | 499 |
| ROCE | 13.4% | 13.7% | 15.8% |

| Reconciliation of Long-Term Debt to Net Debt (in millions of dollars) | Years ended December 31, | | |
|--------------------------------------------------------------------------|--------------------------|--------------|--------------|
| | 2025 | 2024 | 2023 |
| Long-term debt, including current portion | 1,339 | 1,380 | 1,316 |
| Add: | | | |
| Lease liabilities, including current portion | 303 | 323 | 294 |
| Less: | | | |
| Cash and cash equivalents | 44 | 50 | — |
| Net Debt | 1,598 | 1,653 | 1,610 |
| EBITDA (TTM) | 661 | 633 | 608 |
| Net Debt-to-EBITDA | 2.4x | 2.6x | 2.6x |

The reconciliation of sales to organic sales growth is presented in the "Operating Results" sections.

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 | 1.38 | 1.39 | 1.36 | 1.35 |
| Fourth Quarter | 1.40 | 1.37 | 1.40 | 1.44 |
| Fiscal Year | 1.40 | 1.37 | 1.37 | 1.44 |

- Average rate: The appreciation of the U.S. dollar relative to the Canadian dollar during 2025 compared to 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 December 31, 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 year ended December 31, 2025 reached \$3,492 million, versus sales of \$3,469 million in 2024. Excluding the contribution from acquisitions of \$66 million and the currency conversion effect of \$53 million, pressure-treated wood sales decreased \$64 million, or 2%. The decrease resulted from lower volumes for railway ties and residential lumber. This was offset in part by an increase in wood utility poles demand and better pricing for residential lumber. The decrease in logs and lumber sales compared to last year was largely attributable to less logs and lumber activity.

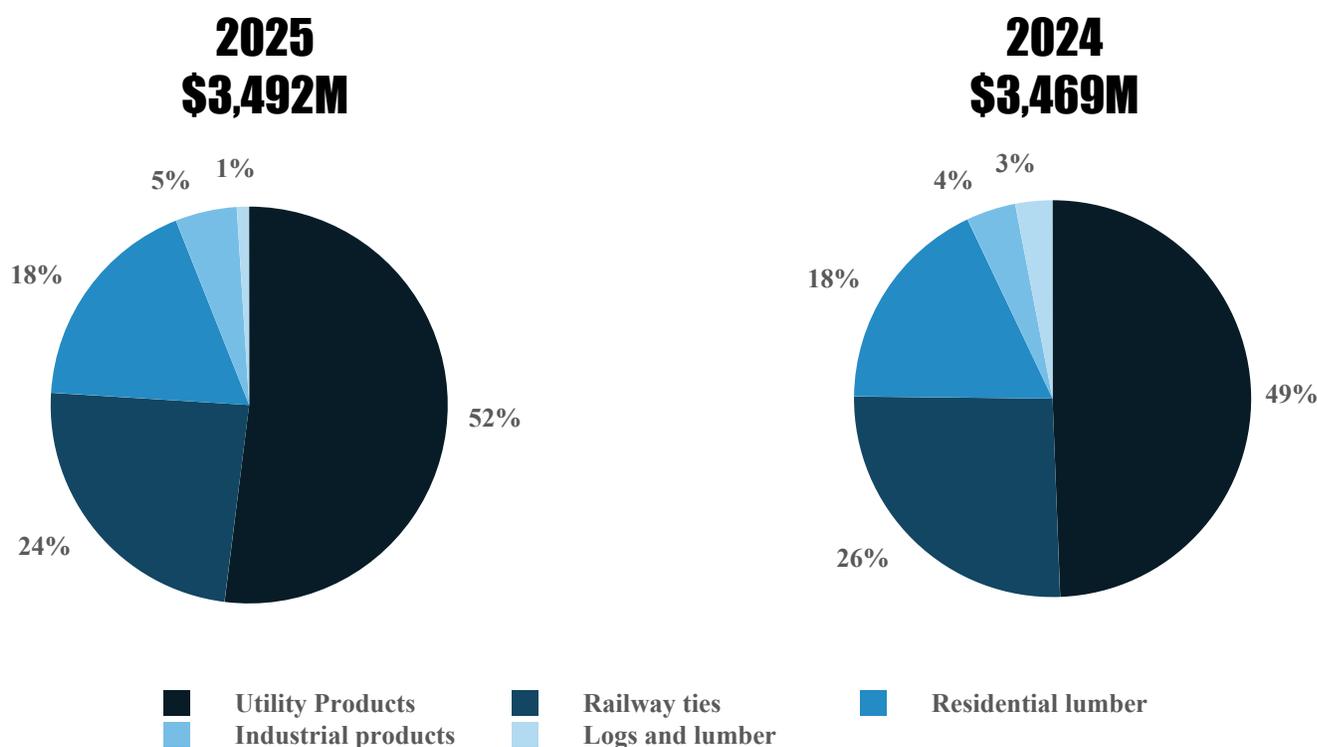
| Sales (in millions of dollars, except percentages) | Utility Products ⁽¹⁾ | Railway Ties | Residential Lumber | Industrial Products | Total Pressure-Treated Wood | Logs & Lumber | Consolidated Sales |
|-------------------------------------------------------|---------------------------------|--------------|--------------------|---------------------|-----------------------------|---------------|--------------------|
| 2024 | 1,705 | 890 | 614 | 154 | 3,363 | 106 | 3,469 |
| Acquisitions | 66 | — | — | — | 66 | — | 66 |
| Foreign exchange | 31 | 17 | 3 | 2 | 53 | — | 53 |
| Organic sales growth ⁽²⁾ | 20 | (86) | (2) | 4 | (64) | (32) | (96) |
| 2025 | 1,822 | 821 | 615 | 160 | 3,418 | 74 | 3,492 |
| Organic sales growth % ⁽²⁾ | 1% | (10%) | —% | 3% | (2%) | (30%) | (3%) |

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

⁽²⁾ 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.

Sales by Product Category

(% of sales)

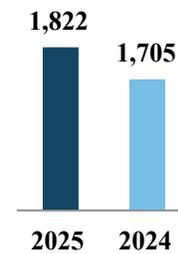


Utility Products

Utility products sales increased to \$1,822 million in 2025, compared to sales of \$1,705 million in 2024. Excluding the contribution from the acquisitions of Locweld and Brooks in 2025 and the currency conversion effect, utility products sales increased by \$20 million, or 1%. The increase resulted from volume growth, mostly driven by new contractual commitments secured in 2023 and 2024 and an increase in the pace of wood utility poles purchases by certain customers in the latter part of 2025. Despite lower spot market pricing when compared to last year, overall pricing remained relatively stable. Utility products sales accounted for 52% of the Company's total sales in 2025.

