

**STELLA  
JONES**



**2025  
Annual  
Report**



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## What We Do

Stella-Jones (or the “Company”) is a leading North American manufacturer of products focused on supporting infrastructure essential to the electrical distribution and transmission networks, 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 workforce comprises of more than 3,200 employees across Canada and the United States. This allows Stella-Jones to operate a network of 44 wood treating plants, one steel transmission structure manufacturing facility and a coal tar distillery, which is complemented by an extensive procurement and distribution network.

### Our Vision

Building a future-ready, agile business, committed to serving the utility and railroad industries.

### Our Mission

Support the infrastructures that connect our communities, locally and across North America.



All amounts in this report are in Canadian dollars, unless otherwise stated.

# Product Category Highlights



## Utility Products

Stella-Jones is a key supplier to the utility industry, providing treated wood utility poles to replace, upgrade and develop new electrical utility and telecommunications lines across Canada and the United States. Stella-Jones' expanded Utility Products offering now includes wood crossarms, steel lattice towers and steel transmission poles, and a number of utility pole accessories, which combined, create an integrated offering to support utilities' growing needs. Our custom procurement, manufacturing and transportation services position us well to capture evolving demand in energy and telecommunications.

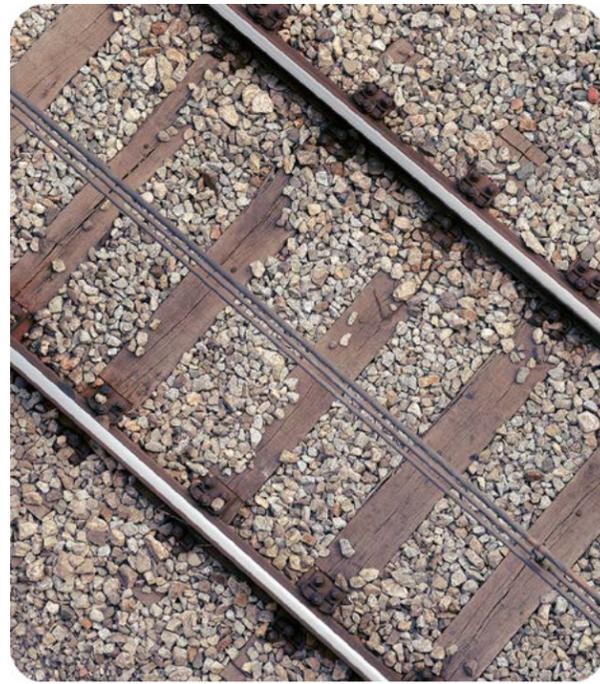


5-YEAR SALES (IN MILLIONS OF \$)



2025 SALES **\$1,822 million**

1. Compound annual growth rate



## Railway Ties

Stella-Jones is a recognized leader in the production of premium pressure-treated railway ties. With extensive treating capacity, reliable raw material sources, and expert procurement personnel, the Company efficiently serves Class 1 and short line railroads, as well as commercial operators across the continent. Our broad supplier network of hardwood sawmills enables us to offer crossties and switch ties in a wide range of sizes to meet specific customer requirements. Supported by an agile network of treating plants and distribution yards, Stella-Jones is committed to maintaining inventory to ensure fast, dependable delivery—even in urgent situations. This operational strength allows us to consistently meet the demands of rail infrastructure across North America.



5-YEAR SALES (IN MILLIONS OF \$)

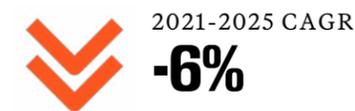


2025 SALES **\$821 million**



## Residential Lumber

Stella-Jones provides seamless, end-to-end service to key North American retailers, supplying hundreds of millions of board feet of treated residential lumber each year. A preferred supplier of treated wood products for the dimensional lumber market, Stella-Jones treats lumber for use in patios, decks, fences and other outdoor applications in addition to providing customized services and premium accessories.



5-YEAR SALES (IN MILLIONS OF \$)



2025 SALES **\$615 million**

## Industrial Products

Stella-Jones offers a variety of wood species and preservatives for outdoor applications across industrial, marine and civil applications. These products, which include timbers for railway bridges, crossings and construction, and marine and foundation pilings, can withstand a wide range of weather and geographic conditions. In addition, the Company manufactures creosote, a wood preservative used in its treating activities, and additional coal tar-based products, which are sold to third-party customers.



5-YEAR SALES (IN MILLIONS OF \$)



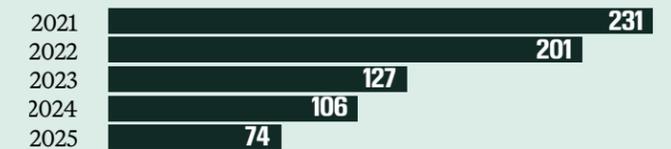
2025 SALES **\$160 million**

## Logs & Lumber

This product category includes the sale of logs harvested in the course of Stella-Jones' procurement process, which are determined to be unsuitable for the manufacturing of wood utility poles. Additionally, in the course of procuring residential lumber volume, Stella-Jones engages in reselling excess lumber into local home-building markets. Logs and lumber do not generate significant margins.



