



**Stella-Jones Inc.**

**Consolidated Financial Statements**

**December 31, 2024 and 2023**

# Stella-Jones Inc.

## Consolidated Financial Statements

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December 31, 2024 and 2023

### 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 26, 2025

*(s) Silvana Travaglini*

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



## Independent auditor's report

To the Shareholders of Stella-Jones Inc.

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### 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, 2024 and 2023, 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, 2024 and 2023;
- 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.

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### 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.

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



## 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, 2024. 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><i>Refer to note 2 – Material accounting policies and note 6 – Inventories to the consolidated financial statements.</i></p> <p>The Company's inventories totalled \$1,759 million as at December 31, 2024. Inventories held in its network across North America are comprised of raw materials and finished goods. 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.</p> <p>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.</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><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 finished goods, 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>• Tested the allocation of other direct standard costs attributed to finished goods during the year, by comparing the other direct standard costs for a sample of finished goods to the direct standard cost list.</li></ul>



Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"><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>

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### 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.

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### 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.

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### **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 26, 2025

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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, 2024 and 2023

(in millions of Canadian dollars)

	Note	2024	2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		50	—
Accounts receivable	5	277	308
Inventories	6	1,759	1,580
Income taxes receivable		11	11
Other current assets		42	48
		<u>2,139</u>	<u>1,947</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	1,048	906
Right-of-use assets	8	311	285
Intangible assets	9	170	169
Goodwill	9	406	375
Derivative financial instruments	19	21	21
Other non-current assets		8	5
		<u>4,103</u>	<u>3,708</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	180	204
Deferred revenue		17	—
Current portion of long-term debt	11	1	100
Current portion of lease liabilities	8	64	54
Current portion of provisions and other long-term liabilities	12	24	26
		<u>286</u>	<u>384</u>
<b>Non-current liabilities</b>			
Long-term debt	11	1,379	1,216
Lease liabilities	8	259	240
Deferred income taxes	16	197	175
Provisions and other long-term liabilities	12	37	31
Employee future benefits	17	4	10
		<u>2,162</u>	<u>2,056</u>
<b>Shareholders' equity</b>			
Capital stock	14	188	189
Retained earnings		1,498	1,329
Accumulated other comprehensive income		255	134
		<u>1,941</u>	<u>1,652</u>
		<u>4,103</u>	<u>3,708</u>
Commitments and contingencies	18		
Subsequent events	23		

Approved by the Board of Directors,

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

(s) Karen Laflamme  
Karen Laflamme, FCPA, ASC  
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, 2024 and 2023

(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 14)	(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 Change in Shareholders' Equity...*Continued*

**For the years ended December 31, 2024 and 2023**

(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 (losses) on cash flow hedges	Total	
<b>Balance – January 1, 2023</b>	194	1,192	261	(111)	21	171	1,557
<b>Comprehensive income (loss)</b>							
Net income	—	326	—	—	—	—	326
Other comprehensive (loss) income	—	(2)	(37)	6	(6)	(37)	(39)
<b>Comprehensive income (loss)</b>	—	324	(37)	6	(6)	(37)	287
Dividends on common shares	—	(53)	—	—	—	—	(53)
Stock options exercised	1	—	—	—	—	—	1
Employee share purchase plans	2	—	—	—	—	—	2
Repurchase of common shares (note 14)	(8)	(134)	—	—	—	—	(142)
	(5)	(187)	—	—	—	—	(192)
<b>Balance – December 31, 2023</b>	189	1,329	224	(105)	15	134	1,652

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, 2024 and 2023

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

	Note	2024	2023
<b>Sales</b>		<u>3,469</u>	<u>3,319</u>
<b>Expenses</b>			
Cost of sales (including depreciation and amortization of \$115 (2023 - \$94))		2,745	2,631
Selling and administrative (including depreciation and amortization of \$15 (2023 - \$15))		206	181
Other losses, net		15	8
	15	<u>2,966</u>	<u>2,820</u>
<b>Operating income</b>		<u>503</u>	<u>499</u>
<b>Financial expenses</b>	15	<u>88</u>	<u>68</u>
<b>Income before income taxes</b>		<u>415</u>	<u>431</u>
<b>Income tax expense</b>			
Current	16	86	83
Deferred	16	10	22
		<u>96</u>	<u>105</u>
<b>Net income</b>		<u>319</u>	<u>326</u>
<b>Basic and diluted earnings per common share</b>	14	<u>5.66</u>	<u>5.62</u>

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, 2024 and 2023

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(in millions of Canadian dollars)