Utility Products Sales

(in millions of \$)

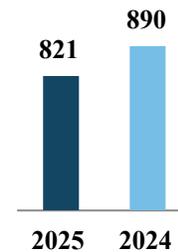


Railway Ties

Railway ties sales were \$821 million in 2025, compared to sales of \$890 million in 2024. Excluding the currency conversion effect, railway ties sales decreased \$86 million, or 10%. The decrease was attributable to lower sales volumes, mainly resulting from a Class 1's shift to treating railway ties in-house, delays in the execution of non-Class 1 projects, as well as increased competitive pressures. Railway ties sales accounted for 24% of the Company's total sales in 2025.

Railway Ties Sales

(in millions of \$)

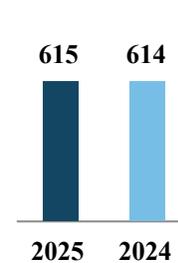


Residential Lumber

Sales in the residential lumber category remained relatively unchanged at \$615 million in 2025 versus \$614 million in 2024. Excluding the currency conversion effect, residential lumber sales decreased by two million dollars, as softer consumer demand when compared to 2024, was largely offset by higher pricing. Even as the lumber market softened, pricing in 2025 remained above 2024 levels, supported by the higher average cost of inventory procured earlier in the year. Residential lumber sales accounted for 18% of the Company's total sales in 2025.

Residential Lumber Sales

(in millions of \$)

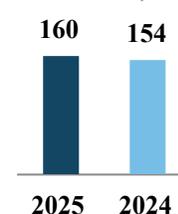


Industrial Products

Industrial products sales were \$160 million in 2025 compared to sales of \$154 million in 2024. Excluding the currency conversion effect, industrial products sales increased four million dollars, or 3%, mainly driven by higher project-driven demand. Industrial product sales represented 5% of the Company's total sales in 2025.

Industrial Products Sales

(in millions of \$)

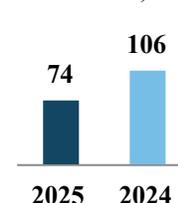


Logs and Lumber

Sales in the logs and lumber product category were \$74 million in 2025, down compared to \$106 million in 2024. In the course of procuring logs for wood utility poles and lumber for its residential lumber program, logs unsuitable for use as wood utility poles and excess lumber are obtained and resold. The decrease in sales was explained by less trading activity in 2025 for both logs and lumber. Logs and lumber sales represented 1% of the Company's total sales in 2025.

Logs and Lumber Sales

(in millions of \$)



Sales by Geographic Region

Sales in the United States amounted to \$2,660 million, or 76% of sales in 2025, up \$145 million, or 6%, compared to sales of \$2,515 million, or 72% of sales in 2024. The increase was explained by higher wood utility poles volumes, the additional sales attributable to the acquisitions of Locweld and Brooks, and the appreciation of the value of the U.S. dollar relative to the Canadian dollar compared to 2024, offset in part by lower volumes for railway ties and less log trading activity.

Sales in Canada amounted to \$832 million, or 24% of sales in 2025, down \$122 million, or 13%, compared to sales of \$954 million or 28% of sales in 2024. The decrease was attributable to lower volumes for wood utility poles and railway ties, and less lumber trading activity.

Cost of Sales

Cost of sales, including depreciation of property, plant and equipment, right-of-use assets as well as amortization of intangible assets, was \$2,787 million, or 79.8% of sales, compared to cost of sales of \$2,745 million, or 79.1% of sales, in 2024. The increase was primarily driven by the additional cost of sales stemming from acquisitions completed in 2025, the appreciation of the U.S. dollar relative to the Canadian dollar and higher manufacturing and depreciation expense, largely offset by lower volumes, particularly for railway ties and residential lumber.

Total depreciation and amortization was \$145 million in 2025, with \$129 million recorded as cost of sales, compared to \$130 million last year, with \$115 million recorded as cost of sales. The increase was largely explained by the depreciation of capital projects and right-of-use assets added in 2024 and 2025.

Gross Profit

Gross profit was \$705 million in 2025, compared to \$724 million in 2024, representing a margin of 20.2% and 20.9% respectively. The decrease was largely due to higher manufacturing and depreciation expense, offset in part by the additional gross profit attributable to acquisitions completed in 2025, and the positive impact of the currency conversion.

Selling and Administrative

Selling and administrative expenses for 2025 amounted to \$213 million, compared to \$206 million last year, including depreciation and amortization of \$16 million in 2025 and \$15 million in 2024. The increase in selling and administrative expenses was mainly attributable to higher compensation expense and project-related costs. As a percentage of sales, selling and administrative expense, excluding depreciation and amortization, represented 5.6% of sales in 2025 compared to 5.5% in 2024.

Other Losses, Net

On July 12, 2025, a portion of the Company's Brierfield, Alabama, manufacturing operation was damaged by fire. The total value of the loss is expected to be covered by property insurance subject to customary deductibles. During 2025, the net book value of the damaged production equipment and building structure was written down to nil. The Company recognized a non-cash write-down of its property, plant and equipment of four million dollars, an inventory loss of two million dollars, and extra expenses and clean-up costs of \$12 million, with a related insurance recovery recognized in the consolidated statement of income under other losses, net. The insurance recoverable asset, net of advances received from the insurance company for this claim, was recorded in accounts receivable. Any gain resulting from insurance proceeds for property damage in excess of the net book value of the related property will be recognized in income upon settlement of the claim as an insurance settlement gain.

The Company also recorded other losses, net of three million dollars in 2025, consisting largely of site remediation expenses. In 2024, other losses, net totalling \$15 million consisted of site remediation expenses of \$10 million, largely attributable to two facilities, one of which was damaged by fire in 2023 and five million dollars of losses related to the retirement of idled equipment.

Insurance Settlement

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

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

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

Financial Expenses

Financial expenses amounted to \$69 million in 2025, down from \$88 million last year. The decrease in financial expenses was explained by the lower average cost of borrowing, largely due to the \$400 million private placement completed in October 2024 at a rate of 4.312% and, to a lesser extent, a lower debt level.

Income Before Income Taxes and Income Tax Expense

Income before income taxes was \$447 million, or 12.8% of sales in 2025 versus \$415 million, or 12.0% of sales in 2024. The provision for income taxes totaled \$110 million in 2025 compared to \$96 million in 2024, representing an effective tax rate of approximately 25% in 2025 and 23% last year. The higher effective tax rate for 2025 was mainly attributable to a change in the mix of income from various jurisdictions.

Net Income

Net income in 2025 totalled \$337 million, or \$6.09 per share, and included a pre-tax gain on insurance settlement of \$28 million. This compares to net income of \$319 million, or \$5.66 per share, in 2024.

