MANAGEMENT'S DISCUSSION & ANALYSIS

Three- and six-month periods ended June 30, 2024 compared with the three- and six-month periods ended June 30, 2023

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 August 6, 2024. The MD&A provides a review of the significant developments, financial position, results of operations and cash flows of the Company during the three- and six-month periods ended June 30, 2024 compared with the three- and six-month periods ended June 30, 2023. The MD&A should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements for the periods ended June 30, 2024 and 2023 and the notes thereto, as well as the Company's annual audited consolidated financial statements and MD&A for the year ended December 31, 2023.

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, results of operations 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 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") and Chartered Professional Accountants ("CPA Canada") Handbook Accounting - Part I, applicable to the preparation of interim financial statements, including IAS 34, *Interim Financials 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 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 pressure-treated wood products, focused on supporting infrastructure that is 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 and telecommunication companies with wood utility poles and North America's Class 1, short line and commercial railroad operators with railway ties and timbers. It also supports infrastructure with industrial products, namely wood for railway bridges and crossings, marine and foundation pilings, construction timbers 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.

The Company operates 45 wood treating plants and a coal tar distillery. These facilities are located across Canada and the United States and are complemented by an extensive procurement and distribution network. As at June 30, 2024, the Company's workforce comprised more than 3,000 employees.

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

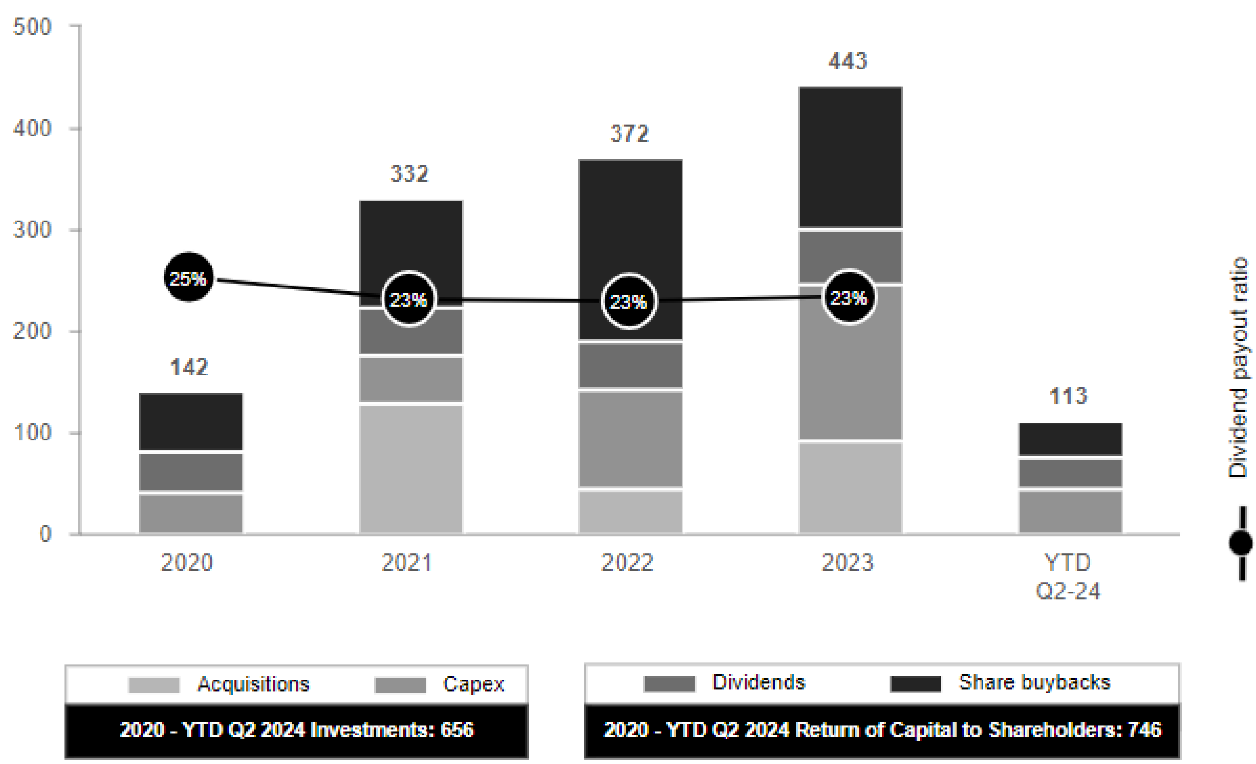
The Company's capital allocation strategy leverages its consistent and strong cash flow generation while enhancing its long-term stability and shareholder value creation. To maintain the Company's strong financial position and financial flexibility, capital is deployed in a disciplined manner, balancing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

The Company's current strategy is to:

