MANAGEMENT'S DISCUSSION & ANALYSIS

Three- and nine-month periods ended September 30, 2024 compared with the three- and nine-month periods ended September 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 November 5, 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 nine-month periods ended September 30, 2024 compared with the three- and nine-month periods ended September 30, 2023. The MD&A should be read in conjunction with the Company's condensed interim unaudited consolidated financial statements for the periods ended September 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 "Updated 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 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 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 September 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

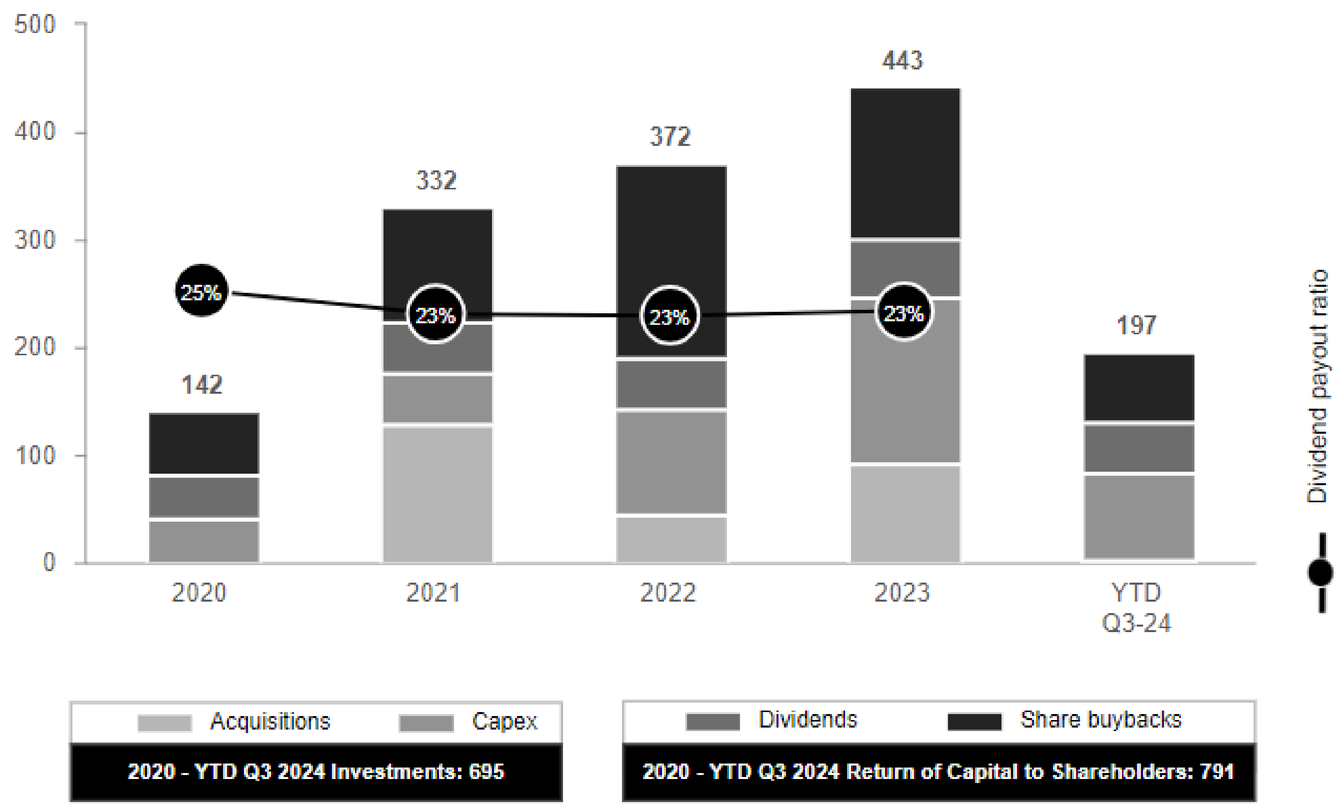
The Company's capital allocation strategy leverages its consistent and strong cash flow generation while enhancing its long-term stability and shareholder value creation. To maintain the Company's strong financial position and financial flexibility, capital is deployed in a disciplined manner, balancing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