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 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 eight 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 | 958 | 727 | 3,492 |
| Operating income | 143 | 155 | 135 | 83 | 516 |
| EBITDA | 179 | 189 | 171 | 122 | 661 |
| Net income | 93 | 106 | 88 | 50 | 337 |
| EPS - basic & diluted ⁽¹⁾ | 1.67 | 1.91 | 1.59 | 0.91 | 6.09 |

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 |

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

Fourth Quarter Results

Highlights

| Selected Key Indicators (in millions of dollars except ratios and per share data) | Q4-2025 | Q4-2024 | Variation (\$) | Variation (%) |
|---------------------------------------------------------------------------------------------|----------------|----------------|-----------------------|----------------------|
| Operating results | | | | |
| Sales | 727 | 730 | (3) | —% |
| Gross profit | 143 | 138 | 5 | 4% |
| Gross profit margin | 19.7% | 18.9% | n/a | 80 bps |
| Operating income | 83 | 81 | 2 | 2% |
| Operating income margin | 11.4% | 11.1% | n/a | 30 bps |
| EBITDA | 122 | 115 | 7 | 6% |
| EBITDA margin | 16.8% | 15.8% | n/a | 100 bps |
| Net income | 50 | 52 | (2) | (4%) |
| EPS – basic & diluted | 0.91 | 0.93 | (0.02) | (2%) |

Operating Results

Sales for the fourth quarter of 2025 amounted to \$727 million, compared to sales of \$730 million for the same period in 2024. Excluding the contribution from acquisitions completed in 2025 of \$26 million, pressure-treated wood sales decreased \$14 million, or 2% due to a decrease in railway ties volumes and softer residential lumber demand, partially offset by higher wood utility poles sales driven by stronger demand. Logs and lumber sales decreased by \$15 million, mainly driven by less trading activity, compared to the fourth quarter last year.

| Sales (in millions of dollars, except percentages) | Utility Products | Railway Ties | Residential Lumber | Industrial Products | Total Pressure- Treated Wood | Logs & Lumber | Consolidated Sales |
|----------------------------------------------------------|---------------------|-----------------|-----------------------|------------------------|---------------------------------------|------------------|-----------------------|
| Q4-2024 | 385 | 193 | 93 | 31 | 702 | 28 | 730 |
| Acquisitions | 26 | — | — | — | 26 | — | 26 |
| FX impact | — | — | — | — | — | — | — |
| Organic sales growth | 36 | (31) | (13) | (6) | (14) | (15) | (29) |
| Q4-2025 | 447 | 162 | 80 | 25 | 714 | 13 | 727 |
| Organic sales growth % | 9% | (16%) | (14%) | (19%) | (2%) | (54%) | (4%) |

Utility products sales totaled \$447 million, compared to \$385 million in the same period last year. Excluding the contribution from acquisitions, sales increased by \$36 million or 9%, all attributable to higher sales volumes, while overall pricing remained relatively flat. Most of the volume gains were driven by newly secured contractual commitments and an increase in purchase activity by certain utilities, which began in the third quarter and continued through the fourth quarter. For railway ties, sales amounted to \$162 million, compared to \$193 million in the same period last year. The decrease was in large part explained by less shipments when compared to the same period last year, due to more competitive pressures and timing-related factors. Residential lumber sales totaled \$80 million, down from \$93 million of sales generated in the same period in 2024. While pricing remained relatively unchanged, the decrease was driven by lower sales volumes. Industrial products sales decreased by six million dollars to \$25 million in the fourth quarter of 2025, compared to \$31 million in the corresponding period last year, largely due to timing of projects. Logs and lumber sales totaled \$13 million in the fourth quarter of 2025 compared to \$28 million in the same period last year, due to less logs and lumber trading activity.

Gross profit was \$143 million in the fourth quarter of 2025, compared to gross profit of \$138 million in the fourth quarter of 2024. As a percentage of sales, gross profit increased from 18.9% in the fourth quarter of 2024 to 19.7% in the fourth quarter of 2025. The increase in gross profit, both in absolute dollars and as a percentage of sales, was largely driven by more sales from the higher-margin utility products category.

Net income for the period amounted to \$50 million, or \$0.91 per share, compared with \$52 million, or \$0.93 per share, in the corresponding period of 2024.

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 December 31, 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 December 31, 2025, total assets stood at \$4,117 million versus \$4,103 million as at December 31, 2024. The increase in total assets largely reflected the acquisitions of Locweld and Brooks, offset by a reduction in inventories 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 consolidated statements of financial position.

| Assets (in millions of dollars) | As at December 31, 2025 | As at December 31, 2024 | Variance |
|------------------------------------|----------------------------|----------------------------|--------------|
| Cash and cash equivalents | 44 | 50 | (6) |
| Accounts receivable | 262 | 277 | (15) |
| Inventories | 1,653 | 1,759 | (106) |
| Other | 60 | 53 | 7 |
| Total current assets | 2,019 | 2,139 | (120) |
| Property, plant and equipment | 1,116 | 1,048 | 68 |
| Right-of-use assets | 288 | 311 | (23) |
| Intangible assets | 243 | 170 | 73 |
| Goodwill | 434 | 406 | 28 |
| Other | 17 | 29 | (12) |
| Total non-current assets | 2,098 | 1,964 | 134 |
| Total assets | 4,117 | 4,103 | 14 |

Accounts receivable were \$262 million as at December 31, 2025, compared to \$277 million as at December 31, 2024. The decrease was attributable to lower sales in the latter part of the fourth quarter of 2025, when compared to the same period last year, and the effect of currency translation of U.S. dollar denominated accounts receivables, partially offset by the additional accounts receivable pertaining to the acquisitions of Locweld and Brooks. 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 \$1,653 million as at December 31, 2025, down from \$1,759 million as at December 31, 2024. Inventory levels decreased as the Company optimized the higher inventory levels of wood utility poles and railway ties at the start of the year. This decline also reflected a \$55 million currency translation impact on U.S. dollar denominated inventories, partially offset by the additional inventory pertaining to the acquisitions of Locweld and Brooks.

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 \$1,116 million as at December 31, 2025, compared with \$1,048 million as at December 31, 2024. The increase reflected the additions of property, plant and equipment of \$90 million during 2025 as well as additional property, plant and equipment of \$80 million from the acquisitions of Locweld and Brooks, partially offset by the effect of currency translation of U.S. dollar denominated property, plant and equipment of \$37 million and the depreciation expense of \$55 million for the year.

Right-of-use assets totaled \$288 million as at December 31, 2025, compared to \$311 million as at December 31, 2024. The decrease reflected depreciation expense of \$68 million for the year and the effect of currency translation of U.S. dollar denominated right-of-use asset, offset in part by additions of new leases, largely rolling stock, and the remeasurement of existing leases related to their duration, totalling \$24 million.

Intangible assets and goodwill totaled \$243 million and \$434 million, respectively, as at December 31, 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 increase in intangible assets was primarily attributable to the customer relationships acquired with the acquisitions of Locweld and Brooks of \$93 million, partially offset by the amortization expense of \$22 million for the year. The increase in goodwill was attributable to goodwill recognized in connection with the acquisition of Brooks, partially offset by the effect of currency translation on U.S.-based goodwill.

