MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2025
(in millions of Canadian dollars)

Stella-JoneS Inc.

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INTRODUCTION

Three-month period ended March 31, 2025 compared with the three-month period ended March 31, 2024

The following is Stella-Jones Inc.'s management discussion and analysis ("MD&A"). Throughout this MD&A, the terms "Company" and "Stella-Jones" shall mean Stella-Jones Inc. with its subsidiaries, either individually or collectively.

This MD&A and the Company's condensed interim unaudited consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors on May 6, 2025. The MD&A provides a review of the significant developments and financial position, operating results and cash flows of the Company as at and for the period ended March 31, 2025. The MD&A should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements for the periods ended March 31, 2025 and 2024 and the notes thereto, as well as the Company's annual audited consolidated financial statements and MD&A for the year ended December 31, 2024.

This MD&A contains statements that are forward-looking in nature. The words "may", "could", "should", "would", "assumptions", "plan", "strategy", "believe", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements. Forward-looking statements include, without limitation, the financial guidance and other statements contained in the "Strategy" and "2023-2025 Financial Objectives" sections below, which are provided for the purpose of assisting the reader in understanding the Company's financial position, operating results and cash flows and management's current expectations and plans (and may not be appropriate for other purposes). Such statements are based upon a number of assumptions and involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements. Such items include, among others: general political, economic and business conditions, evolution in customer demand for the Company's products and services, product selling prices, availability and cost of raw materials, operational disruption, climate change, failure to recruit and retain qualified workforce, information security breaches or other cyber-security threats, changes in foreign currency rates, the ability of the Company to raise capital, regulatory and environmental compliance and factors and assumptions referenced herein and in the Company's continuous disclosure filings. Unless required to do so under applicable securities legislation, the Company's management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes after the date hereof.

The Company's condensed interim unaudited consolidated financial statements are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

This MD&A also contains non-GAAP financial measures, non-GAAP ratios and other financial measures which are not prescribed by IFRS Accounting Standards and are not likely to be comparable to similar measures and ratios presented by other issuers. Refer to the section entitled "Non-GAAP and Other Financial Measures" of this MD&A for an explanation of the non-GAAP financial measures, non-GAAP ratios and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

Additional information, including the Company's Annual Information Form, quarterly and annual reports, and supplementary information is available on the SEDAR+ website at www.sedarplus.ca. Press releases and other information are also available in the Investor Relations section of the Company's website at www.stella-jones.com.

OUR BUSINESS

Stella-Jones is a leading North American manufacturer of products focused on supporting infrastructure that are essential to the delivery of electrical distribution and transmission, and the operation and maintenance of railway transportation systems. It supplies the continent's major electrical utilities companies with treated wood utility poles and North America's Class 1, short line and commercial railroad operators with treated wood railway ties and timbers. It also supports infrastructure with industrial products, namely timbers for railway bridges, crossings and construction, marine and foundation pilings, and coal tar-based products. Additionally, the Company manufactures and distributes premium treated residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing Canadian customers through its national manufacturing and distribution network.

The Company's organic growth and strategic acquisitions have allowed it to expand its North American network by broadening its product offerings and capacity, to reinforce the strength and reliability of its raw material sourcing, and to provide greater service to customers. This strategy has contributed to solid and sustained customer relationships across North America and has expanded access to critical suppliers. It has also enabled the Company to further strengthen its seasoned management team, adding extensive expertise in all divisions throughout North America.

Stella-Jones' proven track record of delivering solid results has set the foundation for a strong cash flow-generating business, enabling the Company to continually reinvest in its network and return capital to shareholders through steadily increasing dividends and share repurchases.

As at March 31, 2025, the Company operated 44 wood treating plants and a coal tar distillery and its workforce comprised approximately 3,000 employees. The Company's facilities are located across Canada and the United States and are complemented by an extensive procurement and distribution network.

The Company's common shares are listed on the Toronto Stock Exchange (TSX: SJ).