UPDATED 2023-2025 FINANCIAL OBJECTIVES

The following is a summary of the 2023-2025 financial objectives set out in May 2023 and the current update made to these objectives:

(in millions of dollars, except percentages and ratios)	**2023-2025 Objectives May 2023** [(1)]	**2023-2025 Objectives Updated November 2024**
Sales	> $3,600	*approx*. $3,600
EBITDA margin [(2)]	16%	> 17%
Return to Shareholders: cumulative	> $500	> $500
Net Debt-to-EBITDA [(2)] [(3)]	2.0x-2.5x	2.0x-2.5x

The Company has updated its three-year objectives to reflect lower than expected organic sales growth and a higher EBITDA margin, compared with the financial objectives set in May 2023.

Excluding potential future acquisitions, total sales are currently expected to be approximately $3.6 billion by 2025, compared to organic sales greater than $3.6 billion, previously set out in the three-year financial objectives. The main driver for the updated sales objective is the lower-than-expected organic sales growth for utility poles. Utilities are currently purchasing at a slower pace and deferring the execution of projects, largely attributable to economic factors, including inflation and utilities' supply chain constraints, as well as timing of utilities' rate-based funding. Utilities continue to forecast meaningful increases in infrastructure investments, evidenced by the longer-term sales contracts secured from new and existing customers. These commitments support the Company's confidence in the solid and sustained growth in demand for utility poles.

Since 2023, the Company has delivered a significant improvement in EBITDA margin and currently expects to generate an above 17% margin, which reflects an 11% EBITDA compound annual growth rate ("CAGR") for the 2023 to 2025 period, compared to 9% CAGR projected in May 2023.

The Company assumes that the Canadian dollar will trade, on average, at Can $1.36 per U.S. dollar for 2024 and 2025.

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

(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 – Third Quarter of 2024

Sales in the third quarter of 2024 were $915 million, compared to sales of $949 million for the corresponding period last year. Excluding the positive effect of currency conversion, sales were down $44 million, or 5%. The decrease was driven by lower volumes across all product categories, partially offset by higher pricing to cover increased costs. Volumes for infrastructure product categories, namely utility poles, railway ties and industrial products, were impacted by the slower pace of purchases and a deferral in the execution of projects by utilities, and a reduction in the maintenance program of certain railroads, while residential lumber volumes were lower due to softer consumer demand. The lower sales volumes compared to the same period last year largely explained the $36 million decrease in operating income to $130 million in 2024. Similarly, EBITDA[(1)] decreased to $162 million in the third quarter of 2024, representing a margin[(1)] of 17.7%, compared to $193 million, or a margin of 20.3% in the corresponding period last year.

During the third quarter ended September 30, 2024, Stella-Jones used the cash generated from operations of $186 million to maintain its assets and pursue its growth capital expenditure, as well as repay its long-term debt and return capital to shareholders. As at September 30, 2024, the Company continued to maintain a solid financial position with a net debt-to-EBITDA[(1)] of 2.5x.