Liabilities

As at December 31, 2025, Stella-Jones' total liabilities stood at \$2,078 million, down from \$2,162 million as at December 31, 2024. The decrease in total liabilities largely reflected the currency translation effect on U.S. dollar denominated liabilities, partially offset by additional liabilities assumed in connection with the acquisitions of Locweld and Brooks. Note that the following table provides information on liabilities using select line items from the consolidated statements of financial position.

| Liabilities (in millions of dollars) | As at December 31, 2025 | As at December 31, 2024 | Variance |
|------------------------------------------------|------------------------------------------|------------------------------------------|-----------------|
| Accounts payable and accrued liabilities | 153 | 180 | (27) |
| Current portion of long-term debt | 37 | 1 | 36 |
| Current portion of lease liabilities | 63 | 64 | (1) |
| Other | 20 | 41 | (21) |
| Total current liabilities | 273 | 286 | (13) |
| Long-term debt | 1,302 | 1,379 | (77) |
| Lease liabilities | 240 | 259 | (19) |
| Deferred income taxes | 218 | 197 | 21 |
| Other | 45 | 41 | 4 |
| Total non-current liabilities | 1,805 | 1,876 | (71) |
| Total liabilities | 2,078 | 2,162 | (84) |

Long-Term Debt

The Company's long-term debt, including the current portion, decreased by \$41 million to \$1,339 million as at December 31, 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 approximately \$40 million. The Company achieved a modest reduction in net borrowings, despite allocating \$259 million toward acquisitions during 2025.

| Long-Term Debt (in millions of dollars) | As at December 31, 2025 | As at December 31, 2024 |
|---------------------------------------------------|------------------------------------|------------------------------------|
| Unsecured revolving credit facilities | 427 | 295 |
| Unsecured term loan facilities | 408 | 576 |
| Unsecured senior notes | 503 | 508 |
| Other | 1 | 1 |
| Total Long-Term Debt | 1,339 | 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.

In 2025, the Company entered into a credit agreement to obtain a U.S. revolving credit facility with a maximum amount of US\$15.0 million, maturing in August 2026. The facility is used for general corporate purposes and will be automatically renewed annually unless the Company or the lender provides notice of non-renewal. The applicable interest rate for this credit facility is SOFR plus 1.45%.

As at December 31, 2025, the Company's net debt-to-EBITDA stood at 2.4x and was in compliance with its debt covenants, reporting requirements and financial ratios.

Shareholders' Equity

Shareholders' equity stood at \$2,039 million as at December 31, 2025, compared to \$1,941 million as at December 31, 2024.

| Shareholders' Equity (in millions of dollars) | As at December 31, 2025 | As at December 31, 2024 | Variance |
|---------------------------------------------------------|------------------------------------|------------------------------------|-----------------|
| Capital stock | 187 | 188 | (1) |
| Contributed surplus | 5 | — | 5 |
| Retained earnings | 1,681 | 1,498 | 183 |
| Accumulated other comprehensive income | 166 | 255 | (89) |
| Total shareholders' equity | 2,039 | 1,941 | 98 |

The increase in shareholders' equity as at December 31, 2025 was attributable to net income of \$337 million, partially offset by a \$89 million decrease in accumulated other comprehensive income, mainly related to the currency translation of foreign operations, \$90 million of share repurchases and \$68 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 commencing November 14, 2024 and ending November 13, 2025, representing approximately 4.5% of the common shares outstanding as of such date.

On November 4, 2025, the TSX accepted the Company's Notice of Intention to Make a 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 year ended December 31, 2025, the Company repurchased, 1,169,037 common shares for cancellation in consideration of \$90 million under its NCIBs then in effect.

Liquidity and Capital Resources

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

| Summary of cash flows (in millions of dollars) | Years ended December 31, | |
|----------------------------------------------------------|---------------------------------|-------------|
| | 2025 | 2024 |
| Operating activities | 557 | 408 |
| Financing activities | (226) | (221) |
| Investing activities | (337) | (137) |
| Net change in cash and cash equivalents during the year | (6) | 50 |
| Cash and cash equivalents - Beginning of year | 50 | — |
| Cash and cash equivalents - End of year | 44 | 50 |

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 December 31, 2025, the Company had \$634 million of available liquidity, including \$590 million (US\$431 million) available under its revolving credit facilities.

Cash flows from operating activities

Cash flows from operating activities amounted to \$557 million in 2025, compared to \$408 million in 2024, largely due to favourable non-cash working capital movements. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was \$623 million in 2025, compared to \$637 million in 2024. Changes in non-cash working capital components increased liquidity by \$95 million in 2025. The increase was largely attributable to a reduction in inventories, reflecting the Company's efforts to optimize the higher inventory levels at the beginning of the year.

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

| Cash flows from operating activities (in millions of dollars) | Years ended December 31, | |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------|
| | 2025 | 2024 |
| Net income | 337 | 319 |
| Depreciation and amortization | 145 | 130 |
| Financial expenses | 69 | 88 |
| Income tax expense | 110 | 96 |
| Gain on insurance settlement | (28) | — |
| Other | (10) | 4 |
| Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid | 623 | 637 |
| Accounts receivable | 34 | 56 |
| Inventories | 85 | (82) |
| Income taxes receivable | (4) | — |
| Other current assets | 11 | 9 |
| Accounts payable and accrued liabilities | (31) | (40) |
| Changes in non-cash working capital components | 95 | (57) |
| Interest paid | (69) | (85) |
| Income taxes paid | (92) | (87) |
| Cash flows from operating activities | 557 | 408 |

Cash flows used in financing activities

Financing activities in 2025 decreased cash flows by \$226 million. During the year, the Company decreased its net borrowings by two million dollars. This was driven by the repayment of \$144 million (US\$102 million) in term loans under the U.S. Farm Credit Facilities, which was largely offset by \$142 million in borrowings under the revolving credit facilities, primarily used to fund the acquisition of Brooks in the fourth quarter of 2025. In addition, the Company repaid lease liabilities of \$66 million, paid dividends of \$68 million and repurchased shares for \$90 million.