OUR MISSION

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

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

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

OUR STRATEGY

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

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

Capital Management

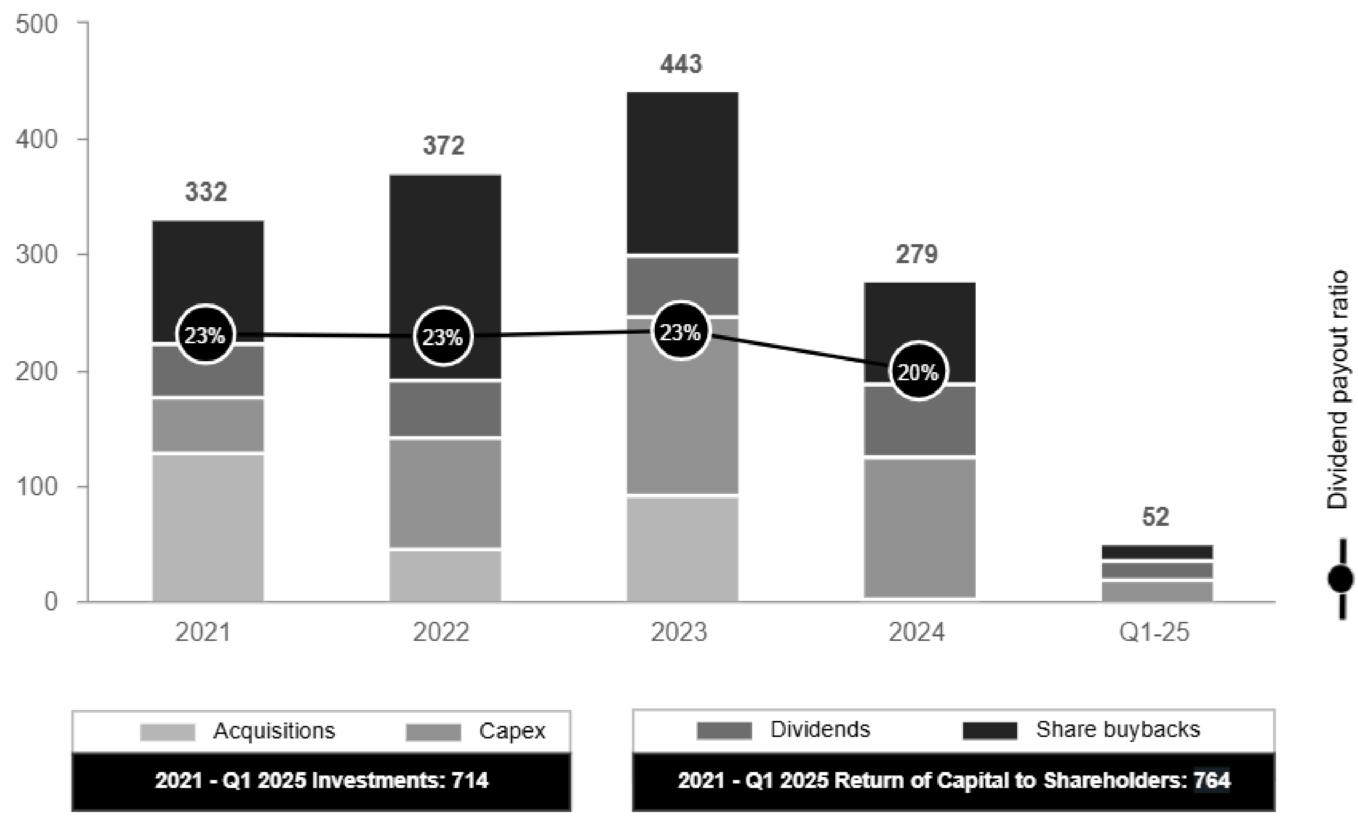
The Company's capital allocation strategy leverages its consistent and strong cash flow generation while enhancing its long-term stability and shareholder value creation. To maintain the Company's strong financial position and financial flexibility, capital is deployed in a disciplined manner, balancing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

The Company's current strategy is to:

- Invest between $75 and $85 million annually in capital expenditures to maintain the quality and reliability of its assets, ensure the safety of its employees, improve productivity and pursue environmental and sustainability initiatives;
- Pursue accretive infrastructure-related acquisitions that enhance the Company's strategic positioning and drive future earnings growth;
- Maintain a durable dividend payout, targeting dividends equivalent to 20% to 30% of the prior year's reported earnings per share; and
- Return excess capital to shareholders through share repurchases.

As part of its capital allocation approach, Stella-Jones targets a net debt-to-EBITDA ratio between 2.0x and 2.5x, but may deviate from its leverage target to pursue acquisitions and other strategic opportunities, and/or fund its seasonal working capital requirements.

The Company's capital allocation since 2021 is summarized below:
(in millions of $, except %)



2023-2025 FINANCIAL OBJECTIVES

The following is a summary of the Company's 2023-2025 financial objectives, unchanged compared to the financial objectives disclosed in the MD&A for the year ended December 31, 2024.

(in millions of dollars, except percentages and ratios)	**2023-2025 Objectives**
Sales	*approx*. $3,600
EBITDA margin [1]	> 17%
Return to Shareholders: cumulative	> $500
Net Debt-to-EBITDA [1]	2.0x-2.5x

Excluding 2025 acquisitions, total sales are expected to be approximately $3.6 billion by December 31, 2025, representing a compound annual growth rate ("CAGR") of 5.5% for the 2023 to 2025 period. For utility poles, the meaningful increases in infrastructure investments forecasted by utilities and the longer-term sales contracts secured from new and existing customers support the Company's confidence in a sustained mid-single-digit sales growth for this product category. Given the stable maintenance-driven demand for railway ties, the Company remains assured in its ability to consistently deliver at a minimum, a low single-digit sales growth for this product category. For residential lumber, sales are forecasted to remain in the $600 million to $650 million target range for this product category, representing less than 20% of total sales.