	2024	2023
<b>Net income</b>	<u>319</u>	<u>326</u>
<b>Other comprehensive income (loss)</b>		
<b>Items that may subsequently be reclassified to net income</b>		
Gains (losses) on translation of financial statements of foreign operation	143	(37)
(Losses) gains on translation of long-term debt designated as hedges of net investment in foreign operations	(22)	6
Change in fair value of derivatives designated as cash flow hedges	—	(8)
Income tax on change in fair value of derivatives designated as cash flow hedges	—	2
<b>Items that will not subsequently be reclassified to net income</b>		
Remeasurements of post-retirement benefit obligations	<u>1</u>	<u>(2)</u>
	<u>122</u>	<u>(39)</u>
<b>Comprehensive income</b>	<u>441</u>	<u>287</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, 2024 and 2023

(in millions of Canadian dollars)

	Note	2024	2023
<b>Cash flows from (used in)</b>			
<b>Operating activities</b>			
Net income		319	326
Adjustments for			
Depreciation of property, plant and equipment	7	46	40
Depreciation of right-of-use assets	8	66	53
Amortization of intangible assets	9	18	16
Financial expenses	15	88	68
Income tax expense	16	96	105
Other		4	11
		<u>637</u>	<u>619</u>
Changes in non-cash working capital components			
Accounts receivable		56	(7)
Inventories		(82)	(353)
Income taxes receivable		—	(2)
Other current assets		9	8
Accounts payable and accrued liabilities		(40)	9
		<u>(57)</u>	<u>(345)</u>
Interest paid		(85)	(68)
Income taxes paid		(87)	(99)
		<u>408</u>	<u>107</u>
<b>Financing activities</b>			
Net change in revolving credit facilities	11	(471)	362
Proceeds from long-term debt	11	568	33
Repayment of long-term debt	11	(103)	(1)
Repayment of lease liabilities	8	(62)	(50)
Dividends on common shares		(63)	(53)
Repurchase of common shares	14	(90)	(142)
Other		—	2
		<u>(221)</u>	<u>151</u>
<b>Investing activities</b>			
Business combinations	4	(4)	(93)
Purchase of property, plant and equipment	7	(132)	(155)
Property insurance proceeds		10	—
Additions of intangible assets	9	(11)	(10)
		<u>(137)</u>	<u>(258)</u>
<b>Net change in cash and cash equivalents during the year</b>		<u>50</u>	<u>—</u>
<b>Cash and cash equivalents – Beginning of year</b>		<u>—</u>	<u>—</u>
<b>Cash and cash equivalents – End of year</b>		<u>50</u>	<u>—</u>

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

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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## 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 that are essential to the delivery of electrical distribution and transmission, and the operation and maintenance of railway transportation systems. The Company supplies the continent’s major electrical utilities companies with treated wood utility poles and 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 treating 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 26, 2025.

### 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, 2024 and 2023**

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## **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 assets and activities 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, the liabilities assumed, and the equity interests issued by the Company. 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 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

# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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currency at the exchange rate at the date that the fair value was determined.

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 (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



# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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the contract price and a liability is recognized to adjust to the average price.

## 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.

	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 other financial charges and interest expense on lease liabilities. 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

## Stella-Jones Inc.

### Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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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, 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.

	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	-	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.

## **Stella-Jones Inc.**

Notes to Consolidated Financial Statements

**December 31, 2024 and 2023**

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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.

### **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 poles 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.

# **Stella-Jones Inc.**

Notes to Consolidated Financial Statements

**December 31, 2024 and 2023**

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## *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.

## **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

# **Stella-Jones Inc.**

Notes to Consolidated Financial Statements

**December 31, 2024 and 2023**

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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.

## **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 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.

### *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 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, 2024 and 2023

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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.

## Stella-Jones Inc.

### Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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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.

#### *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.

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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## Earnings per share

Basic earnings per share is calculated by dividing the net income for the period 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 calculated using the treasury stock method. Under this method, earnings per share data are computed as if the options were exercised at the beginning of the year (or at the time of issuance, if later) and as if the funds obtained from exercise were used to purchase common shares of the Company at the average market price during the period.

## 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 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. The Company is currently assessing the impact of these amendments on its 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



# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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- 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.

### 4 Business combination

On July 14, 2023, the Company acquired assets of the wood utility pole manufacturing business of Baldwin Pole and Piling Company, Inc., Baldwin Pole Mississippi, LLC and Baldwin Pole & Piling, Iowa Corporation for a total consideration of \$64 million (US\$49 million).

As required by IFRS 3, the provisional fair values have been reassessed in light of information obtained during the measurement period following the acquisition. In 2024, the Company finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition. The final determination of the fair values did not require any significant adjustments to the preliminary assessments.