5-YEAR SALES (IN MILLIONS OF \$)



2025 SALES **\$74 million**

# Letter From the Chair of the Board of Directors



Katherine A. Lehman

*Chair of the Board of Directors,  
Stella-Jones Inc.*

Dear Shareholders,

Reflecting on all we have achieved together, I am proud to address you at this pivotal moment in Stella-Jones' journey, as the Company embarks on its next phase of growth. The past year has been underscored by continuity and enhancement. The Board provided ongoing guidance and oversight, and worked together with Management to build on Stella-Jones' robust foundations. Our collective commitment to excellence and our shared vision has enabled Stella-Jones to execute its growth plan with discipline, agility, and ambition.



**We have continued to build a forward-looking, agile organization, committed to serving the essential industries that connect our communities.**

## A Year of Achievements

2025 stands as a testament to our enduring strength and resilience. This year, we achieved \$3.5 billion in sales and celebrated 25 consecutive years of sales growth and 21 consecutive years of dividend growth, highlighting the effectiveness of our strategy and the dedication of our teams. Our balanced and disciplined capital allocation—encompassing strategic investments and consistent returns to shareholders—has fortified our financial position and empowered us to pursue opportunities to expand our network and enhance our capabilities. Additions to our newly redefined Utility Products division exemplifies Stella-Jones' ability to execute on growth opportunities, realizing value and expanding our addressable market, while our ongoing investments in operational efficiency and capacity ensure that we remain at the forefront of our industry and fulfill our customers' needs.

## Defining a Structured Growth Path

Our 2025 Investor Day provided further clarification and articulation of Stella-Jones' strategic vision: to be a leading partner for North America's utility and railroad infrastructure sectors. We have continued to build a forward-looking, agile organization, committed to serving the essential industries that connect our communities. In addition, our focus on innovation positions us to deliver superior products and services, while driving sustainable growth.

## Future-Readying our Governance

In 2025, we welcomed two new members to our Board, Renée Laflamme and Sean Donnelly, whose expertise in digital transformation, and artificial intelligence, and manufacturing and environmental, health and safety, respectively, align well with the Company's continuous improvement plans and growth ambitions. Their perspectives enrich our governance and strengthen our ability to navigate our growth trajectory. The Board's expanded skillset ensures that Stella-Jones is equipped to seize emerging opportunities and address evolving challenges with clarity and confidence.

As we look to the future, I am energized by the road ahead and how we will continue to enhance our governance and oversight to support the business in its next chapter of growth. On behalf of the Board, I extend my heartfelt congratulations to the entire Stella-Jones team for their remarkable accomplishments in 2025. I also wish to thank you, our shareholders, for your enduring trust and support. Together, we stand poised to build on our legacy and reach new heights in the years to come.

Best regards,

A handwritten signature in black ink, appearing to read 'Katherine A. Lehman'.

Katherine A. Lehman  
*Chair of the Board of Directors, Stella-Jones Inc.*

# Letter From the President & Chief Executive Officer



Eric Vachon

*President & Chief Executive Officer,  
Stella-Jones Inc.*

Dear Shareholders,

2025 was a year of decisive action and achievement for Stella-Jones. We concluded our three-year strategic guidance period with a solid financial performance and key objectives achieved, we advanced our position in the distribution and transmission market, and set ourselves up for an exciting next phase of growth. Our performance this year is not simply a reflection of resilience—it is the outcome of disciplined execution by our teams, strategic investments, and a clear focus on our core purpose.

## **A Vision Realized, A Foundation Strengthened**

In 2025, we introduced a redefined strategic vision for the business; to establish Stella-Jones as the partner of choice for North America’s utility and railroad industries. This infrastructure-focused vision expands our total addressable market and is grounded in tangible progress. Our targeted acquisitions in the utility sector in 2025 have reinforced our role as a critical enabler of infrastructure across the continent. We have also added a Vice-President, Corporate Development and a Senior Vice-President and Chief Operating Officer to the team. These recent hires are aligned with our long-term strategy to unlock new market opportunities and drive operational efficiencies.

Our long-term outlook remains robust, anchored by the ongoing maintenance and development demands of North America’s rail and utility infrastructure. The need for sustained investment in these sectors is indisputable, and Stella-Jones is strategically positioned to capture this spend. Through disciplined planning and focused expansion, we have ensured that our business is exposed to—and ready to capitalize on—the essential investments that will drive infrastructure reliability and growth for years to come.



**Our targeted acquisitions in the utility sector in 2025 have reinforced our role as a critical enabler of infrastructure across the continent.**

## **Innovation as a Catalyst for Growth**

Innovation was not an abstract goal in 2025—it was a mandate. The completion of our multi-year ERP implementation, the development of an AI Training program for employees and the integration of foundational AI frameworks and technologies, mark a shift for the business, and pave the way for operational transformation, enabling us to deliver superior products with greater efficiency. These technological advancements are not ends in themselves, but rather means by which we intend to continue elevating our competitiveness and ensuring sustainable growth.