Since 2023, the Company has delivered a significant improvement in EBITDA margin. It generated an EBITDA margin of 18.3% in 2023 and 18.2% in 2024 and expects to generate an above 17% margin in 2025. This reflects an 11% EBITDA CAGR for the 2023 to 2025 period.

The Company is on target to returning in excess of $500 million to shareholders through dividends and share repurchases in the 2023 to 2025 period. As at March 31, 2025, the return to shareholders totaled $380 million out of the $500 million commitment.

The Company targets to maintain its net debt-to-EBITDA in the range of 2.0x to 2.5x, but may deviate from its leverage target to pursue acquisitions and other strategic opportunities, and/or fund its seasonal working capital requirements.

The Company assumed that the Canadian dollar will trade, on average, at Can $1.36 per U.S. dollar for 2025 and that sales in the U.S. continue to be about 70% of total sales.

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

HIGHLIGHTS

Overview of the first quarter of 2025

Sales in the first quarter of 2025 remained relatively unchanged at $773 million, compared to $775 million in the corresponding period last year. Excluding the positive effect of currency conversion, sales were down $40 million, or 5%. The decrease was driven by lower volumes across most product categories, partially offset by favourable pricing. Largely influenced by macroeconomic challenges, volumes for utility poles continued to be impacted by the slower pace of purchases and a deferral in project execution by utilities, while lower railway ties volumes were explained by the transition of a Class 1 railroad toward treating more railway ties internally and timing of non-Class 1 projects. Residential lumber volumes were also lower, largely impacted by unfavourable weather conditions when compared to the first quarter of last year.

Despite lower sales volumes, operating income increased to $143 million in the first quarter of 2025, compared to $124 million in the corresponding period last year, due to the insurance settlement for a 2023 fire incident at one of the Company's facilities that was recorded in Q1 2025. Similarly, EBITDA(1) increased to $179 million in the first quarter of 2025, representing a margin of 23.2%, compared to $156 million, or a margin of 20.1%, in the corresponding period last year. The insurance settlement recorded in the first quarter of 2025 increased EBITDA by $38 million and EBITDA margin by 5%.

During the quarter ended March 31, 2025, Stella-Jones used its liquidity to support the seasonal increase in working capital requirements, maintain its assets, as well as repurchase $15 million of shares. During the quarter, the Company also declared a dividend totaling $17 million.
As at March 31, 2025, the Company maintained a healthy financial position. It had available liquidity of $691 million and its net debt-to-EBITDA stood at 2.6x.

Leadership announcement

On April 14, 2025, Wesley Bourland was appointed as Senior Vice-President and Chief Operating Officer. Having served in several senior operations leadership roles, Mr. Bourland will leverage his expertise in manufacturing, strategic planning and process optimization to drive operational excellence.

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FINANCIAL HIGHLIGHTS

Selected Key Indicators (in millions of dollars except ratios and per share data)	**Three-month periods ended March 31,**		**Variation ($)**	**Variation (%)**
	2025	**2024**		
Operating results				
Sales	773	775	(2)	—%
Gross profit[1]	168	172	(4)	(2%)
Gross profit margin[1]	21.7%	22.2%	n/a	(50 bps)
Operating income	143	124	19	15%
Operating income margin[1]	18.5%	16.0%	n/a	250 bps
EBITDA[1]	179	156	23	15%
EBITDA margin[1]	23.2%	20.1%	n/a	310 bps
Net income	93	77	16	21%
Earnings per share (“EPS”) - basic & diluted	1.67	1.36	0.31	23%
Other data				
Return on average equity[1]	18.0%	20.8%	n/a	(280 bps)
Return on average capital employed[1]	13.8%	15.9%	n/a	(210 bps)
Declared dividends per share	0.31	0.28	0.03	11%
Cash flows (used in) from				
Operating activities	(16)	(62)	46	
Financing activities	69	77	(8)	
Investing activities	(22)	(15)	(7)	
Financial position	**As at March 31, 2025**	**As at December 31, 2024**	**Variation ($)**	
Inventories	1,798	1,759	39	
Total assets	4,266	4,103	163	
Long-term debt[2]	1,481	1,380	101	
Lease liabilities[2]	316	323	(7)	
Total non-current liabilities	1,960	1,876	84	
Shareholders’ equity	1,998	1,941	57	
Other data				
Working capital ratio[1]	7.51	7.48		
Net debt-to-total capitalization[1]	0.46:1	0.46:1		
Net debt-to-EBITDA[1]	2.6x	2.6x		

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

[2] Including current portion.

NON-GAAP AND OTHER FINANCIAL MEASURES

This section includes information required by National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure in respect of “specified financial measures” (as defined therein).