### 5 Accounts receivable

(Amounts in millions of Canadian dollars)	2024	2023
Trade receivables	247	270
Less: Credit loss allowance	(1)	—
Trade receivables	246	270
Other receivables	31	38
	277	308

## Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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

(Amounts in millions of Canadian dollars)	2024	2023
Current	202	191
Past due 1-30 days	17	42
Past due 31-60 days	9	14
Past due more than 60 days	19	23
	247	270

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)	2024	2023
Raw materials	1,047	988
Finished goods	712	592
	1,759	1,580

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

## 7 Property, plant and equipment

(Amounts in millions of Canadian dollars)

	Land	Buildings	Production equipment	Rolling stock	Others	Total
<b>As at January 1, 2023</b>						
Cost	68	179	681	35	18	981
Accumulated depreciation	—	(39)	(156)	(19)	(12)	(226)
<b>Net book amount</b>	68	140	525	16	6	755
<b>Year ended December 31, 2023</b>						
Opening net book amount	68	140	525	16	6	755
Business combination	5	9	43	6	—	63
Additions	3	21	124	5	1	154
Disposals / impairments	—	(2)	(9)	(1)	—	(12)
Depreciation	—	(6)	(28)	(5)	(1)	(40)
Exchange differences	—	(3)	(11)	—	—	(14)
<b>Closing net book amount</b>	76	159	644	21	6	906
<b>As at December 31, 2023</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

As at December 31, 2024, \$10 million is included in accounts payable and accrued liabilities for the purchases of property and equipment (December 31, 2023 – eight million dollars).

As at December 31, 2024, \$110 million (Buildings – \$51 million and Production equipment – \$59 million) of property and equipment was under construction and not yet subject to depreciation (December 31, 2023 – \$95 million (Buildings – \$22 million dollars and Production equipment – \$73 million)).

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

## 8 Leases

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

(Amounts in millions of Canadian dollars)	2024	2023
<b>Right-of use assets</b>		
Rolling stock	245	227
Land	62	54
Other assets	4	4
	311	285
<b>Lease liabilities</b>		
Current lease liabilities	64	54
Non-current lease liabilities	259	240
	323	294

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, 2024 and 2023:

<b>Right-of-use assets</b>				
(Amounts in millions of Canadian dollars)	Rolling stock	Land	Other assets	Total
<b>As at January 1, 2023</b>	128	28	4	160
Additions	145	32	—	177
Terminations	(1)	—	—	(1)
Depreciation	(45)	(6)	(2)	(53)
Remeasurement	4	—	2	6
Exchange differences	(4)	—	—	(4)
<b>As at December 31, 2023</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>	245	62	4	311

# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

The following table provides a reconciliation of the lease liabilities, presented in the consolidated statements of financial position for the years ended December 31, 2024 and 2023:

<b>Lease liabilities</b>				
(Amounts in millions of Canadian dollars)	<b>Rolling stock</b>	<b>Land</b>	<b>Other assets</b>	<b>Total</b>
<b>As at January 1, 2023</b>	131	32	4	167
Payments under lease agreements	(49)	(6)	(2)	(57)
Finance costs	6	1	—	7
Additions	145	32	—	177
Terminations	(1)	—	—	(1)
Remeasurement	4	—	2	6
Exchange differences	(4)	(1)	—	(5)
<b>As at December 31, 2023</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>	252	67	4	323

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.

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.

Extension and termination options are included in a number of leases across the Company. These terms 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.

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

## 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					Goodwill
	Customer relationships	Creosote registration	Software	Others	Total	
<b>As at January 1, 2023</b>						
Cost	178	42	51	17	288	369
Accumulated amortization	(93)	—	(13)	(11)	(117)	—
<b>Net book amount</b>	<b>85</b>	<b>42</b>	<b>38</b>	<b>6</b>	<b>171</b>	<b>369</b>
<b>Year ended December 31, 2023</b>						
Opening net book balance	85	42	38	6	171	369
Business combination	7	—	—	—	7	14
Additions	—	—	9	1	10	—
Amortization	(10)	—	(6)	—	(16)	—
Exchange differences	(2)	(1)	—	—	(3)	(8)
<b>Closing net book amount</b>	<b>80</b>	<b>41</b>	<b>41</b>	<b>7</b>	<b>169</b>	<b>375</b>
<b>As at December 31, 2023</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>

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")

# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

calculations. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. 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.