[(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 - Third Quarter of 2024

Selected Key Indicators (in millions of dollars except ratios and per share data)	**Three-month periods ended September 30,**		**Variation ($)**	**Variation (%)**
	2024	**2023**		
Operating results				
Sales	915	949	(34)	(4%)
Gross profit[1]	188	215	(27)	(13%)
Gross profit margin[1]	20.5%	22.7%	n/a	(220 bps)
Operating income	130	166	(36)	(22%)
Operating income margin[1]	14.2%	17.5%	n/a	(330 bps)
EBITDA[1]	162	193	(31)	(16%)
EBITDA margin[1]	17.7%	20.3%	n/a	(260 bps)
Net income	80	110	(30)	(27%)
Earnings per share ("EPS") – basic & diluted	1.42	1.91	(0.49)	(26%)
Cash flows from (used in)				
Operating activities	186	130	56	
Financing activities	(144)	(34)	(110)	
Investing activities	(42)	(96)	54	
Financial position	**As at September 30, 2024**	**As at December 31, 2023**	**Variation ($)**	
Current assets	2,042	1,947	95	
Inventories	1,616	1,580	36	
Total assets	3,890	3,708	182	
Long-term debt[2]	1,284	1,316	(32)	
Lease liabilities[2]	317	294	23	
Total non-current liabilities	1,763	1,672	91	
Shareholders' equity	1,829	1,652	177	
Other data				
Working capital ratio[1]	6.85	5.07		
Net debt-to-total capitalization[1]	0.47:1	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)	**Nine-month periods ended September 30,**		**Variation ($)**	**Variation (%)**
	2024	**2023**		
Operating results				
Sales	2,739	2,631	108	4%
Gross profit[(1)]	586	551	35	6%
Gross profit margin[(1)]	21.4%	20.9%	n/a	50 bps
Operating income	422	410	12	3%
Operating income margin[(1)]	15.4%	15.6%	n/a	(20 bps)
EBITDA[(1)]	518	488	30	6%
EBITDA margin[(1)]	18.9%	18.5%	n/a	40 bps
Net income	267	270	(3)	(1%)
EPS - basic & diluted	4.72	4.63	0.09	2%
Cash flows from (used in)				
Operating activities	301	125	176	
Financing activities	(209)	70	(279)	
Investing activities	(92)	(195)	103	
Other data				
Return on average equity[(1)]	18.4%	18.7%	n/a	(30 bps)
Return on average capital employed[(1)]	14.3%	15.7%	n/a	(140 bps)
Declared dividends per share	0.84	0.69	0.15	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 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 September 30,**		**Nine-month periods ended September 30,**	
	2024	**2023**	**2024**	**2023**
Operating income	130	166	422	410
Depreciation and amortization	32	27	96	78
EBITDA	**162**	**193**	**518**	**488**

Reconciliation of Average Capital Employed (in millions of dollars)	**As at September 30, 2024**	**As at September 30, 2023**
Average total assets	3,829	3,253
Less:		
Average current liabilities	357	353
Add:		
Average current portion of lease liabilities	55	43
Average current portion of long-term debt	41	62
Average capital employed	**3,568**	**3,005**
Operating income (TTM)	511	471
ROCE	**14.3%**	**15.7%**

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**As at September 30, 2024**	**As at December 31, 2023**
Long-term debt, including current portion	1,284	1,316
Add:		
Lease liabilities, including current portion	317	294
Net Debt	**1,601**	**1,610**
EBITDA (TTM)	638	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$/Can$ 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	1.36	1.35	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 third quarter of 2024 compared to the third 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 September 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 third quarter of 2024 were $915 million, down $34 million, versus sales of $949 million for the corresponding period last year. Excluding the currency conversion of $10 million, pressure-treated wood sales decreased by $37 million, or 4%, and logs and lumber sales decreased by seven million dollars or 19%. The decrease in pressure-treated wood sales was largely driven by lower volumes compared to the third quarter last year. Sales for all pressure-treated wood products were lower, except utility poles. The decrease in volumes for utility poles was more than offset by higher pricing. The decrease in logs and lumber sales was largely due to less lumber trading activity compared to the third 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**
Q3 2023	**438**	**230**	**202**	**42**	**912**	**37**	**949**
FX impact	6	3	1	—	**10**	—	**10**
Organic growth	4	(28)	(12)	(1)	**(37)**	(7)	**(44)**
Q3 2024	**448**	**205**	**191**	**41**	**885**	**30**	**915**
Organic growth %	1%	(12%)	(6%)	(2%)	**(4%)**	(19%)	**(5%)**