- Invest between $65 and $75 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;
- Invest an additional $35 million in 2024-2025 to complete the growth capital expenditure program for utility poles, totaling approximately $130 million over the 2022-2025 period;
- 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 2020 is summarized below:
(in millions of $, except %)



2023-2025 FINANCIAL OBJECTIVES

(in millions of dollars, except percentages and ratios)	**2023-2025 Objectives** (1)	**Trailing 12 months Q2 2024**
Sales	> $3,600	$3,461
EBITDA margin (2)	16%	19.3%
Return to Shareholders: cumulative	> $500	$262
Net Debt-to-EBITDA (2) (3)	2.0x-2.5x	2.5x

GROWING SALES AND EBITDA MARGIN

<table>
<tr><th></th><th colspan="3">Objectives 2023-2025</th></tr>
<tr><th></th><th>Sales</th><th>Sales Mix</th><th>EBITDA</th></tr>
<tr><td>Utility Poles</td><td>15% CAGR</td><td rowspan="2"></td><td rowspan="4">16% margin through 2025, driven by the increased proportion of higher-margin utility poles sales in the Company’s total mix</td></tr>
<tr><td>Railway Ties</td><td>Low single-digit annual growth</td></tr>
<tr><td>Infrastructure product categories</td><td>9% CAGR</td><td>75-80%</td></tr>
<tr><td>Residential Lumber</td><td>$600 to $650 million per year</td><td>< 20%</td></tr>
<tr><td>Consolidated</td><td colspan="2">6% Sales CAGR</td><td>9% EBITDA CAGR</td></tr>
</table>

Based on the EBITDA margin realized in the first six months of the year, the Company expects to exceed the 16% annual margin target in 2024.

Refer to the 2023 annual MD&A for further details and assumptions used in preparing the 2023-2025 financial objectives.

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(1) Excludes acquisitions and assumes Canadian dollar will trade, on average, at approximately C$1.30 per U.S. dollar, with sales in the U.S. representing approximately 70% of total sales.

(2) Non-GAAP ratios without a standardized meaning under GAAP, which 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.

(3) The Company may deviate from its leverage target to pursue acquisitions and other strategic opportunities, and/or fund its seasonal working capital requirements.

HIGHLIGHTS

Overview – Second Quarter of 2024

Sales in the second quarter of 2024 increased by 8% to $1,049 million, compared to sales of $972 million for the corresponding period last year. Excluding the contribution from the acquisition of Baldwin Pole and Piling Company, Inc., Baldwin Pole Mississippi, LLC and Baldwin Pole & Piling, Iowa Corporation (collectively, "Baldwin") in 2023 and the positive effect of currency conversion, sales were up $54 million, or 6%. The increase was driven by a 13% sales growth of utility poles, railway ties and industrial products, namely infrastructure product categories, offset in part by lower residential lumber and logs and lumber sales when compared to the same period last year. Utility poles and railway ties benefited from volume and pricing gains, while residential lumber sales were unfavourably impacted by softer demand when compared to the same period last year.

Led by strong organic sales growth(1), operating income increased to $168 million in the second quarter of 2024 compared to $149 million in the second quarter last year. Similarly, EBITDA(1) increased to $200 million compared to $175 million in the corresponding period last year and EBITDA margin(1) expanded from 18.0% in 2023 to 19.1% in 2024.

During the second quarter ended June 30, 2024, Stella-Jones used the cash generated from operations of $177 million to maintain its assets and expand production capacity, as well as repay its long-term debt and return capital to shareholders. As at June 30, 2024, the Company maintained a solid financial position with a net debt-to-EBITDA(1) of 2.5x.

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(1) Non-GAAP financial measures and non-GAAP ratios without a standardized meaning under GAAP, which 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.

Financial Highlights - Second Quarter of 2024

Selected Key Indicators (in millions of dollars except ratios and per share data)	**Three-month periods ended June 30,**		**Variation ($)**	**Variation (%)**
	2024	**2023**		
Operating results				
Sales	1,049	972	77	8%
Gross profit[1]	226	200	26	13%
Gross profit margin[1]	21.5%	20.6%	n/a	90 bps
Operating income	168	149	19	13%
Operating income margin[1]	16.0%	15.3%	n/a	70 bps
EBITDA[1]	200	175	25	14%
EBITDA margin[1]	19.1%	18.0%	n/a	110 bps
Net income	110	100	10	10%
Earnings per share ("EPS") – basic & diluted	1.94	1.72	0.22	13%
Cash flows from (used in)				
Operating activities	177	127	50	
Financing activities	(142)	(71)	(71)	
Investing activities	(35)	(56)	21	
Financial position	**As at June 30, 2024**	**As at December 31, 2023**	**Variation ($)**	
Current assets	2,161	1,947	214	
Inventories	1,658	1,580	78	
Total assets	4,014	3,708	306	
Long-term debt[2]	1,379	1,316	63	
Lease liabilities[2]	316	294	22	
Total non-current liabilities	1,864	1,672	192	
Shareholders' equity	1,821	1,652	169	
Other data				
Working capital ratio[1]	6.57	5.07		
Net debt-to-total capitalization[1]	0.48:1	0.49:1		
Net debt-to-EBITDA[1]	2.5x	2.6x		

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

[2] Including current portion.