During the year ended December 31, 2024, the CGU for the plants specialized in the treatment of utility poles and residential lumber was split into two CGUs: plants specialized in the treatment of utility poles and residential lumber - U.S. and plants specialized in the treatment of residential lumber - Canada. The change in CGU structure was made to reflect the operational changes made to convert plants from multiproduct to single product manufacturing plants. Comparatives figures presented in the table below have been adjusted to conform to the current year's presentation.

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

### CGUs

(Amounts in millions of Canadian dollars)

	2024	2023
Plants specialized in the treatment of utility poles and residential lumber - U.S.	238	220
Plants specialized in the treatment of railway ties	162	149
Plants specialized in the treatment of residential lumber - Canada	6	6
	406	375

### 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 majority of the products (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)

	2024	2023
Trade payables and accrued expenses	127	152
Other payables	53	52
	180	204

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

## 11 Long-term debt

(Amounts in millions of Canadian dollars)	Maturity date	2024	2023
<b>Unsecured:</b>			
<b>Revolving credit facilities</b> <sup>(a)(b)</sup>	2028-2029	295	750
<b>Term loan facilities</b> <sup>(b)</sup>			
US\$125, variable rate based on SOFR plus 1.725%	2028	180	166
US\$100, fixed rates ranging from 3.27% to 4.47%, with quarterly amortization payments starting in 2026	2029-2030	144	132
US\$25, fixed rate of 4.52%	2029	36	33
US\$150 (as at December 31, 2023 – US\$25), variable rate based on SOFR plus applicable margin	2030-2031	216	33
<b>Senior notes</b> <sup>(c)</sup>			
\$400, fixed rate of 4.312%	2031	400	—
US\$75, fixed rate of 3.81%	2027	108	99
US\$75, fixed rate of 3.54%	2024	—	99
<b>Other</b> <sup>(d)</sup>		3	4
		1,382	1,316
Deferred financing costs		(2)	—
		1,380	1,316
Less: Current portion of long-term debt		1	100
		1,379	1,216

### a) Unsecured Syndicated Credit Facilities

The Company has unsecured credit facilities with a syndicate of lenders. On January 26, 2024, the Company amended and restated the seventh amended and restated syndicated credit agreement in order to, among other things, (i) increase the amount available under the unsecured revolving credit facility from US\$400 million to US\$600 million; (ii) separate the unsecured revolving facility in two tranches with the following maturities: US\$475 million tranche with a maturity date of February 27, 2028, and US\$125 million tranche with a maturity date of February 27, 2026; (iii) increase the required level of net funded debt-to-earnings before interest, taxes, depreciation and amortization (“EBITDA”) ratio to 3.75:1.00 and (iv) replace the Canadian Dollar Offered Rate (“CDOR”), with the Canadian Overnight Repo Rate Average (“CORRA”). Revolving credit facility advances made prior to this amendment continued to apply CDOR until the end of their term. The amended syndicated credit agreement also includes a reset of the existing accordion feature whereby the Company may request an increase in an aggregate amount of US\$300 million, subject to lenders’ approval.

On December 20, 2024, the Company further amended and restated its syndicated credit agreement in order to, among other things, combine into a single unsecured revolving credit facility the two tranches with a maturity date of December 20, 2029, and reset the existing 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, CORRA loans, U.S. base rate loans, Secured Overnight Financing Rate (“SOFR”) loans and letters of credit. The



## Stella-Jones Inc.

### Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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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-EBITDA ratio.

As at December 31, 2024, under the Syndicated Credit Facilities, borrowings by Canadian entities denominated in U.S. dollars represented \$181 million (US\$126 million) and were designated as hedges of net investment in foreign operations.

#### 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\$550 million are available. The U.S. Farm Credit Agreement provides a term loan facility of up to US\$400 million (or, the "Term Loan Facility"), and a five-year revolving credit facility of up to US\$150 million with a maturity date of March 3, 2028 (or, the "Revolving Credit Facility"). 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 March 3, 2028.

#### c) Unsecured Senior Notes

On October 1<sup>st</sup>, 2024, the Company completed a private placement of \$400 million aggregate principal amount of senior unsecured notes due October 1<sup>st</sup>, 2031, bearing interest at the rate of 4.312% per annum, payable semi-annually until maturity. The notes rank pari passu with all other unsecured and unsubordinated obligations of the Company.

On January 17, 2024, the Company repaid US\$75 million of unsecured senior notes issued pursuant to a private placement with certain U.S. investors. The remaining US\$75 million of unsecured senior notes are payable in a single installment at maturity on January 17, 2027 and are designated as hedges of net investment in foreign operations.