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

| Cash flows used in financing activities (in millions of dollars) | Years ended December 31, | |
|----------------------------------------------------------------------------|---------------------------------|--------------|
| | 2025 | 2024 |
| Net change in revolving credit facilities | 142 | (471) |
| Net (repayment) proceeds (of) from long-term debt | (144) | 465 |
| Repayment of lease liabilities | (66) | (62) |
| Dividends on common shares | (68) | (63) |
| Repurchase of common shares | (90) | (90) |
| Cash flows used in financing activities | (226) | (221) |

Cash flows used in investing activities

Investing activities used liquidity of \$337 million in 2025, mainly explained by the acquisitions of Locweld and Brooks and the purchase of property, plant and equipment, net of insurance proceeds. In 2024, investing activities totalled \$137 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 consolidated statements of cash flows.

| Cash flows used in investing activities (in millions of dollars) | Years ended December 31, | |
|----------------------------------------------------------------------------|---------------------------------|--------------|
| | 2025 | 2024 |
| Business combinations | (262) | (4) |
| Purchase of property, plant and equipment | (103) | (132) |
| Property insurance proceeds | 28 | 10 |
| Additions of intangible assets | (9) | (11) |
| Proceeds on disposal of assets | 9 | — |
| Cash flows used in investing activities | (337) | (137) |

Financial obligations

The following table details the maturities of the financial obligations as at December 31, 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 | 153 | 153 | 153 | — | — | — |
| Long-term debt obligations ⁽¹⁾ | 1,339 | 1,557 | 88 | 437 | 588 | 444 |
| Minimum payment under lease liabilities ⁽¹⁾ | 303 | 352 | 72 | 117 | 52 | 111 |
| Financial obligations | 1,795 | 2,062 | 313 | 554 | 640 | 555 |

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

Share and Stock Option Information

As at December 31, 2025, the capital stock issued and outstanding of the Company consisted of 54,697,214 common shares (55,824,953 as at December 31, 2024).

The following table presents the outstanding capital stock activity for the year ended December 31, 2025:

| Number of shares | Year ended December 31, 2025 |
|-------------------------------|------------------------------|
| Balance - Beginning of year | 55,824,953 |
| Common shares repurchased | (1,169,037) |
| Stock option exercised | 5,000 |
| Employee share purchase plans | 36,298 |
| Balance - End of year | 54,697,214 |

As at February 24, 2026, the issued and outstanding share capital of the Company consisted of 54,605,792 common shares.

As at December 31, 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).

Dividends

In 2025, the Company's Board of Directors declared the following quarterly dividends:

| Declared | Record Date | Payment Date | Dividend \$ |
|-------------------|-------------------|--------------------|-------------|
| February 26, 2025 | April 1, 2025 | April 18, 2025 | 0.31 |
| May 6, 2025 | June 2, 2025 | June 20, 2025 | 0.31 |
| August 6, 2025 | September 2, 2025 | September 25, 2025 | 0.31 |
| November 4, 2025 | December 1, 2025 | December 19, 2025 | 0.31 |

The declaration, amount and date of any future dividends will continue to be considered by the Board of Directors of the Company based on the Company's capital allocation strategy. There can be no assurance as to the amount or timing of such dividends in the future.

Commitments and Contingencies

The Company is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. The Company believes that a final determination of these proceedings cannot be made at this time but should not materially affect the Company's cash flows, financial position or results of operations.

The Company has issued guarantees under letters of credit and various bid and performance bonds for a total of \$68 million as at December 31, 2025 (2024 – \$68 million). The Company does not believe these guarantees are likely to be called on and, as such, no provisions have been recorded in the consolidated financial statements. The Company has also entered into a ten-year agreement to purchase renewable energy certificates for a total commitment of eight million dollars (2024 – eight million dollars).

The Company's operations are subject to Canadian federal and provincial as well as U.S. federal and state environmental laws and regulations governing, among other matters, air emissions, waste management, wastewater effluent discharges and use of antimicrobial pesticide products. The Company takes measures to comply with such laws and regulations. However, the measures taken are subject to the uncertainties of changing legal requirements, enforcement practices and developing technological processes.

Subsequent Events

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

b) On February 25, 2026, the Board of Directors approved an investment of approximately US\$50 million to expand the Company's steel lattice structure capacity. This investment will fund a new manufacturing facility of 20,000 tons located in the Southeastern United States. The facility is expected to be fully commissioned by the end of 2027.

Risks and Uncertainties

The Company is exposed to risks and uncertainties that could materially affect its business, financial position and results of operations, and consequently the trading price of its common shares, or cause actual results to differ materially from underlying forward-looking statements included in this MD&A. The Board of Directors requires that the Company's management identify and properly manage the principal risks related to the Company's business operations. The Company has put in place policies and procedures with the goal of managing, on an ongoing basis, its principal risks and uncertainties and mitigate their impact, but the Company cannot provide assurances that any such efforts will be successful.

The principal risks and uncertainties to which the Company is exposed are described below. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also materially affect its business, financial position and results of operations.

Operational Risks

Dependence on Major Customers

The Company is dependent on major customers for a significant portion of its sales, and the loss of, or reduced or fluctuating purchases from, one or more of its major customers could result in a substantial reduction in its results or result in excess inventories. For the year ended December 31, 2025, the Company's top 10 customers accounted for 44% of its sales. During this same period, the Company's largest customer accounted for 14% of total sales and is associated with the residential lumber product category, while the second largest customer accounted for 5% of total sales and is associated with the utility products category.

Availability and Cost of Raw Materials

Management considers that the Company may be affected by potential fluctuations in the supply and prices of raw materials. The Company's primary raw materials include wood, wood preservatives, steel and zinc.

While the Company operates under long-term timber cutting licenses and benefits from long-standing relationships with private woodland owners and other suppliers, there can be no assurance that such licenses will be respected or renewed on expiry, that such relationships with private woodland owners and other suppliers will be maintained, or that its suppliers will continue to provide sufficient timber to the Company. Increasing governance of forest management may also impact wood supply. In certain regions, like British Columbia, Canada, the Company is developing long-term business relationships with Indigenous communities, but there is no assurance that it will succeed in securing the available wood.

There are a limited number of suppliers for certain wood preservatives that the Company employs in its production process, which lessens the availability of alternate sources of supply in the event of unforeseen shortages or disruptions of production. Certain suppliers may also reduce or cease production of specific preservatives, while changes in legislation may require the application of alternative preservatives to those historically utilized. Geopolitical unrest leading to trade restrictions or loss of trade routes or any escalation or additional international conflicts could create supply availability challenges and may require the Company to evaluate substitute products that are reasonably priced, safe, effective and acceptable to the Company's customers. Further, the availability of raw materials used by the Company and the prices thereof may fluctuate depending on a variety of other factors, including market conditions, global supply and demand for these materials, global economic conditions, geopolitical risks and related sanctions, export controls and other actions that may be initiated by nations. While the Company seeks to research and identify alternate suppliers and preservatives outside of its traditional sources of supply, there can be no assurance that it will be able to secure the sufficient supply of all materials required to manufacture its products. Any supply chain disruptions, capacity constraints at suppliers, or fluctuations in wood and wood preservatives prices used by the Company could result in production delays, scheduling programs or increased costs, which, in turn, could impact the Company's business, financial position and results of operations.

The Company sources steel primarily from steel service centers and steel mills, while zinc is procured through its third-party galvanizers. The Company has historically maintained strong relationships with its suppliers and has strategically sourced, directly or indirectly, most of its steel and zinc within the same country as its manufacturing operations. However, the availability and cost of steel and zinc remain subject to market conditions. Supply chain disruptions, capacity constraints at suppliers, or fluctuations in steel and zinc prices could result in production delays, scheduling programs or increased costs, which, in turn, could impact the Company's business, financial position and results of operations.