Financial Highlights - Year-To-Date

Selected Key Indicators (in millions of dollars except ratios and per share data)	**Six-month periods ended June 30,**		**Variation ($)**	**Variation (%)**
	2024	**2023**		
Operating results				
Sales	1,824	1,682	142	8%
Gross profit[(1)]	398	336	62	18%
Gross profit margin[(1)]	21.8%	20.0%	n/a	180 bps
Operating income	292	244	48	20%
Operating income margin[(1)]	16.0%	14.5%	n/a	150 bps
EBITDA[(1)]	356	295	61	21%
EBITDA margin[(1)]	19.5%	17.5%	n/a	200 bps
Net income	187	160	27	17%
EPS - basic & diluted	3.30	2.73	0.57	21%
Cash flows from (used in)				
Operating activities	115	(5)	120	
Financing activities	(65)	104	(169)	
Investing activities	(50)	(99)	49	
Other data				
Return on average equity[(1)]	20.6%	16.8%	n/a	380 bps
Return on average capital employed[(1)]	15.8%	14.0%	n/a	180 bps
Declared dividends per share	0.56	0.46	0.10	22%

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

The below-described non-GAAP financial measures, 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 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)

Non-GAAP ratios include:

- **Organic sales growth percentage:** Organic sales growth divided by sales of the comparative 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 trailing 12-month (TTM) EBITDA

Other financial measures include:

- **Operating income margin**: Operating income divided by sales for the corresponding period
- **Return on average equity**: Trailing 12-month (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 June 30,**		**Six-month periods ended June 30,**	
	2024	**2023**	**2024**	**2023**
Operating income	168	149	292	244
Depreciation and amortization	32	26	64	51
EBITDA	**200**	**175**	**356**	**295**

Reconciliation of Average Capital Employed (in millions of dollars)	**As at June 30, 2024**	**As at June 30, 2023**
Average total assets	3,722	3,120
Less:		
Average current liabilities	376	320
Add:		
Average current portion of lease liabilities	52	41
Average current portion of long-term debt	61	41
Average capital employed	**3,459**	**2,882**
Operating income (TTM)	547	403
ROCE	**15.8%**	**14.0%**

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**As at June 30, 2024**	**As at December 31, 2023**
Long-term debt, including current portion	1,379	1,316
Add:		
Lease liabilities, including current portion	316	294
Net Debt	**1,695**	**1,610**
EBITDA (TTM)	669	608
Net Debt-to-EBITDA	**2.5x**	**2.6x**

FOREIGN EXCHANGE

The table below shows average and closing exchange rates applicable to Stella-Jones' quarters for the years 2024 and 2023. 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$/Cdn$ rate	2024		2023	
	Average	Closing	Average	Closing
First Quarter	1.35	1.36	1.35	1.35
Second Quarter	1.37	1.37	1.34	1.32
Third Quarter			1.34	1.35
Fourth Quarter			1.36	1.32
Fiscal Year			1.35	1.32

- Average rate: The appreciation of the U.S. dollar relative to the Canadian dollar during the second quarter of 2024 compared to the second quarter of 2023 resulted in a positive impact on sales and an unfavourable impact on cost of sales.

- Closing rate: The appreciation of the value of the U.S. dollar relative to the Canadian dollar as at June 30, 2024, compared to December 31, 2023 resulted in a higher value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars.

OPERATING RESULTS

Sales

Sales for the second quarter of 2024 reached $1,049 million, up $77 million, versus sales of $972 million for the corresponding period last year. Excluding the contribution from the acquisition of the Baldwin assets in 2023 of $11 million and the currency conversion of $12 million, pressure-treated wood sales rose by $61 million, or 6%, while logs and lumber sales decreased by seven million dollars or 22%. The sales of utility poles, railway ties and industrial products, namely infrastructure product categories, grew organically by $90 million or 13%, while residential lumber sales decreased by $29 million or 11%. Higher volume and pricing for utility poles and railway ties were partially offset by lower sales volumes for residential lumber. The decrease in logs and lumber sales was largely driven by less logs sales activity compared to the second quarter last year.