## **Commitment to Safety and Sustainability**

Our commitment to safety and sustainability is unwavering. For the third consecutive year, we reduced safety incidents, underscoring the strength of our operational discipline and culture of care. Tragically, we also experienced a third-party service provider fatality during the year. This is a stark reminder that our work is never done, and it reinforces our commitment to achieving the highest standards in safety, and to safeguarding the well-being of everyone connected to our business.

On the sustainability front, we completed the third year of our foundational strategy, and continued on our journey toward our 2030 target of a 32% reduction in Scope 1 and 2 Greenhouse Gas emissions, issuing our first Climate Report in 2025 and obtaining limited assurance for our Scope 1 and 2 emissions. We also deepened our relationships with willing Indigenous nations, laying the groundwork for mutually beneficial economic partnerships, which are expected to lead to further investments in 2026. In early 2026, we finalized an investment in Lizzie Bay Logging, forming a partnership with local First Nations in a forest harvesting company in British Columbia, which will provide Stella-Jones with reliable access to large transmission fibre for its utility pole business. This partnership is a positive step towards more mutually beneficial, collaborative business partnerships and procurement opportunities with Indigenous Peoples in Canada.

## **Empowering Our People**

Our people remain our greatest asset. This past year, we advanced succession planning, strengthened our human resources strategic approach, and focused on attracting and retaining top talent. By investing in the growth and development of our people, and enhancing our systems and processes, we are building a strong bench to champion our long-term goals.

## Financial Discipline and Strategic Growth

Over the last three years, we delivered several notable financial achievements. We increased sales for the 25<sup>th</sup> consecutive year, expanded EBITDA margins and returned over \$500 million to shareholders. We also invested to increase capacity and completed accretive acquisitions that have broadened our solution offerings while maintaining a strong financial position. Building on this foundation, during our Investor Day held in November 2025, we introduced new financial objectives for the 2026–2028 period. Our focus on profitability, free cash flow generation and disciplined capital allocation will support our growth ambitions and drive shareholder value, with earnings per share now a key metric in our performance framework. Our robust balance sheet and prudent capital management empower us to pursue strategic acquisitions and network expansion, while maintaining financial flexibility, as demonstrated by the acquisitions of Locweld Inc. and Brooks Manufacturing Co. this past year.

## Standing Tall, Reaching Wide

Over the last year, Stella-Jones was unafraid to elevate itself and expand beyond boundaries to achieve its objectives. Our brand is synonymous with reliability, dedication, and sustainability, and we look forward to a new year of proudly supporting the infrastructures that connect our communities and drive progress across North America.

I extend my deepest gratitude to our now more than 3,200 employees across Canada and the United States, whose dedication and expertise make our achievements possible. I thank our Board of Directors for their steadfast support and guidance, and I am especially grateful to you, our shareholders, for your continued trust and investment in Stella-Jones. As we look to the future, we do so with clarity, optimism, and an unwavering commitment to excellence. Together, we will continue to build a stronger, more connected tomorrow.

Onward,



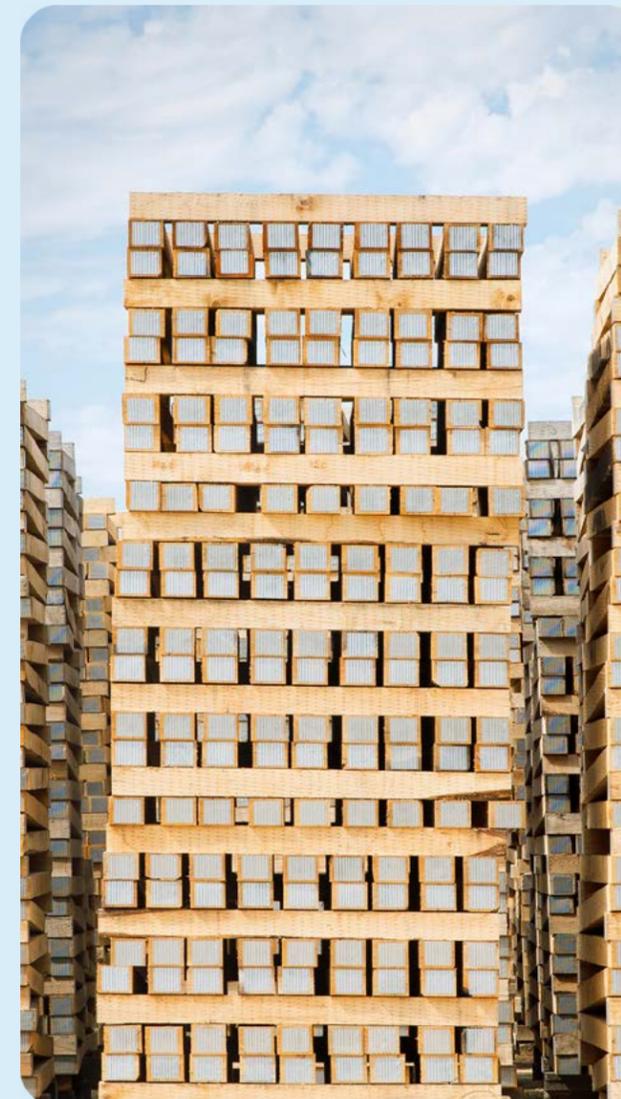
Eric Vachon  
*President & Chief Executive Officer, Stella-Jones Inc.*

» Our brand is synonymous with reliability, dedication, and sustainability, and we look forward to a new year of proudly supporting the infrastructures that connect our communities and drive progress across North America.