The below-described non-GAAP financial measures, non-GAAP ratios and other financial measures have no standardized meaning under GAAP and are not likely to be comparable to similar measures presented by other issuers. The Company’s method of calculating these measures may differ from the methods used by others, and, accordingly, the definition of these measures may not be comparable to similar measures presented by other issuers. In addition, non-GAAP financial measures, non-GAAP ratios and other financial measures should not be viewed as a substitute for the related financial information prepared in accordance with GAAP.

Non-GAAP financial measures include:

- **Organic sales growth**: Sales of a given period compared to sales of the comparative period, excluding the effect of acquisitions and foreign currency changes
- **Gross profit**: Sales less cost of sales
- **EBITDA**: Operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization)
- **Capital employed**: Total assets excluding cash and cash equivalents less current non-interest bearing liabilities
- **Average capital employed:** 12-month average of the capital employed balance at the beginning of the 12-month period and the quarter-end capital employed balances throughout the remainder of the 12-month period
- **Net debt**: Sum of long-term debt and lease liabilities (including the current portion) less cash and cash equivalents

Non-GAAP ratios include:

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

Other financial measures include:

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

Management considers these non-GAAP and specified financial measures to be useful information to assist knowledgeable investors to understand the Company’s financial position, operating results and cash flows as they provide a supplemental measure of its performance. Management uses non-GAAP financial measures, non-GAAP financial ratios and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, to assess the Company’s ability to meet future debt service, capital expenditure and working capital requirements, and to evaluate senior management’s performance. More specifically:

- **Organic sales growth and organic sales growth percentage**: The Company uses these measures to analyze the level of activity excluding the effect of acquisitions and the impact of foreign exchange fluctuations, in order to facilitate period-to-period comparisons. Management believes these measures are used by investors and analysts to evaluate the Company's performance.

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

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

Reconciliation of Operating Income to EBITDA (in millions of dollars)	**Three-month periods ended March 31,**	
	2025	**2024**
Operating income	143	124
Depreciation and amortization	36	32
EBITDA	**179**	**156**

Reconciliation of Average Capital Employed (in millions of dollars)	**As at March 31, 2025**	**As at March 31, 2024**
Average total assets	4,051	3,589
Less:		
Average cash and cash equivalents	26	—
Average current liabilities	312	392
Add:		
Average current portion of lease liabilities	60	49
Average current portion of long-term debt	2	82
Average capital employed	**3,775**	**3,328**
Operating income (TTM)	522	528
ROCE	**13.8%**	**15.9%**

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**As at March 31, 2025**	**As at December 31, 2024**
Long-term debt, including current portion	1,481	1,380
Add:		
Lease liabilities, including current portion	316	323
Less:		
Cash and cash equivalents	81	50
Net Debt	**1,716**	**1,653**
EBITDA (TTM)	656	633
Net Debt-to-EBITDA	**2.6x**	**2.6x**

FOREIGN EXCHANGE

The table below shows average and closing exchange rates applicable to Stella-Jones' quarters for the years 2025 and 2024. Average rates are used to translate sales and expenses for the periods mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities of the Canadian operations denominated in U.S. dollars.

US$/Can$ rate	2025		2024	
	Average	Closing	Average	Closing
First Quarter	1.44	1.44	1.35	1.36
Second Quarter			1.37	1.37
Third Quarter			1.36	1.35
Fourth Quarter			1.40	1.44
Fiscal Year			1.37	1.44

- Average rate: The appreciation of the U.S. dollar relative to the Canadian dollar during the first quarter of 2025 compared to the first quarter of 2024 resulted in a positive impact on sales and an unfavourable impact on cost of sales.

- Closing rate: There was no change in the value of the U.S. dollar relative to the Canadian dollar as at March 31, 2025, compared to December 31, 2024. As a result, there was no impact on the value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars.

OPERATING RESULTS

Sales

Sales for the first quarter reached $773 million, versus sales of $775 million in the corresponding period last year. Excluding the currency conversion effect of $38 million, pressure-treated wood sales decreased $36 million, or 5%. Lower volumes for utility poles, railway ties and residential lumber were partially offset by favourable pricing for utility poles and residential lumber. The decrease in logs and lumber sales compared to the first quarter last year was largely attributable to less lumber trading activity.

Sales (in millions of dollars, except percentages)	**Utility Poles**	**Railway Ties**	**Residential Lumber**	**Industrial Products**	**Total Pressure-Treated Wood**	**Logs & Lumber**	**Consolidated Sales**
Q1 2024	**402**	**227**	**87**	**36**	**752**	**23**	**775**
FX impact	22	12	2	2	**38**	—	**38**
Organic growth	(5)	(31)	(1)	1	**(36)**	(4)	**(40)**
Q1 2025	**419**	**208**	**88**	**39**	**754**	**19**	**773**
Organic growth %	(1%)	(14%)	(1%)	3%	**(5%)**	(17%)	**(5%)**

Utility poles

Utility poles sales increased to $419 million in the first quarter of 2025, compared to sales of $402 million in the corresponding period last year. Excluding the currency conversion effect, utility poles sales decreased by five million dollars, or 1% when compared to the same period last year, as favourable pricing, largely due to product mix, was offset by a decrease in volumes. Sales volumes in the first quarter of 2025 benefited from incremental multi-year commitments secured in 2024 from new customers, but ongoing macroeconomic challenges, as well as unfavourable weather conditions led to lower volumes. Utility poles sales accounted for 54% of the Company’s first-quarter sales.