#### d) Other notes payable

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

## Stella-Jones Inc.

### Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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million 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, 2024, the Company was required to maintain a net funded debt-to-EBITDA ratio of no more than 3.50:1.00, an interest coverage ratio equal to or greater than 3.00:1.00 and a priority debt to equity ratio not more than 15%, which are measured on a quarterly basis. The required level of net funded debt-to-EBITDA ratio was increased to 3.75:1.00 subsequent to year-end, following the amendment of the U.S. Farm Credit Agreement. As at December 31, 2024, the Company was in full compliance with these covenants, requirements and ratios.

The repayment requirements on the long-term debt as at December 31, 2024 are as follows:

(Amounts in millions of Canadian dollars)	Principal
2025	1
2026	34
2027	144
2028	216
2029	367
Thereafter	620
	<u>1,382</u>

The aggregate fair value of the Company's long-term debt was estimated at \$1,368 million as at December 31, 2024 (as at December 31, 2023 – \$1,298 million) based on discounted future cash flows, using interest rates available to the Company for issues with similar terms and average maturities.

Refer to Note 23 for a summary of events that occurred after the reporting period.

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

## 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, 2023</b>	18	4	22	9	4	13	35
Business combination	1	—	1	—	7	7	8
Additions	8	—	8	15	—	15	23
Payments	(3)	(3)	(6)	(3)	—	(3)	(9)
<b>Balance as at December 31, 2023</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
Current portion	9	1	10	11	3	14	24
Non-current portion	19	—	19	13	5	18	37
	28	1	29	24	8	32	61

The Company's share-based payment plans consist of cash-settled restricted stock unit, performance stock unit and deferred share unit plans.

### *Restricted stock units ("RSUs") and Performance stock units ("PSUs")*

Under the Stock Unit Plan, RSUs and PSUs are granted to certain executives and key employees 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 multiplied by a factor which ranges from 0% to 200% based on the attainment of performance criteria and/or market conditions set out pursuant to the plan, provided the individual is still employed by the Company at time of vesting. RSUs vest ratably over a period of up to three years and PSUs are paid three years after the grant date.

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

	2024	2023
<b>RSUs outstanding - Beginning of year</b>	129,438	122,315
Granted	118,688	65,479
Vested	(90,508)	(47,966)
Forfeited	(1,462)	(10,390)
<b>RSUs outstanding - End of year</b>	156,156	129,438

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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

	2024	2023
<b>PSUs outstanding - Beginning of year</b>	97,072	69,337
Granted	59,348	38,517
Performance multiplier	26,543	—
Vested	(53,086)	—
Forfeited	(1,133)	(10,782)
<b>PSUs outstanding - End of year</b>	128,744	97,072

## *Deferred share units ("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 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-employee director. DSUs are settled for cash only after a non-employee director ceases to act as a director.

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

	2024	2023
<b>DSUs outstanding - Beginning of year</b>	59,365	44,333
Granted	12,092	16,792
Settled	—	(1,760)
<b>DSUs outstanding - End of year</b>	71,457	59,365

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

## 13 Cash flow information

The following table presents the movements in the liabilities from financing activities for the years ended December 31, 2024 and 2023:

(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, 2023</b>	(547)	(394)	(167)	(1,108)
Cash flows, net	(32)	(362)	50	(344)
Lease additions	—	—	(177)	(177)
Other non-cash movements	—	—	(5)	(5)
Foreign exchange adjustments	13	6	5	24
<b>Balance as at December 31, 2023</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>	(1,085)	(295)	(323)	(1,703)

## 14 Capital stock and earnings per share

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

	2024	2023
<b>Number of common shares outstanding – Beginning of year</b>	56,866,712	59,115,959
Common shares repurchased	(1,078,577)	(2,286,484)
Stock option exercised	15,000	10,000
Employee share purchase plans	21,818	27,237
<b>Number of common shares outstanding – End of year</b>	55,824,953	56,866,712

### a) 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

December 31, 2024 and 2023

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b) Normal Course Issuer Bid ("NCIB")

On November 6, 2023, 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, 2023 and ending November 13, 2024, representing approximately 5.0% of the public float of its common shares.

On November 5, 2024, the TSX accepted the Company's 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.

During the year ended December 31, 2024, the Company repurchased for cancellation 1,078,577 common shares under its NCIBs then in effect (during the year ended December 31, 2023 - 2,286,484 common shares) for a total consideration of \$90 million (during the year ended December 31, 2023 - \$142 million), representing an average price of \$83.43 per common share (in 2023 - \$61.89).

As at December 31, 2024, the Company's capital stock was reduced by four million dollars (as at December 31, 2023 – eight million dollars) and the retained earnings decreased by \$88 million (as at December 31, 2023 – \$134 million), including two million dollars of related taxes (December 31, 2023 – nil).

c) 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.