Operational Disruption

The Company's operations could be disrupted by natural or human-induced disasters or by the outbreak of a disease or virus. The magnitude of the impact on results will depend on certain factors, including the nature of the disruption, its duration and the location affected by the disrupting event. The occurrence of business disruptions could, among other impacts, prevent employees, suppliers, customers and business partners from conducting business activities, increase operating costs, make it difficult or impossible to provide products to customers or to receive raw material from suppliers, or require substantial expenditures and recovery time in order to fully resume operations, which in turn could materially adversely impact the Company's business, financial position and results of operations.

Climate Change

The effects of global climate change are increasing the severity and frequency of natural threats on the Company's business and may result in increased operational and capital costs. Some of the more significant climate-related risks that the Company has identified include 1) increased costs as a result of damage to one or more of the Company's facilities and/or equipment and to those of its suppliers and customers, and 2) increased production downtime and costs due to longer-term changes in climate patterns, such as chronic heat waves and extreme rain events. The magnitude of the effects of climate change could be unpredictable and therefore, the Company's plans may not successfully mitigate the consequences of a natural disaster, which could materially adversely impact the business, financial position and results of operations of the Company.

In addition to the physical risks associated with changes in climate conditions, there is the risk of governmental responses to such changes. The effects of global climate change, including complying with evolving climate change regulations and transitioning to a low carbon economy, could require substantial expenditures, result in increased operating costs and reduce the availability of fibre as harvestable land which may be set aside for carbon mitigation and offsets.

Reliance on Key Personnel

The Company's senior management and other key employees have extensive experience and subject matter expertise in the industry and with the business, suppliers, products and customers. The loss of senior management knowledge and expertise as a result of the loss of one or more members of the core management team, or the departure of key employees with knowledge in engineering, forestry, wood treating, steel structures and other specialized areas, could negatively affect the Company's ability to develop and pursue its business strategies, which could materially adversely affect the Company's business, financial position and results of operating.

Recruitment, Retention and Management of Qualified Workforce

The Company's ability to build upon its record of performance and continue to achieve sustainable growth are dependent, to a significant extent, on its ability to recruit, develop and retain quality personnel, develop sound strategies for succession and maintain good relations with its employees. Social and demographic trends, and changes in employees' lifestyles and expectations, can make it more challenging to hire and retain personnel. Difficulty in attracting qualified employees and retaining valuable internal expertise, including key management personnel with expertise in acquired businesses, or the occurrence of work stoppages could lead to operational disruptions or increased costs.

Information Technology, Cybersecurity ("Cyber") and Data Protection

The Company relies, and continues to place greater emphasis, on information technology, software as a service and other software applications, whether hosted internally or outsourced, to securely process, transmit and store electronic data to support its business activities. Despite its security design and controls, and those of third-party providers, the Company's information technology and infrastructure may be targeted by Cyber attacks or be the subject of data breaches, information technology disruptions, and other similar incident. Cyber threats are persistent, and vary in technique and sources, including through the use of emerging artificial intelligence technologies, and are increasingly sophisticated and more difficult to detect and prevent. These threats may include, among other things, the introduction of computer viruses and other malicious codes, phishing, ransomware, social engineering, theft, malfeasance or improper access by employees or third-party vendors, system failures, disruptions or outages caused by human error or other modes of attack or disruption.

Any material disruption in our technology systems, including those of third-party providers, could result in operational disruption and increased costs, unauthorized access to, or disclosure of, confidential or personal information, regulatory fines, penalties or litigation, reputation damage, reimbursement or other compensatory costs and additional compliance costs. Any of these could have a material adverse effect on the Company's business, financial position and results of operations.

In addition, the Company is continually modifying and enhancing its information technology systems and technologies to increase productivity, efficiency and security. As new systems and technologies, such as AI, are implemented, the Company could experience unanticipated difficulties resulting in unexpected costs and adverse impacts to its financial reporting and manufacturing and other business processes. When implemented, the systems and technologies may not provide the benefits anticipated and could add costs and complications to ongoing operations, which may have a material adverse effect on the Company's business, financial condition or results of operations. AI-related issues, deficiencies or failures could give rise to legal or regulatory action, including with respect to proposed legislation regulating AI or as a result of new applications of existing data protection, privacy, intellectual property or other laws, and could damage the Company's reputation or otherwise harm the business. Moreover, the effective use of AI often requires large volumes of data which is sometimes provided to third parties in doing so. Any breach or misuse of this data could lead to significant legal and reputational consequences which, in turn, could materially adversely affect the Company's business, financial position and financial results.

Environmental, Social and Governance (“ESG”) Initiatives and Standards

To enhance its sustainability performance, the Company has developed an organization-wide ESG strategy that includes specific goals and targets. These goals and targets reflect the Company’s current plans and aspirations, are based on available data and estimates, and it is not guaranteed that the Company will be able to achieve these targets within the stated timeframe or at all, or that achieving any of these targets will meet all of the expectations of its stakeholders or applicable legal requirements. Failure by the Company to achieve its ESG goals and targets, or to accurately manage, measure or report on its progress in relations to such goals and targets, could have financial, reputational, legal and regulatory repercussions. Also, the implementation of these objectives is expected to require additional costs which may be higher than anticipated.

Furthermore, the ESG standards and frameworks with which the Company voluntarily aligns require robust data collection and effective controls to mitigate potential legal exposure. Failure to comply with these requirements, or to implement comprehensive data gathering, analysis, and controls mechanisms, could impact the Company’s ability to provide accurate, complete, reliable and timely reporting, and may result in reputational harm and litigation.

Strategic Risks

Global Economic Conditions

Economic conditions are influenced by a range of factors, including the imposition, modification, or removal of tariffs, import restrictions and other trade restrictions by various countries. Such conditions may have an impact on clients’ willingness and ability to finance projects or invest in infrastructure maintenance, making it challenging for both the Company and its clients to accurately forecast and plan future business trends and activities. This uncertainty could lead clients to reduce or delay spending on the Company’s products or seek more favourable contract terms. Additionally, the introduction or expansion of unfavourable economic measures could disrupt established supply chains and increase costs, negatively impacting the Company’s results of operations. While the Company may have agreements with customers that provide for sales price adjustments, it may not be able to fully or promptly pass these cost increases on to customers, which could materially and adversely impact its business, financial condition and results of operations.

Geopolitical uncertainty

A negative change in political conditions or political instability, including significant civil unrest and acts of war or terrorist activities, may affect most or all the markets the Company serves, impacting costs, selling prices and demand for its products, increase disruptions in supply chains, and materially and adversely affect its business, financial position and results of operations. These events may also impact the financial condition of one or more of the Company’s key suppliers, which could affect its ability to secure raw materials and components to meet its customers’ demand for its products.