Railway ties

Railway ties sales decreased by $19 million to $208 million in the first quarter of 2025, compared to sales of $227 million in the same period last year. Excluding the currency conversion effect, sales of railway ties decreased by $31 million, or 14%, largely attributable to lower sales volumes. The decrease was explained by the transition of a Class 1 railroad toward treating more railway ties internally and timing of non-Class 1 projects. Railway ties sales accounted for 27% of the Company’s first-quarter sales.

Residential lumber

Sales in residential lumber remained relatively stable at $88 million in the first quarter of 2025, compared to sales of $87 million in the corresponding period last year. Higher pricing attributable to the increase in the market price of lumber when compared to Q1 2024 was offset by lower volumes, mainly due to unfavourable weather conditions which led to a later start of outdoor renovation activities. Residential lumber sales accounted for 11% of the Company’s first-quarter sales.

Industrial products

Industrial product sales increased to $39 million in the first quarter of 2025, compared to $36 million in the corresponding period last year, largely due to more bridge projects. Industrial product sales represented 5% of the Company’s first-quarter sales.

Logs and lumber

Sales in the logs and lumber product category were $19 million in the first quarter of 2025, compared to $23 million in the corresponding period last year. In the course of procuring logs for utility poles and lumber for its residential lumber program, logs unsuitable for use as utility poles and excess lumber are obtained and resold. The decrease in sales compared to the first quarter last year was largely due to less lumber trading activity, influenced by macroeconomic challenges. Logs and lumber sales represented 3% of the Company's first-quarter sales.

Sales by Geographic Region

Sales in the United States amounted to $635 million, or 82% of sales in 2025, up $34 million, or 6%, compared to sales of $601 million in the corresponding period last year. The increase was largely explained by the appreciation of the value of the U.S. dollar relative to the Canadian dollar in the first quarter of 2025 compared to the same period in 2024. Favourable pricing, particularly for utility poles and residential lumber, was more than offset by lower volumes across most product categories.

Sales in Canada amounted to $138 million, or 18% of sales in 2025, down $36 million, or 21%, compared to sales of $174 million in the corresponding period last year. The decrease was attributable to lower volumes across all product categories, partially offset by favourable pricing.

Cost of sales

Cost of sales, including depreciation of property, plant and equipment, right-of-use assets as well as amortization of intangible assets, was $605 million, or 78.3% of sales, compared to cost of sales of $603 million, or 77.8% of sales, in the corresponding period last year. The cost of sales in absolute dollars remained relatively stable as the appreciation of the U.S. dollar relative to the Canadian dollar and higher input costs, particularly for utility poles, were offset by lower sales volumes and the insurance recovery for business interruption losses related to a fire-incident at one of the Company's facilities in 2023.

Total depreciation and amortization was $36 million in 2025, with $32 million recorded as cost of sales, compared to $32 million last year, with $28 million recorded as cost of sales. The increase was largely explained by the depreciation of the right-of-use assets and capital projects added in 2024.

Gross profit

Gross profit was $168 million in the first quarter of 2025 compared to $172 million in the corresponding period last year, representing a margin of 21.7% and 22.2%, respectively. The decrease in gross profit was largely driven by lower sales volumes across most product categories.

Selling and administrative

Selling and administrative expenses for the first quarter of 2025 amounted to $50 million, compared to $47 million in the corresponding period last year, including depreciation and amortization of four million dollars in the first quarter of 2025 and 2024. The increase in selling and administrative expenses was mainly attributable to higher consulting fees and information technology-related costs. As a percentage of sales, selling and administrative expense, excluding depreciation and amortization, represented 6.0% of sales in the first quarter of 2025 compared to 5.5% in the corresponding period last year.

Other losses, net

Other losses, net in the first quarter of 2025 and 2024 consisted mainly of site remediation provisions.

Insurance settlement

In 2023, a portion of the Company’s Silver Springs, Nevada manufacturing operation was damaged by fire. During the first quarter of 2025, the Company settled the claim with its insurer for total proceeds net of the deductible of $53 million (US$37.5 million).

As result of the settlement with the insurer, in the first quarter of 2025, the Company recorded an insurance recovery for business interruption insurance losses of $10 million (US$7 million) as a reduction to “Cost of sales” and a gain on the property damage claim of $28 million (US$19.5 million) as “Gain on insurance settlement”. The remainder of the insurance settlement, $15 million (US$11 million), was used to reimburse the Company for the book value of damaged property, plant and equipment as well as clean-up and site remediation costs.