# 2025 Key Achievements

## Strategic Vision

- Outlined infrastructure-focused vision at November 2025 Investor Day
- Set financial objectives for 2026-2028 period
- Met or exceeded revised 2023-2025 guidance<sup>1</sup>



## Enhanced Leadership Team

- Recent strategic hires to drive operational efficiencies and growth
  - Senior Vice-President and Chief Operating Officer
  - Vice-President Corporate Development

## Network Expansion

- Entered steel transmission market with the acquisition of Locweld Inc. ('Locweld') in May 2025
- Investing to double the steel structure production capacity at Locweld
- Diversified utility infrastructure offering with the addition of wood crossarms by acquiring Brooks Manufacturing Co. in November 2025
- Announced in early 2026 plans to build a greenfield steel structure manufacturing facility in the United States

## Sustainability

- Issued first Climate Report
- Obtained limited assurance for our Scope 1 and 2 GHG emissions
- 96% of Canadian salaried employees completed indigenous cultural awareness training
- Finalized an investment in Lizzie Bay Logging in early 2026, forming a partnership with local First Nations in a forest harvesting company in British Columbia

1. Please refer to the updated financial objectives disclosed in the Company's second quarter of 2025 MD&A dated August 6, 2025.

# 2025 Financial Highlights

## Solid Results



ANNUAL SALES  
**\$3.5 billion**



EBITDA<sup>1</sup>  
**\$661 million**  
OR 18.9% MARGIN<sup>1</sup>



EARNINGS PER SHARE  
**\$6.09**

## Balanced Capital Allocation

- Strong operating cash flow generation of \$557 million
- Returned \$158 million to shareholders, thereby exceeding \$500 million three-year commitment
- Increased 2025 dividend by 11% to \$1.24 per share

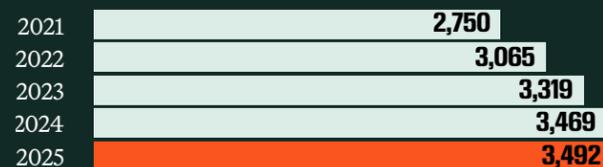
## Robust Balance Sheet

- Total net debt-to-EBITDA<sup>1</sup> of 2.4x
- Completed \$260 million of strategic acquisitions without increasing debt level

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



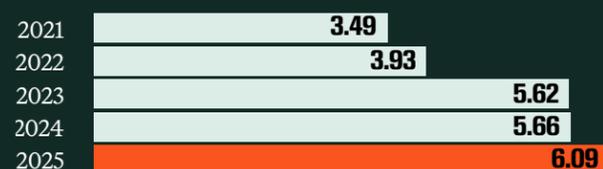
## SALES (IN MILLIONS OF \$)



## EBITDA<sup>1</sup> (IN MILLIONS OF \$)



## EARNINGS PER SHARE



# Share Information

FOR THE YEARS ENDED DECEMBER 31  
(unaudited)

2025 2024 2023 2022 2021

## Trading Data On Common Shares<sup>1</sup>

52-week high (\$)	87.72	96.19	84.63	50.39	53.46
52-week low (\$)	63.07	68.16	46.95	31.28	38.75
Closing (\$)	85.13	71.19	77.12	48.52	40.01
Total Volume <sup>2</sup>	28,230,315	38,303,932	32,157,135	41,494,396	43,607,178
Average Daily Volumes <sup>2</sup>	112,033	151,399	128,116	165,314	173,043

## Other Statistics

Dividends on common shares (in millions \$)	68	63	53	49	47
Dividends per share (\$)	1.24	1.12	0.92	0.80	0.72
Dividend yield (%)	1.5 %	1.6 %	1.2 %	1.6 %	1.8 %
Average number of shares outstanding (000's)	55,316	56,403	57,963	61,421	65,002
Average number of diluted shares outstanding (000's)	55,370	56,407	57,969	61,421	65,002
Shares outstanding at year-end (000's)	54,697	55,825	56,867	59,116	63,773
Public float <sup>4</sup> (000's)	40,929	41,089	49,112	50,987	56,051
Market capitalization (in millions \$)	4,709	3,974	4,386	2,868	2,552
Enterprise value <sup>3</sup> (in millions \$)	6,307	5,354	5,702	3,809	3,286

<sup>1</sup> Based on data from the TSX and FactSet.