The aggregate number of common shares in respect of which options may be granted is 4,800,000. 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. The options outstanding under the Plan as at December 31, 2024 were granted in November 2015 and expire in 2025.

During the year ended December 31, 2024, 15,000 ordinary shares were issued as a result of the exercise of options arising from the share options granted in 2015 (December 31, 2023 - 10,000). Options were exercised at the option value price of \$49.01 per share.

As at December 31, 2024, the number of outstanding and exercisable options to acquire common shares issued under the Company's Plan was 5,000 (December 31, 2023 – 20,000), at a weighted average exercise price of \$49.01 (December 31, 2023 – \$49.01).

d) 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.

Company employees who are Canadian residents are eligible to purchase common shares from the Company at an amount equal to 90% of the market price. Employees who hold common shares in

# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

the employee share purchase plan for 18 months following the date of acquisition of such shares receive additional common shares of the Company equivalent to 10% of the amount of their contributions made on the date of acquisition. In 2024, 12,786 common shares (2023 – 17,024) were issued to Canadian resident employees at an average price of \$70.26 per share (2023 – \$55.18).

Company employees who are U.S. residents are eligible to purchase common shares from the Company at market price. Employees who hold common shares in the employee share purchase plan for 18 months following the date of acquisition of such shares receive additional common shares of the Company equivalent to 10% of the amount of their contributions made on the date of acquisition. In 2024, 9,032 common shares (2023 – 10,213) were issued to U.S. resident employees at an average price of \$76.79 per share (2023 – \$60.08).

e) Earnings per share

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

(Amounts in millions of Canadian dollars, except per share amounts)	2024	2023
<b>Net income applicable to common shares</b>	\$319	\$326
Weighted average number of common shares outstanding*	56,403	57,963
Effect of dilutive stock options*	4	6
Weighted average number of diluted common shares outstanding*	56,407	57,969
<b>Basic and diluted earnings per common share</b>	\$5.66	\$5.62

\* Number of shares is presented in thousands.

f) Dividends

In 2024, the Company paid dividends of \$63 million (2023 - \$53 million), representing dividends declared per common share of \$1.12 (2023 - \$0.92).

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

## 15 Expenses by nature

(Amounts in millions of Canadian dollars)	2024	2023
Raw materials and consumables	2,119	2,065
Employee benefit expenses	329	305
Freight	199	198
Depreciation and amortization	130	109
Expenses incurred in manufacturing process	96	75
Other expenses	93	68
	2,966	2,820

(Amounts in millions of Canadian dollars)	2024	2023
<b>Employee benefit expenses</b>		
Salaries, wages and benefits	300	280
Share-based compensation	14	13
Pension costs	2	2
Group registered retirement savings plans	13	10
	329	305

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

(Amounts in millions of Canadian dollars)	2024	2023
<b>Financial expenses</b>		
Interest expense on long-term debt and other financial charges	77	61
Interest on lease liabilities	11	7
	88	68



# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

## 16 Income taxes

(Amounts in millions of Canadian dollars)	2024	2023
<b>Current income tax</b>		
Current tax on income for the year	99	93
Adjustments in respect of prior years	(11)	(10)
Changes in estimates related to prior years	(2)	—
<b>Total current income tax</b>	<b>86</b>	<b>83</b>
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	3	16
Impact of change in tax rate	(3)	(2)
Adjustments in respect of prior years	10	8
<b>Total deferred income tax</b>	<b>10</b>	<b>22</b>
<b>Income tax expense</b>	<b>96</b>	<b>105</b>
<b>Reconciliation of effective income tax rate</b>		
(Amounts in millions of Canadian dollars)	2024	2023
<b>Income before income tax</b>	<b>415</b>	<b>431</b>
Canadian statutory rate (combined federal and provincial)	26.12 %	26.13 %
Income tax expense at that statutory rate	108	113
Tax effects of:		
Rate differential between jurisdictions	(6)	(4)
Remeasurement of deferred income tax - change in tax rate	(3)	(2)
Adjustments in respect of prior years' tax expense	(1)	(2)
Changes in estimates related to prior years	(2)	—
<b>Income tax expense</b>	<b>96</b>	<b>105</b>

# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

### Deferred tax assets and liabilities

During the years ended December 31, 2024 and 2023, movements in temporary differences are as follows:

(Amounts in millions of Canadian dollars)	As at December 31, 2023	Recognized in statement of income	Recognized in other comprehensive income	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>(12)</b>	<b>(197)</b>