Sales (in millions of dollars, except percentages)	**Utility Poles**	**Railway Ties**	**Residential Lumber**	**Industrial Products**	**Total Pressure-Treated Wood**	**Logs & Lumber**	**Consolidated Sales**
Q2 2023	**388**	**238**	**271**	**43**	**940**	**32**	**972**
Acquisitions	11	—	—	—	**11**	—	**11**
FX impact	7	4	1	—	**12**	—	**12**
Organic growth	64	23	(29)	3	**61**	(7)	**54**
Q2 2024	**470**	**265**	**243**	**46**	**1,024**	**25**	**1,049**
Organic growth %	16%	10%	(11%)	7%	**6%**	(22%)	**6%**

For the first six months of 2024, sales amounted to $1,824 million, versus $1,682 million for the corresponding period last year, driven by a 12% sales growth of infrastructure product categories, excluding the contribution of the acquisition of the Baldwin assets of $25 million and the currency conversion of $12 million. The increase was explained by pressure-treated wood sales which rose by $116 million, or 7%, while logs and lumber sales decreased by $11 million or 19%. The pressure-treated wood sales growth stemmed from favourable pricing for utility poles and railway ties and higher railway ties volumes, partially offset by lower volumes for residential lumber. The lower logs and lumber sales compared to the same period last year was largely attributable to less logs sales and 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**
Q2 YTD 2023	**750**	**433**	**361**	**79**	**1,623**	**59**	**1,682**
Acquisitions	25	—	—	—	**25**	—	**25**
FX impact	7	4	1	—	**12**	—	**12**
Organic growth	90	55	(32)	3	**116**	(11)	**105**
Q2 YTD 2024	**872**	**492**	**330**	**82**	**1,776**	**48**	**1,824**
Organic growth %	12%	13%	(9%)	4%	**7%**	(19%)	**6%**

Utility poles

Utility poles sales increased to $470 million in the second quarter of 2024, compared to sales of $388 million in the corresponding period last year. Excluding the contribution from the acquisition of the Baldwin assets and the currency conversion effect, utility poles sales increased by $64 million, or 16%, driven by higher pricing and an increase in volumes, largely attributable to incremental commitments secured from new and existing customers. Utility poles sales accounted for 45% of the Company’s second-quarter sales.

For the first six months of 2024, utility poles sales totaled $872 million, versus $750 million for the corresponding period last year. Excluding the contribution from the acquisition and the currency conversion effect, utility poles sales increased $90 million, or 12%, largely attributable to pricing gains.

Railway ties

Railway ties sales increased by $27 million to $265 million in the second quarter of 2024, compared to sales of $238 million in the same period last year. Excluding the currency conversion effect, sales of railway ties increased by $23 million, or 10%, largely due to higher volumes for non-Class 1 business, given the replenished level of ties inventory, as well as pricing gains, partially offset by lower Class 1 volumes. Railway ties sales accounted for 25% of the Company's second-quarter sales.

For the first six months of 2024, railway ties sales totaled $492 million, versus $433 million for the corresponding period last year. Excluding the currency conversion effect, railway ties sales increased $55 million, or 13%, explained by higher volumes for non-Class 1 customers and price increases, partly to cover higher fibre costs.

Residential lumber

Sales in residential lumber decreased by $28 million to $243 million in the second quarter of 2024, compared to sales of $271 million in the corresponding period last year. This decrease was mainly driven by lower sales volumes due to softer demand. Residential lumber sales accounted for 23% of the Company's second-quarter sales.

For the first six months of 2024, residential lumber sales totaled $330 million versus $361 million for the corresponding period last year. Excluding the currency conversion effect, residential lumber sales were down 9%, driven by lower volumes and the decrease in the market price of lumber when compared to the same period last year.

Industrial products

Industrial product sales were $46 million in the second quarter of 2024, compared to $43 million in the corresponding period last year. The increase of three million dollars was largely volume-driven. Industrial product sales represented 4% of the Company's second-quarter sales.

For the first six months of 2024, industrial product sales totaled $82 million, compared to $79 million in the corresponding period last year, an increase of 4%.

Logs and lumber

Sales in the logs and lumber product category were $25 million in the second quarter of 2024, compared to $32 million in the corresponding period last year. In the course of procuring logs for utility poles and lumber for its residential lumber program, logs unsuitable for use as utility poles and excess lumber are obtained and resold. The decrease in sales compared to the second quarter last year was largely attributable to lower logs sales activity. Logs and lumber sales represented 3% of the Company's second-quarter sales.

For the first six months of 2024, sales in the logs and lumber product category totaled $48 million, down from $59 million for the corresponding period last year, largely due to less logs sales and lumber trading activity.