<sup>2</sup> Total volume and average daily volumes include both Canadian trading volume as well as trading in the U.S. over-the-counter (“OTC”) market.

<sup>3</sup> Enterprise value is defined as market capitalization plus net debt including the current portion.

<sup>4</sup> As at March 12, 2026.

## Closing Share Price & Volume



**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](http://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](http://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

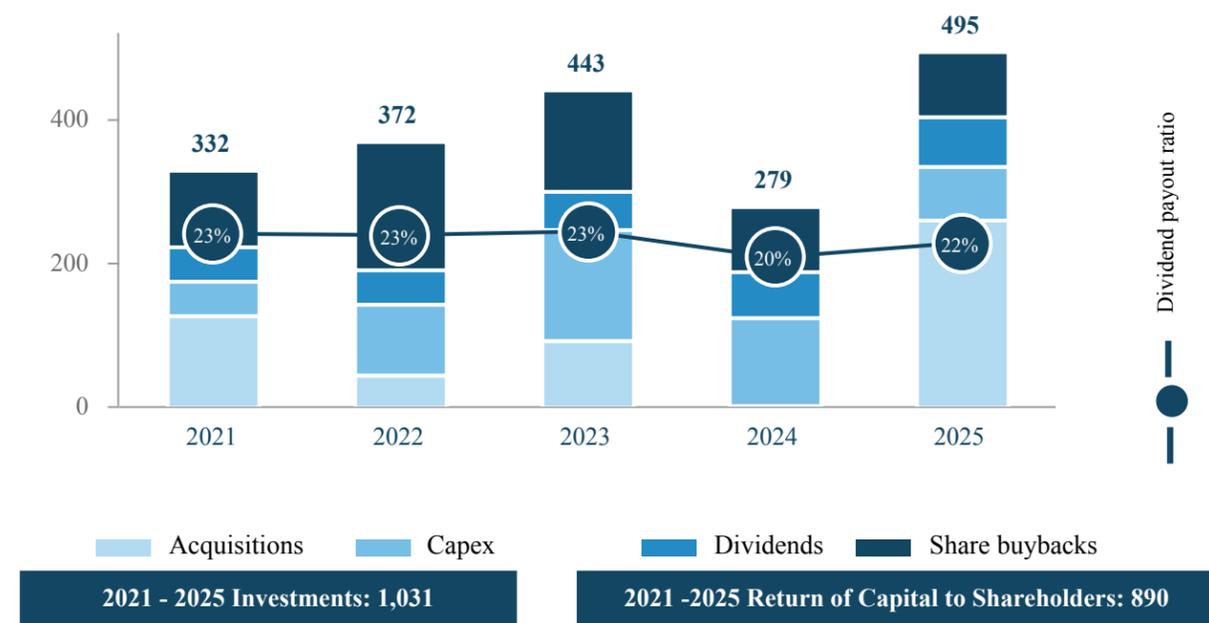
The Company’s capital allocation strategy leverages its consistent and strong cash flow generation while enhancing its long-term stability and shareholder value creation. To maintain the Company’s strong financial position and financial flexibility, capital is deployed in a disciplined manner, balancing 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<sup>(1)</sup> 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 %)



<sup>(1)</sup> 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<sup>(1)</sup> 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<sup>(1)</sup>, 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<sup>(1)</sup> 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<sup>(1)</sup> increased to \$661 million in 2025, representing a margin<sup>(1)</sup> of 18.9%, compared to \$633 million, or a margin<sup>(1)</sup> of 18.2%, in last year. The insurance settlement gain recognized in 2025 increased EBITDA<sup>(1)</sup> by \$28 million and EBITDA margin<sup>(1)</sup> 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<sup>(2)</sup> of \$634 million and its net debt-to-EBITDA<sup>(1)</sup> stood within the targeted range at 2.4x.

<sup>(1)</sup> 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.

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

# Financial Highlights

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

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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
<b>EBITDA</b>	<b>122</b>	<b>115</b>	<b>661</b>	<b>633</b>	<b>608</b>

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
<b>Average capital employed</b>	<b>3,847</b>	<b>3,681</b>	<b>3,159</b>
Operating income (TTM)	516	503	499
<b>ROCE</b>	<b>13.4%</b>	<b>13.7%</b>	<b>15.8%</b>

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	—
<b>Net Debt</b>	<b>1,598</b>	<b>1,653</b>	<b>1,610</b>
EBITDA (TTM)	661	633	608
<b>Net Debt-to-EBITDA</b>	<b>2.4x</b>	<b>2.6x</b>	<b>2.6x</b>

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.