	As at December 31, 2022	Recognized in statement of income	Recognized in other comprehensive income	Recognized in translation adjustment	As at December 31, 2023
Property, plant and equipment (including right-of-use assets)	(158)	(58)	—	4	(212)
Intangible assets	(50)	(2)	—	1	(51)
Financial Instruments	(7)	—	2	—	(5)
Lease liabilities	42	34	—	(1)	75
Reserves	13	5	—	—	18
Deferred pension benefit	2	—	—	—	2
Others	—	(1)	—	(1)	(2)
<b>Net deferred tax liabilities</b>	<b>(158)</b>	<b>(22)</b>	<b>2</b>	<b>3</b>	<b>(175)</b>

As of December 31, 2024, the Company did not recognize deferred income tax assets of six million dollars (as at December 31, 2023 – six million dollars) in respect of capital losses amounting to \$47 million (as at December 31, 2023 – \$44 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 \$1,465 million as at December 31, 2024 (as at December 31, 2023 – \$1,182 million).

# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

On June 19, 2024, Bill C-69 became substantively enacted for Canadian financial reporting purposes. Bill C-69 includes the Pillar Two rules published by the Organisation for Economic Co-operation and Development and applies to fiscal years beginning on or after December 31, 2023. The Pillar Two model rules impose a 15% global minimum tax applicable to large multinational enterprises, to be applied in each country. The Pillar Two rules did not have a material impact on the Company's consolidated financial statements.

### 17 Employee future benefits

The Company recognizes costs for several types of employee future benefits. For its Canadian operations, the Company contributed to three defined benefit pension plans covering some salaried and non-union hourly wage employees and to a multi-employer plan for certain hourly employees. During the year ended December 31, 2024, the Company wound up of one of its defined benefit pension plans. Payments were made to settle all the benefits in the plan which resulted in a gain on settlement of less than one million dollars. As at December 31, 2024, the plan assets and projected benefit obligation for this plan were nil.

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.

For its U.S. operations, the Company's wholly-owned subsidiary, Stella-Jones Corporation, contributes to two defined benefit pension plans. Only 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.

The recognized costs for employee future benefits are as follows:

(Amounts in millions of Canadian dollars)	2024	2023
Contributions to group registered retirement savings plans	13	10
Defined benefit pension plans	1	1
Contributions to multi-employer plan	1	1
	15	12

The net amount recognized on the consolidated statements of financial position is detailed as follows:

(Amounts in millions of Canadian dollars)	2024	2023
<b>Employee future benefits</b>		
Non-current liabilities:		
Net defined benefit pension liability	(2)	(8)
Other post-employment benefits liability	(2)	(2)
	(4)	(10)

# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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, 2024 (for the year ended December 31, 2023 - nil).

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)	2024	2023
<b>Accrued benefit obligation</b>		
Balance – Beginning of year	32	30
Current service cost	1	1
Interest cost	1	1
Benefits payments	(2)	(2)
Defined benefit obligation extinguished on settlement	(6)	—
Remeasurement adjustments		
Changes in financial assumptions	(1)	2
Exchange difference	1	—
<b>Balance – End of year</b>	<b>26</b>	<b>32</b>
<b>Plan assets</b>		
Fair value – Beginning of year	24	25
Interest income on plan assets	1	1
Return on plan asset excluding interest income	1	—
Employer's contributions	5	1
Asset distributed on settlement	(5)	—
Effect of asset ceiling	—	(1)
Benefits paid	(2)	(2)
<b>Fair value – End of year</b>	<b>24</b>	<b>24</b>
<b>Net benefit liability</b>	<b>(2)</b>	<b>(8)</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, 2024 by one million dollars.

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

Expected contributions to the defined benefit pension plans for the year ending December 31, 2025 are one million dollars.

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)

	2024	2023
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

Actuarial gains (losses)	1	(2)
<b>Total recognized in other comprehensive income (loss) before income tax</b>	<b>1</b>	<b>(2)</b>

## Accumulated actuarial losses recognized in other comprehensive income

Balance of actuarial losses as at January 1	(3)	(1)
Net actuarial gains (losses) recognized in the year, net of tax	1	(2)
<b>Balance of actuarial losses as at December 31</b>	<b>(2)</b>	<b>(3)</b>

The significant weighted average assumptions used are as follows:

	Defined benefit pension plans		Other post-employment plan	
	2024	2023	2024	2023
	%	%	%	%
<b>Accrued benefit obligation as at December 31</b>				
Discount rate	4.90	4.70	4.90	4.70
Rate of compensation increase	3.25	3.25	n/a	n/a
<b>Benefit costs for the year ended December 31</b>				
Discount rate	4.70	5.10	4.70	5.10

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

	2024	2023
	%	%
Listed equity securities	22	25
Listed debt securities	29	29
Guaranteed insurance contracts	36	31
Real assets	13	14
Short-term investments and cash	—	1
	100 %	100 %

**18 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 (2023 – \$48 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 (2023 – nil).
- 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.