Sales by Geographic Region

Sales in the United States amounted to $707 million, or 67% of sales in the second quarter of 2024, up $54 million, or 8%, compared to sales of $653 million in the corresponding period last year. The increase was explained by the organic sales growth of utility poles, railway ties and industrial products. Sales in the second quarter of 2024 also benefited from the contribution of the acquisition of the Baldwin assets and the appreciation of the value of the U.S.

dollar relative to the Canadian dollar compared to the second quarter of 2023. For the first six months of 2024, sales in the United States stood at $1,308 million, up from $1,225 million in the corresponding period last year.

Sales in Canada amounted to $342 million, or 33% of sales in the second quarter of 2024, up $23 million, or 7%, compared to sales of $319 million in the second quarter last year. The increase was attributable to the organic sales growth of utility poles and railway ties, partially offset by lower residential lumber and logs and lumber sales. For the first six months of 2024, sales in Canada stood at $516 million, up from $457 million in the corresponding period last year.

Cost of sales

Cost of sales, including depreciation of property, plant and equipment, right-of-use assets as well as amortization of intangible assets, was $823 million, or 78.5% of sales, in the second quarter of 2024. This compares to cost of sales of $772 million, or 79.4% of sales, in the corresponding period last year. The increase in absolute dollars was explained by higher input costs, largely attributable to higher fibre costs for utility poles and railway ties, and volumes for infrastructure products, as well as the additional cost of sales attributable to the acquired Baldwin assets and the impact of the appreciation of the U.S. dollar. These factors were partially offset by lower residential lumber and logs and lumber volumes. As a percentage of sales, the improvement in cost of sales was attributable to a better product mix.

Total depreciation and amortization was $32 million in the second quarter of 2024, with $28 million recorded as cost of sales, compared to $26 million in the corresponding period last year, with $22 million recorded as cost of sales. The increase was largely explained by the depreciation of additional right-of-use assets and new capital projects.

For the first six months of 2024, cost of sales, including depreciation of property, plant and equipment, right-of-use assets as well as amortization of intangible assets, was $1,426 million, or 78.2% of sales compared to $1,346 million, or 80.0% of sales, in 2023. Total depreciation and amortization was $64 million in 2024, with $56 million recorded as cost of sales, compared to total depreciation and amortization of $51 million in 2023, with $43 million recorded as cost of sales.

Gross profit

Gross profit was $226 million in the second quarter of 2024 compared to $200 million in the corresponding period last year, representing a margin of 21.5% and 20.6%, respectively. The increase in gross profit in absolute dollars was largely due to the favourable pricing realized for utility poles and railway ties. As a percentage of sales, the gross profit also benefited from a better product mix, led by the strong growth of utility poles and the lower relative proportion of residential lumber sales.

For the first six months of 2024, gross profit amounted to $398 million, or 21.8%, compared to $336 million, or 20.0% of sales, in the corresponding period last year.

Selling and administrative

Selling and administrative expenses for the second quarter of 2024 amounted to $56 million, compared to $48 million in the corresponding period last year, including depreciation and amortization of four million dollars in the second quarter of 2024 and 2023. The increase in selling and administrative expenses was attributable to higher compensation expense of five million dollars, including two million dollars for variable compensation, and an increase in consulting fees. As a percentage of sales, selling and administrative expense, excluding depreciation and amortization, represented 5.0% of sales in the second quarter of 2024 compared to 4.5% in the corresponding period last year.

Selling and administrative expenses for the first six months of 2024 amounted to $103 million, compared to $89 million in the prior year period, including depreciation and amortization of eight million dollars in 2024 and 2023. As a percentage of sales, selling and administrative expenses, excluding depreciation and amortization, represented 5.2% in 2024 compared to 4.8% in 2023.

Other losses, net

Other losses, net for the second quarter and six months ended 2023 and 2024 mainly consisted of site remediation provisions.

Financial expenses

Financial expenses amounted to $20 million in the second quarter of 2024, up from $16 million in the corresponding period last year. The increase in financial expenses was explained by a higher debt level, mainly to support the Company's growth, and higher average borrowing rates.

Financial expenses amounted to $42 million for the first six months of 2024, up from $30 million in the prior year period.

Income before income taxes and income tax expense

Income before income taxes was $148 million in the second quarter of 2024 versus $133 million in the corresponding period last year. The provision for income taxes totaled $38 million compared to $33 million in 2023, representing an effective tax rate of approximately 26% for the second quarter of 2024 and 25% in the corresponding period last year. The higher effective tax rate for the second quarter of 2024 was mainly attributable to a change in the mix of income from various jurisdictions.

For the six-month period ended June 30, 2024, income before income taxes was $250 million versus $214 million in the corresponding period of 2023. The provision for income taxes totaled $63 million, compared to $54 million in the same period last year, representing an effective tax rate of approximately 25% for both periods.

Net income

Net income for the second quarter of 2024 was $110 million, or $1.94 per share, versus net income of $100 million, or $1.72 per share, in the corresponding period of 2023.