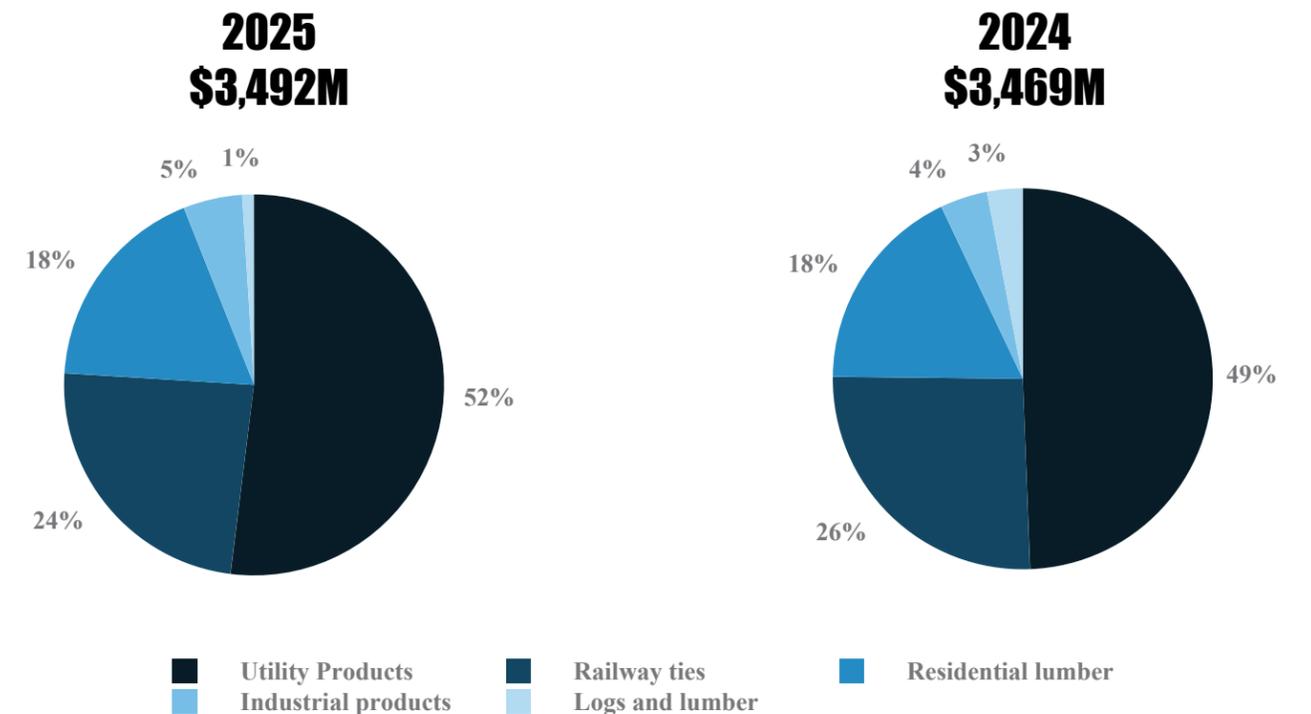
Sales (in millions of dollars, except percentages)	Utility Products <sup>(1)</sup>	Railway Ties	Residential Lumber	Industrial Products	Total Pressure- Treated Wood	Logs & Lumber	Consolidated Sales
<b>2024</b>	<b>1,705</b>	<b>890</b>	<b>614</b>	<b>154</b>	<b>3,363</b>	<b>106</b>	<b>3,469</b>
Acquisitions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

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

<sup>(2)</sup> 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.

## 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.

## 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.

## Industrial Products

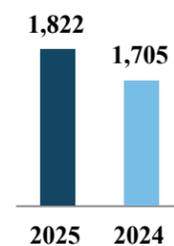
Industrial products sales were \$160 million in 2025 compared to sales of \$154 million in 2024. Excluding the currency conversion effect, industrial products sales increased four million dollars, or 3%, mainly driven by higher project-driven demand. Industrial product sales represented 5% of the Company's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

## 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.

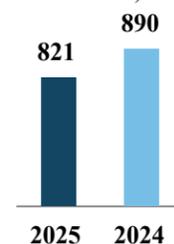
## Utility Products Sales

(in millions of \$)



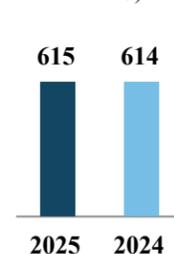
## Railway Ties Sales

(in millions of \$)



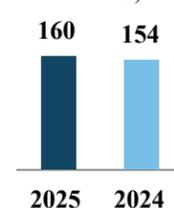
## Residential Lumber Sales

(in millions of \$)



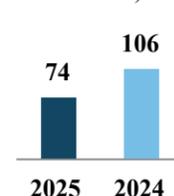
## Industrial Products Sales

(in millions of \$)



## 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 <sup>(1)</sup>	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 <sup>(1)</sup>	1.36	1.94	1.42	0.93	5.66

<sup>(1)</sup> 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 (%)
<b>Operating results</b>				
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
<b>Q4-2024</b>	<b>385</b>	<b>193</b>	<b>93</b>	<b>31</b>	<b>702</b>	<b>28</b>	<b>730</b>
Acquisitions	26	—	—	—	26	—	26
FX impact	—	—	—	—	—	—	—
Organic sales growth	36	(31)	(13)	(6)	(14)	(15)	(29)
<b>Q4-2025</b>	<b>447</b>	<b>162</b>	<b>80</b>	<b>25</b>	<b>714</b>	<b>13</b>	<b>727</b>
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
<b>Total current assets</b>	<b>2,019</b>	<b>2,139</b>	<b>(120)</b>
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)
<b>Total non-current assets</b>	<b>2,098</b>	<b>1,964</b>	<b>134</b>
<b>Total assets</b>	<b>4,117</b>	<b>4,103</b>	<b>14</b>