Risk Related to Acquisitions

A key part of the Company’s growth strategy is to acquire businesses that align with its financial and strategic objectives. However, the Company may not be successful in identifying suitable acquisition candidates or may be unable to complete transactions on favourable terms or at all. Competition for high-quality targets may be intense, which could limit the number of available opportunities or increase purchase prices. Furthermore, a variety of factors may adversely affect the anticipated benefits of a given acquisition or from occurring within the time periods forecasted by the Company. Integration of acquired businesses presents various managerial, organizational, administrative, operational and other challenges. In addition, businesses the Company acquire may have liabilities, contingencies, incompatibilities or other obstacles to successful integration that the Company failed to discover or was unable to accurately quantify in the due diligence conducted prior to completion of an acquisition.

While the Company strives to obtain adequate indemnification rights from the sellers of acquired businesses and/or insurance that could mitigate certain of these risks, such rights may be difficult to enforce, the losses may exceed any dedicated escrow funds or holdbacks and the indemnitor may not have the ability to financially support the indemnity, or the insurance coverage may be unavailable or insufficient to cover all losses. The Company may also incur costs and direct Management’s attention to potential acquisitions which may never be consummated. If the Company fails to effectively manage the integration of acquired businesses or mitigate liabilities associated with such acquisitions, this could materially adversely impact the Company’s business, financial position and results of operations.

Risk Related to Future Plant Expansion

The Company may identify opportunities and proceed with the construction of new manufacturing plants in order to support its growth strategy and respond to evolving market demands. Such projects could require significant upfront capital expenditures and extensive planning, including obtaining regulatory approvals, managing supply chain and logistics constraints, securing skilled labor, and addressing potential fluctuations in construction costs and project timelines. There can be no assurance that expenditures incurred in connection with new plant construction will be recoverable, or that such investments will achieve the anticipated strategic, operational or financial benefits.

Although the Company exercises prudence in evaluating the feasibility and strategic alignment of any future plant construction and any decision to proceed will be subject to a comprehensive assessment of expected benefits and risks, failure to successfully execute such projects or realize the anticipated returns could adversely affect the Company's business, financial condition, results of operations, and cash flows.

Financial Risks

Currency

The Company's financial results are reported in Canadian dollars but a significant portion of its sales, operating expenses and capital expenditures are realized in U.S. dollars. For financial reporting purposes, any change in the value of the Canadian dollar against the U.S. dollar during a given financial reporting period would result in variations of the Company's financial condition and results of operations, which could be significant.

Interest Rates

The Company is exposed to interest rate fluctuations. The Company maintains a combination of fixed rate and variable rate indebtedness and may, if applicable, hedge the exposure to variable interest rates with various derivative instruments. As at December 31, 2025, 68% of the Company's indebtedness bore interest at fixed rates, therefore reducing the Company's exposure to interest rate risk. The Company also enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its indebtedness, subject to variable interest rates. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as cash flow hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swap agreements. However, if interest rates increase, the debt service obligations on the variable rate indebtedness of the Company would increase even though the amount borrowed remained the same, and this could have a material adverse effect on the Company's business, financial position and results of operations.

Availability of Capital

As it executes on its growth strategy, the Company may in the future need to raise additional funds to meet its capital requirements and pursue its growth strategy. The Company's ability to access additional capital, whether through debt or equity financing, is subject to a variety of factors, including prevailing market conditions, the Company's financial performance, and investor sentiment. Adverse changes in the capital markets or a deterioration in the Company's credit ratings could negatively impact the availability or cost of new financing. Additional funds may not be available to the Company on commercially reasonable terms or at all, if and when needed, and if capital is not available to the Company when and in the amounts needed, the Company could be required to delay, reduce, or modify planned capital expenditures, growth initiatives, or other strategic priorities, and could be limited in its ability to respond to unexpected events or pursue strategic opportunities. Any such modifications or limitations could materially adversely affect the Company's business, financial position and results of operations.

In addition, the agreements governing the Company's credit facilities and senior notes contain certain restrictive covenants that impose operating and financial restrictions and could limit the Company's ability to engage in activities that might be in its long-term best interests. In addition, a breach of the covenants under the Company's credit facilities and senior notes could result in an event of default, which could allow lenders to accelerate the repayment of the debt. In this event, the Company may seek to refinance its indebtedness, but be unable to do so on commercially reasonable terms or at all. As a result, the Company could be limited in how it conducts its business, be unable to compete effectively or take advantage of new business opportunities, which, in turn, could materially adversely affect the Company's business, financial position and results of operations.

Customers' Credit

The Company carries a substantial level of trade accounts receivable on its statement of financial position. This value is spread among numerous contracts and clients. Trade accounts receivable include an element of credit risk should the counterparty be unable to meet its obligations as a result of such counterparty becoming economically distressed or insolvent, not complying with the terms of its agreements with the Company or otherwise. Although the Company seeks to reduce this risk by dealing primarily with large-scale utility providers, Class 1 railroad operators and large retailers, there can be no assurance that outstanding accounts receivable will be paid on a timely basis or at all. Any delay or default in payment of outstanding accounts receivable could materially adversely affect the Company's business, financial position, and results of operations.

Insurance

The Company maintains property and casualty commercial insurance policies that are in accordance with customary industry practice and the Company's specific risk profile. Such insurance may not cover all risks associated with the hazards of its business and is subject to limitations, including self-insured retentions, deductibles, co-insurance, coverage exclusions, and maximum liabilities covered. The Company may incur losses beyond the limits or outside the coverage of its insurance policies, including liabilities for environmental compliance and remediation, losses from a material disruption at its manufacturing facilities, damage to the Company's customer relationships caused by such liabilities and/or disruptions, and first and third party losses due to cyber risks. In addition, from time to time, various types of insurance coverage for companies in the Company's industry have not been available on commercially acceptable terms, or in some cases, have not been available at all. In the future, the Company may not be able to obtain coverage at current levels, and its premiums may increase significantly on coverage that it maintains.

Corporate Tax

In estimating the Company's income tax payable, Management uses accounting principles to determine income tax positions that are likely to be accepted by applicable tax authorities. However, there is no assurance that tax benefits or tax liability will not materially differ from estimates or expectations. The tax legislation, regulation and interpretation that apply to the Company's operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates and anticipated business in the various jurisdictions in which the Company operates. Moreover, the Company's tax returns are continually subject to review by applicable tax authorities. These tax authorities determine the actual amounts of taxes payable or receivable, any future tax benefits or liabilities and the income tax expense that the Company may ultimately recognize. Such determinations may become final and binding on the Company. Any of the above factors could have an adverse effect on net income or cash flows.