For the first six months of 2024, net income totaled $187 million, or $3.30 per share and net income totaled $160 million, or $2.73 per share, in the same period last year.

QUARTERLY RESULTS

The Company's sales follow a seasonal pattern, with utility poles, railway ties, and industrial product 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 ten quarters:

2024

For the quarters ended (in millions of dollars, except EPS)	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Sales	775	1,049			
Operating income	124	168			
EBITDA	156	200			
Net income for the period	77	110			
EPS - basic and diluted	1.36	1.94			

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 for the period	60	100	110	56	326
EPS - basic and diluted (1)	1.03	1.72	1.91	0.98	5.62

2022

For the quarters ended (in millions of dollars, except EPS)	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Sales	651	907	842	665	3,065
Operating income	67	133	98	61	359
EBITDA	88	154	119	87	448
Net income for the period	46	94	65	36	241
EPS - basic and diluted (1)	0.73	1.51	1.07	0.61	3.93

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

STATEMENT OF FINANCIAL POSITION

As a majority of the Company's assets and liabilities are denominated in U.S. dollars, exchange rate variations may significantly affect their value. The appreciation of the value of the U.S. dollar relative to the Canadian dollar as at June 30, 2024, compared to December 31, 2023 (see "Foreign Exchange section"), resulted in a higher value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars.

Assets

As at June 30, 2024, total assets stood at $4,014 million versus $3,708 million as at December 31, 2023. The increase in total assets largely reflected an increase in current assets, property, plant and equipment and the currency translation effect on U.S. dollar denominated assets. Note that the following table provides information on assets using select line items from the condensed interim consolidated statements of financial position.

Assets (in millions of dollars)	**As at June 30, 2024**	**As at December 31, 2023**	**Variance**
Accounts receivable	444	308	136
Inventories	1,658	1,580	78
Other	59	59	—
Total current assets	**2,161**	**1,947**	**214**
Property, plant and equipment	962	906	56
Right-of-use assets	305	285	20
Intangible assets	167	169	(2)
Goodwill	387	375	12
Other	32	26	6
Total non-current assets	**1,853**	**1,761**	**92**
Total assets	**4,014**	**3,708**	**306**

Accounts receivable were $444 million as at June 30, 2024, compared to $308 million as at December 31, 2023. The increase was largely attributable to the normal seasonal increase in demand in the second quarter, when compared to the fourth quarter of 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 $1,658 million as at June 30, 2024, up from $1,580 million as at December 31, 2023. The increase in inventories was largely explained by the higher average cost of inventory and the effect of currency translation of U.S. dollar denominated inventories, offset in part by the seasonal decrease in inventory levels.

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 stood at $962 million as at June 30, 2024, compared with $906 million as at December 31, 2023. The increase reflected the purchase of property, plant and equipment of $56 million during the first six months of 2024, including $19 million of utility poles growth capital expenditures, and the effect of currency translation of U.S. dollar denominated property, plant and equipment, partially offset by the depreciation expense of $23 million for the period.

Right-of-use assets totaled $305 million as at June 30, 2024, compared to $285 million as at December 31, 2023. The increase reflected the additions of right-of-use assets, largely land and rolling stock, of $44 million, and the effect of U.S. dollar denominated right-of-use assets, offset by a depreciation expense of $32 million for the period.

Intangible assets and goodwill totaled $167 million and $387 million, respectively, as at June 30, 2024. Intangible assets consist mainly of customer relationships, a creosote registration and software costs. As at December 31, 2023, intangible assets and goodwill were $169 million and $375 million, respectively. The decrease in intangible assets was primarily attributable to the amortization expense of nine million dollars, partially offset by the software expenditures of three million dollars and the effect of U.S. dollar denominated intangible assets. The increase in goodwill was explained by the effect of currency translation on US-based goodwill.

Liabilities

As at June 30, 2024, Stella-Jones' total liabilities stood at $2,193 million, up from $2,056 million as at December 31, 2023. The increase in total liabilities mainly reflected an increase in long-term debt and the currency translation effect on U.S. dollar denominated 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 June 30, 2024**	**As at December 31, 2023**	**Variance**
Accounts payable and accrued liabilities	231	204	27
Current portion of long-term debt	1	100	(99)
Current portion of lease liabilities	58	54	4
Other	39	26	13
Total current liabilities	**329**	**384**	**(55)**
Long-term debt	1,378	1,216	162
Lease liabilities	258	240	18
Deferred income taxes	183	175	8
Other	45	41	4
Total non-current liabilities	**1,864**	**1,672**	**192**
Total liabilities	**2,193**	**2,056**	**137**

Current liabilities were $329 million as at June 30, 2024, versus $384 million as at December 31, 2023. This variation primarily reflected the repayment of the US$75 million unsecured senior notes, classified as current portion of long-term as at December 31, 2023.