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)
<b>Total current liabilities</b>	<b>273</b>	<b>286</b>	<b>(13)</b>
Long-term debt	1,302	1,379	(77)
Lease liabilities	240	259	(19)
Deferred income taxes	218	197	21
Other	45	41	4
<b>Total non-current liabilities</b>	<b>1,805</b>	<b>1,876</b>	<b>(71)</b>
<b>Total liabilities</b>	<b>2,078</b>	<b>2,162</b>	<b>(84)</b>

## 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
<b>Total Long-Term Debt</b>	<b>1,339</b>	<b>1,380</b>

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)
<b>Total shareholders' equity</b>	<b>2,039</b>	<b>1,941</b>	<b>98</b>

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	—
<b>Cash and cash equivalents - End of year</b>	<b>44</b>	<b>50</b>

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
<b>Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid</b>	<b>623</b>	<b>637</b>
Accounts receivable	34	56
Inventories	85	(82)
Income taxes receivable	(4)	—
Other current assets	11	9
Accounts payable and accrued liabilities	(31)	(40)
<b>Changes in non-cash working capital components</b>	<b>95</b>	<b>(57)</b>
Interest paid	(69)	(85)
Income taxes paid	(92)	(87)
<b>Cash flows from operating activities</b>	<b>557</b>	<b>408</b>

### 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)
<b>Cash flows used in financing activities</b>	<b>(226)</b>	<b>(221)</b>

### 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	—
<b>Cash flows used in investing activities</b>	<b>(337)</b>	<b>(137)</b>

## 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 <sup>(1)</sup>	1,339	1,557	88	437	588	444
Minimum payment under lease liabilities <sup>(1)</sup>	303	352	72	117	52	111
<b>Financial obligations</b>	<b>1,795</b>	<b>2,062</b>	<b>313</b>	<b>554</b>	<b>640</b>	<b>555</b>

<sup>(1)</sup> 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
<b>Balance - End of year</b>	<b>54,697,214</b>

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

**STELLA  
JONES**

# Consolidated Financial Statements

December 31, 2025 and 2024





## **Stella-Jones Inc.**

### **Consolidated Financial Statements**

**December 31, 2025 and 2024**

## **Stella-Jones Inc.**

Consolidated Financial Statements

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December 31, 2025 and 2024

### Management's Statement of Responsibility for Financial Information

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

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

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

*(s) Eric Vachon*

Eric Vachon, CPA  
President and Chief Executive Officer

Saint-Laurent, Québec  
February 25, 2026

*(s) Silvana Travaglini*

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



## Independent auditor's report

To the Shareholders of Stella-Jones Inc.

### Our opinion

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

### What we have audited

The Company's consolidated financial statements comprise:

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

PricewaterhouseCoopers LLP  
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 Montréal, Quebec, Canada H3B 4Y1  
 T.: +1 514 205 5000, F.: +1 514 876 1502  
 Fax to mail: ca\_montreal\_main\_fax@pwc.com

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

### Basis for opinion

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

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

### Independence

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

### Key audit matters

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

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

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

## Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**/s/PricewaterhouseCoopers LLP<sup>1</sup>**

Montréal, Quebec

February 25, 2026

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<sup>1</sup> CPA auditor, public accountancy permit No. A119714

# Stella-Jones Inc.

Consolidated Statements of Financial Position  
As at December 31, 2025 and 2024

(in millions of Canadian dollars)

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

Approved by the Board of Directors,

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

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

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

# Stella-Jones Inc.

Consolidated Statements of Change in Shareholders' Equity  
For the years ended December 31, 2025 and 2024

(in millions of Canadian dollars)

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

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

# Stella-Jones Inc.

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

For the years ended December 31, 2025 and 2024

(in millions of Canadian dollars)

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

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

# Stella-Jones Inc.

Consolidated Statements of Income

For the years ended December 31, 2025 and 2024

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

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

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

# Stella-Jones Inc.

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

(in millions of Canadian dollars)

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

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

# Stella-Jones Inc.

Consolidated Statements of Cash Flows  
For the years ended December 31, 2025 and 2024

(in millions of Canadian dollars)

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

## 1 Description of the Business

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

## 2 Material Accounting Policies

### Basis of presentation

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

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

### Basis of measurement

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

### Principles of consolidation

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

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

## Business combinations

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

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

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

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

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

## Foreign currency translation

### **a) Functional and presentation currency**

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

### **b) Foreign currency transactions**

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

## c) Foreign operations

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

## d) Hedges of net investments in foreign operations

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

## Revenue recognition

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

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

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

## Cash and cash equivalents

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

## Accounts receivable

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

## Inventories

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

## Property, plant and equipment

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

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

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

## Financial expenses

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

## Leases

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

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

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

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

## Intangible assets

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

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

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

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

## Goodwill

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

## Impairment

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

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

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

## Provisions

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

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

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

### *Site remediation obligations*

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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## Income taxes