As at March 31, 2025, an insurance recoverable asset of $43 million (US$30 million) was recorded in accounts receivable. The Company had received an advance from the insurance company for this claim of $10 million (US$7.5 million) in 2024.

Financial expenses

Financial expenses amounted to $20 million in the first quarter of 2025, down from $22 million in the corresponding period last year. The decrease in financial expenses was explained by the lower average cost of borrowing, mainly due to the $400 million private placement completed in October 2024 at a rate of 4.312%.

Income before income taxes and income tax expense

Income before income taxes was $123 million, or 15.9% of sales in the first quarter of 2025 versus $102 million, or 13.2% of sales in the corresponding period last year. The provision for income taxes totaled $30 million in 2025 compared to $25 million in 2024, representing an effective tax rate of approximately 24% in 2025 and 25% last year. The lower effective tax rate for the first quarter of 2025 was mainly attributable to a change in the mix of income from various jurisdictions.

Net income

Net income for the first quarter of 2025 was $93 million, or $1.67 per share, versus net income of $77 million, or $1.36 per share, in the corresponding period of 2024.

QUARTERLY RESULTS

The Company's sales follow a seasonal pattern, with utility poles, railway ties, and industrial products shipments stronger in the second and third quarters to provide industrial end users with products for their summer maintenance projects. Residential lumber sales also follow a similar seasonal pattern. In the fall and winter seasons, there tends to be less activity; as a result, the first and fourth quarters are typically characterized by relatively lower sales. The table below sets forth selected financial information for the Company's last nine quarters:

2025

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

2024

For the quarters ended (in millions of dollars, except EPS)	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Sales	775	1,049	915	730	3,469
Operating income	124	168	130	81	503
EBITDA	156	200	162	115	633
Net income	77	110	80	52	319
EPS - basic and diluted [(1)]	1.36	1.94	1.42	0.93	5.66

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

2023

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

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

STATEMENT OF FINANCIAL POSITION

As a majority of the Company's assets and liabilities are denominated in U.S. dollars, exchange rate variations may significantly affect their value. There was no change in the value of the U.S. dollar relative to the Canadian dollar as at March 31, 2025, compared to December 31, 2024 (see "Foreign Exchange section"). As such, there was no impact on the value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars.

Assets

As at March 31, 2025, total assets stood at $4,266 million versus $4,103 million as at December 31, 2024. The increase in total assets largely reflected an increase in current assets. Note that the following table provides information on assets using select line items from the condensed interim consolidated statements of financial position.

Assets (in millions of dollars)	**As at March 31, 2025**	**As at December 31, 2024**	**Variance**
Cash and cash equivalents	81	50	31
Accounts receivable	378	277	101
Inventories	1,798	1,759	39
Other	55	53	2
Total current assets	**2,312**	**2,139**	**173**
Property, plant and equipment	1,053	1,048	5
Right-of-use assets	303	311	(8)
Intangible assets	166	170	(4)
Goodwill	406	406	—
Other	26	29	(3)
Total non-current assets	**1,954**	**1,964**	**(10)**
Total assets	**4,266**	**4,103**	**163**

Accounts receivable were $378 million as at March 31, 2025, compared to $277 million as at December 31, 2024. The increase was largely attributable to the normal seasonal increase in demand as well as an increase in the insurance recoverable asset following the settlement of an insurance claim related to a fire incident in 2023. In the normal course of business, the Company has entered into facilities with certain financial institutions whereby it can sell, without credit recourse, eligible trade receivables to the concerned financial institutions. Accounts receivable are net of the trade receivables sold during the year.

Inventories stood at $1,798 million as at March 31, 2025, up from $1,759 million as at December 31, 2024. The increase in inventories was largely explained by the seasonal build of inventory ahead of peak demand in the second and third quarters, particularly for residential lumber.

Given the long periods required to air-season wood, which can occasionally exceed nine months before a sale is concluded, inventories are a significant component of working capital and the turnover is relatively low. In addition, significant raw material and finished goods inventory are required at certain times of the year to support the residential lumber product category. The Company maintains solid relationships and enters into long-term contracts with customers to better ascertain inventory requirements. Management continuously monitors the levels of inventory and market demand for its products. Production is adjusted accordingly to optimize efficiency and capacity utilization.

Property, plant and equipment remained relatively stable at $1,053 million as at March 31, 2025, compared with $1,048 million as at December 31, 2024 as the purchase of property, plant and equipment of $20 million during the first quarter was partially offset by the depreciation expense of $14 million for the period.

Right-of-use assets totaled $303 million as at March 31, 2025, compared to $311 million as at December 31, 2024. The decrease reflected the depreciation expense of $17 million for the period, offset in part by additions of right-of-use assets, largely rolling stock, of nine million dollars.