Long-Term Debt

The Company's long-term debt, including the current portion, stood at $1,379 million as at June 30, 2024 compared to $1,316 million as at December 31, 2023, as detailed below. The increase was due to net borrowings during the period of $32 million, as well as the effect of currency translation of U.S. dollar denominated long-term debt of $31 million.

Long-Term Debt (in millions of dollars)	**As at June 30, 2024**	**As at December 31, 2023**
Unsecured revolving credit facilities	726	750
Unsecured term loan facilities	547	364
Unsecured senior notes	103	198
Other	3	4
Total Long-Term Debt	**1,379**	**1,316**

In 2024, the Company amended and restated its 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; and (iii) increase the required level of net funded debt-to-EBITDA ratio to 3.75:1.00. 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.

As at June 30, 2024, the Company had a total of $272 million (US$199 million) available under its credit facilities, including $113 million of available cash, and its net debt-to-EBITDA ratio stood at 2.5x. The Company was in full compliance with its debt covenants, reporting requirements and financial ratios as at June 30, 2024.

Shareholders' equity

Shareholders' equity stood at $1,821 million as at June 30, 2024, compared to $1,652 million as at December 31, 2023.

Shareholders' Equity (in millions of dollars)	**As at June 30, 2024**	**As at December 31, 2023**	**Variance**
Capital stock	189	189	—
Retained earnings	1,450	1,329	121
Accumulated other comprehensive income	182	134	48
Total shareholders' equity	**1,821**	**1,652**	**169**

The increase in shareholders' equity as at June 30, 2024 was attributable to net income of $187 million and a $48 million increase in accumulated other comprehensive income, mainly related to the currency translation of foreign operations, partially offset by $35 million of share repurchases and $32 million of dividends declared in the period.

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

In the three-month period ended June 30, 2024, the Company repurchased 240,490 common shares for cancellation in consideration of $20 million under its NCIB. For the six-month period ended June 30, 2024, the Company repurchased 432,883 of its common shares for cancellation in consideration of $35 million. Since the beginning of the NCIB on November 14, 2023, the Company repurchased a total of 687,400 common shares for cancellation in consideration of $55 million.

LIQUIDITY AND CAPITAL RESOURCES

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

Summary of cash flows (in millions of dollars)	**Three-month periods ended June 30,**		**Six-month periods ended June 30,**	
	2024	**2023**	**2024**	**2023**
Operating activities	177	127	115	(5)
Financing activities	(142)	(71)	(65)	104
Investing activities	(35)	(56)	(50)	(99)
Net change in cash and cash equivalents during the period	—	—	—	—
Cash and cash equivalents - Beginning of period	—	—	—	—
Cash and cash equivalents – End of period	—	—	—	—

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.

Cash flows from (used in) operating activities

Cash flows from operating activities amounted to $177 million in the second quarter of 2024, compared to $127 million in the corresponding period in 2023, mainly due to higher profitability net of non-cash items, favourable movements in non-cash working capital and lower income tax installments. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was $197 million in the second quarter of 2024, compared to $178 million in the corresponding period in 2023. Changes in non-cash working capital components increased liquidity by $29 million in the second quarter of 2024, primarily as a result of the seasonal decrease in inventories.

Cash flows from operating activities amounted to $115 million in the first six months of 2024, compared to five million dollars of cash flows used in the corresponding period in 2023. The increase primarily reflected higher profitability net of non-cash items, favourable non-cash working capital movements and lower income tax installments, partially offset by higher interest paid. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was $356 million in the first six months of 2024, compared to $300 million in the corresponding period in 2023. Changes in non-cash working capital components decreased liquidity by $164 million in the first six months of 2024, largely attributable to an increase in accounts receivable following the seasonally stronger sales in the second quarter and an increase in inventories.

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

Cash flows from (used in) operating activities (in millions of dollars)	**Three-month periods ended June 30,**		**Six-month periods ended June 30,**	
	2024	**2023**	**2024**	**2023**
Net income	110	100	187	160
Depreciation and amortization	32	26	64	51
Financial expenses	20	16	42	30
Income tax expense	38	33	63	54
Other	(3)	3	—	5
Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid	**197**	**178**	**356**	**300**
Accounts receivable	(44)	(20)	(138)	(123)
Inventories	76	23	(41)	(115)
Other current assets	(13)	(8)	(6)	(10)
Accounts payable and accrued liabilities	10	22	21	33
Changes in non-cash working capital components	**29**	**17**	**(164)**	**(215)**
Interest paid	(20)	(14)	(42)	(29)
Income taxes paid	(29)	(54)	(35)	(61)
Cash flows from (used in) operating activities	**177**	**127**	**115**	**(5)**

Cash flows (used in) from financing activities

Financing activities for the second quarter of 2024 decreased cash flow by $142 million. During the quarter ended June 30, 2024, the Company decreased net borrowings under its revolving credit facilities by $75 million, paid dividends of $32 million and repurchased shares for $20 million. In the second quarter of 2023, financing activities decreased cash by $71 million, primarily attributable to the payment of dividends of $27 million and the repurchase of shares totaling $30 million.