**19 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, 2024 and 2023 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)	2024	2023
<b>Non-current assets</b>		
Interest rate swap agreements	21	21

**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, 2024, the Company's credit exposure consists primarily of the carrying amount of accounts receivable and derivative financial instruments.

## **Stella-Jones Inc.**

Notes to Consolidated Financial Statements

**December 31, 2024 and 2023**

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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, 2024 and 2023. The Company's largest customer had sales representing 14% of the total sales for the year ended December 31, 2024 (for the year ended December 31, 2023 – 15%) and an account receivable balance of \$10 million as at December 31, 2024 (as at December 31, 2023 – nine million dollars). 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, 2024, the Company had \$802 million of available liquidity, including \$752 million (US\$523 million) under the Company's credit facilities.

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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

(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*	1,380	1,710	62	299	686	663
Minimum payment under lease liabilities*	323	384	74	128	65	117
	1,883	2,274	316	427	751	780

  

						2023
	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	204	204	204	—	—	—
Long-term debt obligations*	1,316	1,521	166	686	563	106
Minimum payment under lease liabilities*	294	345	63	106	72	104
	1,814	2,070	433	792	635	210

\*Includes interest payments. Interest on variable interest debt is assumed to remain unchanged from the rates in effect as at December 31, 2024 and December 31, 2023.

## 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, 2024, 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, 2024 and 2023. 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).

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



# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

of the Canadian entities totaling four million dollars (seven million dollars as at December 31, 2023) and six million dollars (eight million dollars as at December 31, 2023), 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)	2024	2023
Decrease of net income	—	—
Decrease of other comprehensive income	29	22

### 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, 2024, the Company has mitigated its exposure to interest rate risk on long-term debt after giving effect to its interest rate swap agreements; 68% (2023 – 46%) 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, 2024, 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	2024	2023
					Notional equivalent	Notional equivalent
		%			CA\$	CA\$
US\$50	Revolving credit facilities	0.796*	Dec. 2021	Dec. 2026	72	66
US\$125	Term loan facility	1.0769**	July 2021	June 2028	180	166

\* 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, 2024, a 1% increase in interest rates would have increased interest expense by eight million dollars and decreased the net income recognized in other comprehensive income (loss) by approximately six million dollars. For a 1% decrease in the interest rates, there would be an opposite impact on interest expense and other comprehensive income (loss).

## 20 Capital disclosures

The Company's objective in managing capital is to ensure sufficient liquidity and financial flexibility to pursue its organic growth strategy and undertake accretive acquisitions, 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 structure, the Company

# Stella-Jones Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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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 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.

## 21 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)	2024	2023
Salaries, compensation and benefits	8	9
Share-based compensation	9	9
	17	18

Under their respective employment agreements and assuming their termination for reasons other than cause, illness, permanent incapacity, death or resignation occurred on December 31, 2024, the members of key management would be entitled to receive potential incremental payouts representing approximately \$14 million.

## 22 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 poles, railway ties, residential lumber and industrial products.

The logs and lumber segment comprises of the sales of logs harvested in the course of the Company's procurement process that are determined to be unsuitable for use as utility 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 18 American states. The Company also operates a large procurement and distribution network across North America.

# Stella-Jones Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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

(Amounts in millions of Canadian dollars)	2024	2023
U.S.	2,515	2,456
Canada	954	863
	3,469	3,319

Sales by product are as follows:

(Amounts in millions of Canadian dollars)	2024	2023
Utility poles	1,705	1,571
Railway ties	890	828
Residential lumber	614	645
Industrial products	154	148
Pressure-treated wood	3,363	3,192
Logs and lumber	106	127
	3,469	3,319

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)	2024	2023
<b>Property, plant and equipment</b>		
U.S.	765	660
Canada	283	246
	1,048	906
<b>Right-of-use assets</b>		
U.S.	236	230
Canada	75	55
	311	285
<b>Intangible assets</b>		
U.S.	115	113
Canada	55	56
	170	169
<b>Goodwill</b>		
U.S.	385	354
Canada	21	21
	406	375

# **Stella-Jones Inc.**

Notes to Consolidated Financial Statements

**December 31, 2024 and 2023**

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## **23 Subsequent events**

a) 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.

b) On February 26, 2025, the Board of Directors declared a quarterly dividend of \$0.31 per common share payable on April 18, 2025 to shareholders of record at the close of business on April 1, 2025.