Intangible assets and goodwill totaled $166 million and $406 million, respectively, as at March 31, 2025. Intangible assets consist mainly of customer relationships, a creosote registration and software costs. As at December 31, 2024, intangible assets and goodwill were $170 million and $406 million, respectively. The intangible assets decreased slightly as the amortization expense of five million dollars was partially offset by the software expenditures of two million dollars.

Liabilities

As at March 31, 2025, Stella-Jones' total liabilities stood at $2,268 million, up from $2,162 million as at December 31, 2024. The increase in total liabilities largely reflected the increase of the long-term debt. Note that the following table provides information on liabilities using select line items from the condensed interim consolidated statements of financial position.

Liabilities (in millions of dollars)	**As at March 31, 2025**	**As at December 31, 2024**	**Variance**
Accounts payable and accrued liabilities	181	180	1
Income taxes payable	30	—	30
Current portion of long-term debt	7	1	6
Current portion of lease liabilities	64	64	—
Other	26	41	(15)
Total current liabilities	**308**	**286**	**22**
Long-term debt	1,474	1,379	95
Lease liabilities	252	259	(7)
Deferred income taxes	198	197	1
Other	36	41	(5)
Total non-current liabilities	**1,960**	**1,876**	**84**
Total liabilities	**2,268**	**2,162**	**106**

Long-Term Debt

The Company's long-term debt, including the current portion, increased to $1,481 million as at March 31, 2025 from $1,380 million as at December 31, 2024.

Long-Term Debt (in millions of dollars)	**As at March 31, 2025**	**As at December 31, 2024**
Unsecured revolving credit facilities	432	295
Unsecured term loan facilities	540	576
Unsecured senior notes	508	508
Other	1	1
Total Long-Term Debt	**1,481**	**1,380**

On February 4, 2025, the Company amended the U.S. Farm Credit Agreement in order to, among other things, extend the term of the Revolving Credit Facility of US$150 million from March 3, 2028 to February 4, 2030 and increase the required level of net funded debt to EBITDA ratio to 3.75:1.00.

As at March 31, 2025, the Company's net debt-to-EBITDA ratio stood at 2.6x and was in full compliance with its debt covenants, reporting requirements and financial ratios.

Shareholders' Equity

Shareholders' equity stood at $1,998 million as at March 31, 2025, compared to $1,941 million as at December 31, 2024.

Shareholders' Equity (in millions of dollars)	**As at March 31, 2025**	**As at December 31, 2024**	**Variance**
Capital stock	188	188	—
Retained earnings	1,559	1,498	61
Accumulated other comprehensive income	251	255	(4)
Total shareholders' equity	**1,998**	**1,941**	**57**

The increase in shareholders' equity as at March 31, 2025 was attributable to net income of $93 million, partially offset by $15 million of share repurchases and $17 million of dividends declared.

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

In the three-month period ended March 31, 2025, the Company repurchased 215,791 common shares for cancellation in consideration of $15 million under its NCIB. Since the beginning of the NCIB on November 14, 2024, the Company repurchased 356,290 common shares for cancellation in consideration of $25 million.

In May 2024, the shareholders of the Company approved the Treasury Share Unit Plan, which allows equity awards to be granted to the President and Chief Executive Officer, Senior Vice-Presidents and Vice-Presidents (collectively "Executive Officers") in the form of restricted share units and performance share units, starting in March 2025. The total number of shares reserved for issuance under the Treasury Share Unit Plan and the Stock Option Plan, on a combined basis, is 1,500,000. The Treasury Share Unit Plan supplements the existing cash-settled Stock Unit Plan. Awards granted under the Stock Unit Plan will remain outstanding and governed by the terms of such plan, but no new awards will be granted to Executive Officers under the Stock Unit Plan. All awards made under the Treasury Share Unit Plan are considered equity-settled arrangements.

LIQUIDITY AND CAPITAL RESOURCES

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

Summary of cash flows (in millions of dollars)	**Three-month periods ended March 31,**	
	2025	**2024**
Operating activities	(16)	(62)
Financing activities	69	77
Investing activities	(22)	(15)
Net change in cash and cash equivalents during the period	31	—
Cash and cash equivalents - Beginning of period	50	—
Cash and cash equivalents – End of period	**81**	**—**

The Company believes that its cash flow from operations and available credit facilities are adequate to finance its business plans, meet its working capital requirements and maintain its assets. As at March 31, 2025, the Company had $691 million of available liquidity, including $610 million (US$425 million) available under its revolving credit facilities.

Cash flows used in operating activities

Cash flows used in operating activities amounted to $16 million in the first quarter of 2025, compared to $62 million in the first quarter of 2024, largely due to favourable non-cash working capital movements. Following investments of $117 million in the first quarter of 2024 to increase inventory levels, the net increase in inventory in the same period in 2025 was reduced to $41 million, mainly reflecting the seasonal build of residential lumber. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was $137 million in the first quarter of 2025, compared to $159 million in 2024. Changes in non-cash working capital components decreased liquidity by $126 million in the first quarter of 2025, largely driven by the seasonal increase in inventory and accounts receivable.