Legal and Compliance Risks

Environmental Compliance

The Company is subject to a variety of environmental laws and regulations, including those relating to:

- emissions to the air;
- discharges into water;
- releases of hazardous and toxic substances;
- remediation of contaminated sites; and
- use of antimicrobial pesticide products authorized in the United States under the Federal Insecticide, Fungicide, and Rodenticide Act of the U.S. Environmental Protection Agency's regulation and in Canada under the Health Canada Pest Management Regulatory Agency and its Pest Control Products Act.

These environmental laws and regulations require the Company to obtain various environmental registrations, licenses, permits and other approvals, as well as carry out inspections, compliance testing, decontamination, and meet timely reporting requirements in order to operate its manufacturing and operating facilities.

Compliance with these environmental laws and regulations will continue to affect the Company's operations by imposing operating and maintenance costs and capital expenditures. Failure to comply could result in investigations and civil or criminal litigation or enforcement actions, which could result, among others, in the payment of substantial fines, often calculated on a daily basis, or in extreme cases, the disruption or suspension of operations at the affected facility. In

addition, the Company has been involved, and is likely to continue to be involved, in environmental litigation which has included, among others, claims for adverse physical effects and diminution of property value.

Under various federal, provincial, state and local laws and regulations, the Company could, as the owner, lessor or operator, be liable for the costs of removal or remediation of contamination at its sites or neighboring properties, even in circumstances where the Company did not cause or otherwise contribute to the contamination. The remediation costs and other costs required to clean up or treat contaminated sites could be substantial. In certain cases, the Company may be entitled to indemnities from the former owners of its sites or to insurance coverage; however such indemnities or insurance coverage may ultimately prove insufficient. Contamination on and from the Company's sites may subject it to liability to third parties or governmental authorities for injuries to persons, property or the environment and could materially adversely affect the Company's ability to sell or rent its properties or to borrow money using such properties as collateral.

The adoption of additional or more stringent environmental laws and regulations, including changes in the interpretation or application thereof, could substantially increase the Company's capital expenditures and compliance costs at the facilities affected, could impose operational restrictions, could change the availability or pricing of certain products such as preservatives purchased and used by the Company or constrain the Company's ability to obtain permits and authorizations to advance its business. No assurance can be given that changes in these laws and regulations or their application will not have a material adverse effect on the Company's business, financial position and results of operations.

While the Company maintains a high level of environmental responsibility, claims of irresponsible practices by regulatory authorities, communities or customers could harm the reputation of the Company. Adverse publicity resulting from actual or perceived violations of environmental laws, regulations or industry practices could negatively impact customer loyalty, reduce demand, lead to a weakening of confidence in the marketplace and ultimately, a reduction in the Company's share price. These effects could materialize even if the allegations are not valid, the Company is fully compliant with applicable laws and regulations and the Company is not found liable.

Litigation

The Company is subject to the risk of litigation in the ordinary course of business by employees, customers, suppliers, competitors, shareholders, government agencies, or others, through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. Although the final outcome cannot be predicted with any degree of certainty, the Company regularly assesses the status of these matters and establishes provisions based on the assessment of the probable outcome. If the assessment is not correct, the Company may not have recorded adequate provisions for such losses and the Company's financial position, operating results and cash flows could be adversely impacted. Regardless of outcome, litigation could result in substantial costs to the Company and divert Management's attention and resources away from the day-to-day operations of the Company's business.

Laws and Regulations

In addition to the environmental laws and regulations described in the "Environmental Compliance" risk factor above, the Company's operations are subject to extensive general and industry-specific federal, provincial, state, municipal and other local laws and regulations and other requirements, including those governing storage, import/export, antitrust, intellectual property, securities, data privacy, employees, labour standards, occupational health and safety and land use and zoning. The Company is required to obtain approvals, permits and licenses for its operations, which may require advance consultation with potentially affected stakeholders, and impose conditions that must be complied with. If the Company is unable to obtain, maintain, extend or renew, or is delayed in extending or renewing, a material approval, permit or license, operations or financial condition could be adversely affected. Furthermore, there is no assurance that these laws, regulations or government requirements, or the administrative interpretation or enforcement of existing laws and regulations, will not change in the future in a manner that may require to incur significant capital expenditures or otherwise could adversely affect the operations. Failure to comply with applicable laws or regulations, including approvals, permits and licenses, could result in regulatory investigations, audits, fines, litigation, operational disruption and reputational harm, which, in turn, could materially adversely impact the Company's business, financial position and results of operations.

Financial Instruments and Risk Management

The Company uses derivative instruments to provide economic hedges to mitigate various risks. The fair values of these instruments represent the amount of the consideration that could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. The fair value of these derivatives is determined using prices in active markets, where available. When no such market is available, valuation techniques are applied such as discounted cash flow analysis. The valuation technique incorporates all factors that would be considered in setting a price, including the Company's own credit risk, as well as the credit risk of the counterparty.

Interest Rate Risk Management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company enters into both fixed and variable rate debt. The risk management objective is to minimize the potential for changes in interest rates to cause adverse changes in cash flows to the Company. The Company enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its long-term debt. As at December 31, 2025, the Company had two interest rate swap agreements hedging \$240 million (US\$175 million) in debts and having December 2026 and June 2028 as maturity dates. These instruments are presented at fair value and designated as cash flow hedges. The ratio, as at December 31, 2025, of fixed and floating debt was 68% and 32%, respectively, including the effects of interest rate swap positions (68% and 32%, respectively, as at December 31, 2024).

Foreign Exchange Risk Management

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

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 consolidated financial statements in accordance with IFRS Accounting Standards.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates and assumptions include estimated useful life of assets, recoverability of long-lived assets and goodwill and determination of the fair value of the assets acquired and liabilities assumed in the context of an acquisition. Management also makes estimates and assumptions in the context of business combination mainly with sales forecast, margin forecast and discount rate. It is possible that actual results could differ from those estimates, and such differences could be material. Estimates are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of income in the period in which they become known.

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 amendments to *IFRS 9 and IFRS 7* are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. These amendments are not expected to have a significant impact on the Company's consolidated financial statements. *IFRS 18* is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

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 and operating 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 December 31, 2025 and have concluded that such DC&P were designed and operating 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 and operating 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 appropriately designed and operating effectively, as at December 31, 2025.

In spite of its evaluation, Management does recognize that any controls and procedures, no matter how well designed and operated, 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 October 1, 2025 to December 31, 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 Brooks, acquired November 5, 2025, have been excluded from the scope of the design of disclosure controls and procedures as well as the design of internal controls over financial reporting. Certain financial information related to the Brooks acquisition under the NI 52-109 scope limitation is summarized as follows. As at December 31, 2025, current assets and non-current assets were \$35 million and \$40 million respectively, whereas current liabilities amounted to three million dollars and non-current liabilities to five million dollars. In the period from November 5, 2025 to December 31, 2025, sales and net income amounted to \$12 million and two million dollars, respectively.

February 25, 2026