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

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

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

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

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

## Employee future benefits

### *Defined benefit pension plan*

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

### *Other post-employment benefit program*

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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## Share-based payments

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

### *Equity-settled plan*

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

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

### *Cash-settled plan*

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

## Financial instruments

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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## *Financial assets*

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

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

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

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

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

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

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

## *Financial liabilities*

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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## *Impairment*

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

## *Hedging transactions*

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

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

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

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

## Earnings per share

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

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

## Segment reporting

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

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

## Accounting pronouncements not yet adopted

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

### *Amendments to IFRS 9 and IFRS 7*

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

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

### *Presentation and Disclosure in Financial Statements – IFRS 18*

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

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

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

## 3 Critical Accounting Estimates and Significant Judgements

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

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## 4 Business Combinations

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

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

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

(Amounts in millions of Canadian dollars)

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

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

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

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

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

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

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

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

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

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

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

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

## 5 Accounts Receivable

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

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

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

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

## 6 Inventories

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

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## 7 Property, Plant and Equipment

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

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

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

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## 8 Leases

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

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

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

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

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

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

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

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

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## 9 Intangible Assets and Goodwill

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

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

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

### Impairment tests for goodwill

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

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

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

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

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

### Impairment tests for intangible assets with indefinite useful life

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

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

## 10 Accounts Payable and Accrued Liabilities

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

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## 11 Long-term Debt

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

### a) Unsecured Syndicated Credit Facilities

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

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

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

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### b) Unsecured Senior U.S. Farm Credit Facilities

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

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

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

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

### c) Unsecured U.S. Credit Facility

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

### d) Unsecured Senior Notes

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

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

### e) Other Notes Payable

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

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

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

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

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

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

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## 12 Provisions and Other Long-term Liabilities

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

## 13 Share-based Payments

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

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

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

### Equity-settled TRSUs and TPSUs plan

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

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

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

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

## Cash-settled RSUs and PSUs plan

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

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

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

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

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

## DSUs

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

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

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

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

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## 14 Cash Flow Information

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

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

## 15 Capital Stock and Earnings Per Share

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

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

### Capital stock

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

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### Normal Course Issuer Bid (“NCIB”)

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

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

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

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

### Stock option plan

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

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

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

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

### Employee share purchase plans

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

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

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

## Earnings per share

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

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

\* Number of shares is presented in thousands.

## Dividends

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

## 16 Expenses by Nature

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

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

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Notes to Consolidated Financial Statements

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

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

## 17 Income Taxes

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements  
December 31, 2025 and 2024

## Deferred tax assets and liabilities

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

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

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

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements  
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## 18 Employee Future Benefits

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

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

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

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

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

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

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

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

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Notes to Consolidated Financial Statements

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

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

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

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

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

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Notes to Consolidated Financial Statements

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

Consolidated statement of income (Amounts in millions of Canadian dollars)	2025	2024
Current service cost	1	1
Interest cost	1	1
Interest income on plan assets	(1)	(1)
<b>Total cost recognized</b>	<b>1</b>	<b>1</b>

Consolidated statement of comprehensive income	2025	2024
Actuarial gains	3	1
<b>Total recognized in other comprehensive income (loss) before income tax</b>	<b>3</b>	<b>1</b>

Accumulated actuarial losses recognized in other comprehensive income	2025	2024
Balance of actuarial losses as at January 1	(2)	(3)
Net actuarial gains recognized in the year, net of tax	2	1
<b>Balance of actuarial losses as at December 31</b>	<b>—</b>	<b>(2)</b>

The significant weighted average assumptions used are as follows:

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

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

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## 19 Commitments and Contingencies

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

## 20 Financial Instruments and Management of Financial Risk

### Carrying values and fair values

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

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

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

The following table provides a summary of the fair values:

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

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### Credit risk

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

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

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

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

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

### Liquidity risk

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

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

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

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

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

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

## Market risk

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

## Currency risk

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

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

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

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

## Interest rate risk

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

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

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

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

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

\*\* Plus set margin of 1.725%.

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

## 21 Capital Disclosures

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

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

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

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

## 22 Related Party Transactions

Key management compensation

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

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

## 23 Segment Information

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

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

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

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

# Stella-Jones Inc.

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

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

Sales by product are as follows:

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

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

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

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## 24 Insurance Settlement

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

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

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

## 25 Subsequent Event

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

# Annual Meeting of Shareholders

## Hybrid Meeting

May 6, 2026, 11:00AM (Eastern Daylight Time)

## By Live Webcast

<https://meetings.lumiconnect.com/400-859-260-305>

Password: stella2026 (case-sensitive)

## In Person

1250 René-Lévesque Blvd. West,  
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**STELLA  
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