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

Cash flows used in operating activities (in millions of dollars)	**Three-month periods ended March 31,**	
	2025	**2024**
Net income	93	77
Depreciation and amortization	36	32
Financial expenses	20	22
Income tax expense	30	25
Gain on insurance settlement	(28)	—
Other	(14)	3
Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid	**137**	**159**
Accounts receivable	(77)	(94)
Inventories	(41)	(117)
Other current assets	3	7
Accounts payable and accrued liabilities	(11)	11
Changes in non-cash working capital components	**(126)**	**(193)**
Interest paid	(25)	(22)
Income taxes paid	(2)	(6)
Cash flows used in operating activities	**(16)**	**(62)**

Cash flows from financing activities

Financing activities in the first quarter of 2025 increased cash flows by $69 million. During the quarter ended March 31, 2025, the Company increased net borrowings under the revolving credit facilities by $137 million and repaid a term loan of $36 million (US$25 million) under the U.S. Farm Credit Facilities. In addition, the Company repaid lease liabilities of $17 million and repurchased shares for $15 million. In the first quarter of 2024, financing activities increased cash flows by $77 million. The Company increased its net borrowings by $107 million, repaid lease liabilities of $15 million and repurchased shares for $15 million.

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

Cash flows from financing activities (in millions of dollars)	Three-month periods ended March 31,	
	2025	2024
Net change in revolving credit facilities	137	41
Net (repayment) proceeds (of) from long-term debt	(36)	66
Repayment of lease liabilities	(17)	(15)
Repurchase of common shares	(15)	(15)
Cash flows from financing activities	**69**	**77**

Cash flows used in investing activities

Investing activities used liquidity of $22 million in first quarter of 2025, mainly explained by the purchase of property, plant and equipment. In 2024, investing activities totaled $15 million, mainly explained by the purchase of property, plant and equipment, net of insurance proceeds related to a fire incident in 2023 at one of the Company's facilities.

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

Cash flows used in investing activities (in millions of dollars)	Three-month periods ended March 31,	
	2025	2024
Purchase of property, plant and equipment	(20)	(23)
Property insurance proceeds	—	10
Additions of intangible assets	(2)	(2)
Cash flows used in investing activities	**(22)**	**(15)**

Financial obligations

The following table details the maturities of the financial obligations as at March 31, 2025:

Financial obligations (in millions of dollars)	Carrying Amount	Contractual Cash flows	Less than 1 year	Years 2-3	Years 4-5	More than 5 years
Accounts payable and accrued liabilities	181	181	181	—	—	—
Long-term debt obligations*	1,481	1,811	72	307	815	617
Minimum payment under lease liabilities*	316	369	74	126	56	113
Financial obligations	**1,978**	**2,361**	**327**	**433**	**871**	**730**

* Includes interest payments. Interest on variable interest debt is assumed to remain unchanged from the rates in effect as at March 31, 2025.

SHARE AND STOCK OPTION INFORMATION

As at March 31, 2025, the capital stock issued and outstanding of the Company consisted of 55,625,638 common shares (55,824,953 as at December 31, 2024).

The following table presents the outstanding capital stock activity for the three-month period ended March 31, 2025:

Number of shares	**Three-month period ended March 31, 2025**
Balance – Beginning of period	55,824,953
Common shares repurchased	(215,791)
Stock option exercised	5,000
Employee share purchase plans	11,476
Balance – End of period	**55,625,638**

As at May 5, 2025, the capital stock issued and outstanding consisted of 55,554,820 common shares.

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

COMMITMENTS AND CONTINGENCIES

The commitments and contingencies susceptible to affect the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2024 Annual Report.

SUBSEQUENT EVENT

On May 6, 2025, the Board of Directors declared a quarterly dividend of $0.31 per common share payable on June 20, 2025 to shareholders of record at the close of business on June 2, 2025. This dividend is designated to be an eligible dividend.

RISKS AND UNCERTAINTIES

The risks and uncertainties affecting the Company in the future remain substantially unchanged from those included in the Company's annual MD&A contained in its 2024 Annual Report.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

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

New Accounting Standards Announced but not yet Adopted

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

DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, accurate, reliable and timely. The disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that information required to be disclosed in the annual filings, interim filings or other reports filed under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to Management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have evaluated, or caused the evaluation of, under their direct supervision, the design effectiveness of the Company's DC&P (as defined in Regulation 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings) as at March 31, 2025 and have concluded that such DC&P were designed effectively.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

Management has evaluated the design effectiveness of its ICFR as defined in Regulation 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation was performed by the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer concluded that the ICFR were effectively designed, as at March 31, 2025.

Management does recognize that any controls and procedures, no matter how well designed, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There were no other changes made to the design of ICFR during the period from January 1, 2025 to March 31, 2025 that have materially affected or are reasonably likely to materially affect the Company's ICFR.

May 6, 2025