For the first six months of 2024, financing activities decreased cash flow by $65 million, compared to an increase of $104 million for the same period in 2023.

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

Cash flows (used in) from financing activities (in millions of dollars)	**Three-month periods ended June 30,**		**Six-month periods ended June 30,**	
	2024	**2023**	**2024**	**2023**
Net change in revolving credit facilities	(75)	(2)	(34)	215
Net (repayment of) proceeds from long-term debt	—	(1)	66	(1)
Repayment of lease liabilities	(15)	(12)	(30)	(23)
Dividends on common shares	(32)	(27)	(32)	(27)
Repurchase of common shares	(20)	(30)	(35)	(60)
Other	—	1	—	—
Cash flows (used in) from financing activities	**(142)**	**(71)**	**(65)**	**104**

Cash flows used in investing activities

Investing activities used $35 million of cash flows in the second quarter of 2024, mainly explained by the purchase of property, plant and equipment, compared to $56 million in the second quarter of 2023.

For the first six months of 2024, the Company invested $50 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. In 2023, investing activities totaled $99 million and primarily consisted of the purchase of property, plant and equipment and the business acquisitions completed in 2023.

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

Cash flows used in investing activities (in millions of dollars)	**Three-month periods ended June 30,**		**Six-month periods ended June 30,**	
	2024	**2023**	**2024**	**2023**
Business combinations	—	(20)	—	(33)
Purchase of property, plant and equipment	(33)	(33)	(56)	(61)
Property insurance proceeds	—	—	10	—
Additions of intangible assets	(2)	(3)	(4)	(5)
Cash flows used in investing activities	**(35)**	**(56)**	**(50)**	**(99)**

Financial obligations

The following table details the maturities of the financial obligations as at June 30, 2024:

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	231	231	231	—	—	—
Long-term debt obligations*	1,379	1,710	85	327	1,049	249
Minimum payment under lease liabilities*	316	372	69	117	70	116
Financial obligations	**1,926**	**2,313**	**385**	**444**	**1,119**	**365**

* Includes interest payments. Interest on variable interest debt is assumed to remain unchanged from the rates in effect as at June 30, 2024.

SHARE AND STOCK OPTION INFORMATION

As at June 30, 2024, the capital stock issued and outstanding of the Company consisted of 56,454,451 common shares (56,866,712 as at December 31, 2023).

The following table presents the outstanding capital stock activity for the three- and six-month periods ended June 30, 2024:

Number of shares	**Three-month period ended June 30, 2024**	**Six-month period ended June 30, 2024**
Balance – Beginning of period	56,684,219	56,866,712
Common shares repurchased	(240,490)	(432,883)
Stock option exercised	5,000	10,000
Employee share purchase plans	5,722	10,622
Balance – End of period	**56,454,451**	**56,454,451**

As at August 5, 2024, the capital stock issued and outstanding consisted of 56,350,539 common shares.

As at June 30, 2024, the number of outstanding and exercisable options to acquire common shares issued under the Company's Stock Option Plan was 10,000 (December 31, 2023 – 20,000). As at August 5, 2024, the number of outstanding and exercisable options was 10,000.

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 2023 Annual Report.

SUBSEQUENT EVENTS

On August 6, 2024, the Board of Directors declared a quarterly dividend of $0.28 per common share payable on September 23, 2024 to shareholders of record at the close of business on September 3, 2024. 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 2023 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, 2023 and 2022 audited consolidated financial statements.

The Company prepares its condensed interim consolidated financial statements in accordance with IFRS and CPA Canada Handbook Accounting - Part I.

The preparation of condensed interim consolidated financial statements in conformity with IFRS 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.

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 condensed interim 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
- 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.

DISCLOSURE CONTROLS AND PROCEDURES

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

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have evaluated, or caused the evaluation of, under their direct supervision, the design effectiveness of the Company's DC&P (as defined in Regulation 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings) as at June 30, 2024 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.

Management has evaluated the design effectiveness of its ICFR as defined in Regulation 52-109 – Certification of Disclosure in Issuer’s Annual and Interim Filings. The evaluation was based on the criteria established in the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). This evaluation was performed by the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer concluded that the ICFR were effectively designed, as at June 30, 2024.

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 April 1, 2024 to June 30, 2024 that have materially affected or are reasonably likely to materially affect the Company's ICFR.

August 6, 2024