For the first nine months of 2024, sales amounted to $2,739 million, versus $2,631 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") of $25 million and the currency conversion of $22 million, pressure-treated wood sales rose by $79 million, or 3%, while logs and lumber sales decreased by $18 million, or 19%. The pressure-treated wood sales growth was driven by the increase in infrastructure sales. Favourable pricing for utility poles and pricing and volumes gains for railway ties were only partially offset by lower utility poles volumes. The increase in infrastructure sales was largely offset by the softer demand for residential lumber and less logs sales and lumber trading activity compared to the same period 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**
Q3 YTD 2023	**1,188**	**663**	**563**	**121**	**2,535**	**96**	**2,631**
Acquisitions	25	—	—	—	**25**	—	**25**
FX impact	13	7	2	—	**22**	—	**22**
Organic growth	94	27	(44)	2	**79**	(18)	**61**
Q3 YTD 2024	**1,320**	**697**	**521**	**123**	**2,661**	**78**	**2,739**
Organic growth %	8%	4%	(8%)	2%	**3%**	(19%)	**2%**

Utility poles

Utility poles sales increased to $448 million in the third quarter of 2024, compared to sales of $438 million in the corresponding period last year. Excluding the currency conversion effect, utility poles sales increased by four million dollars, or 1%. Higher pricing to cover increased costs more than offset the decrease in volumes when compared to the same period last year. The lower sales volumes in the third quarter were largely explained by the slower pace of purchases and a deferral in the execution of projects by utilities, largely influenced by economic factors, including inflation and utilities' supply chain constraints, as well as timing of utilities' rate-based funding. Utility poles sales accounted for 49% of the Company's third-quarter sales.

For the first nine months of 2024, utility poles sales totaled $1,320 million, versus $1,188 million for the corresponding period last year. Excluding the contribution of the Baldwin assets and the currency conversion effect, utility poles sales increased $94 million, or 8%, driven by pricing gains, partially offset by lower volumes.

Railway ties

Railway ties sales decreased by $25 million to $205 million in the third quarter of 2024, compared to sales of $230 million in the same period last year. Excluding the currency conversion effect, sales of railway ties decreased by $28 million, or 12%, largely attributable to lower sales volumes explained by the reduction in the maintenance program of certain Class 1 customers and timing of shipments. Railway ties sales accounted for 22% of the Company's third-quarter sales.

For the first nine months of 2024, railway ties sales totaled $697 million, versus $663 million for the corresponding period last year. Excluding the currency conversion effect, railway ties sales increased $27 million, or 4%, explained by higher volumes for the non-Class 1 business given the replenished level of ties inventory, and price increases, largely to cover higher costs, offset in part by lower Class 1 volumes.

Residential lumber

Sales in residential lumber decreased by $11 million to $191 million in the third quarter of 2024, compared to sales of $202 million in the corresponding period last year. This decrease was mainly driven by lower sales volumes due to softer consumer demand. Residential lumber sales accounted for 21% of the Company's third-quarter sales.

For the first nine months of 2024, residential lumber sales totaled $521 million versus $563 million for the corresponding period last year. Excluding the currency conversion effect, residential lumber sales were down 8%, largely driven by lower sales volumes when compared to the same period last year.

Industrial products

Industrial product sales were $41 million in the third quarter of 2024, compared to $42 million in the corresponding period last year. Industrial product sales represented 4% of the Company's third-quarter sales.

For the first nine months of 2024, industrial product sales totaled $123 million, compared to $121 million in the corresponding period last year, up 2%.

Logs and lumber

Sales in the logs and lumber product category were $30 million in the third quarter of 2024, compared to $37 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 third quarter last year was largely attributable to less lumber trading activity. Logs sales remained stable as lower log sales activity was offset by the higher market price of logs. Logs and lumber sales represented 4% of the Company's third-quarter sales.

For the first nine months of 2024, sales in the logs and lumber product category totaled $78 million, down from $96 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 $637 million, or 70% of sales in the third quarter of 2024, down $46 million, or 7%, compared to sales of $683 million in the corresponding period last year. The decrease was explained by lower volumes across all product categories, offset in part by higher pricing, particularly for utility poles, and the appreciation of the value of the U.S. dollar relative to the Canadian dollar compared to the third quarter of 2023. For the first nine months of 2024, sales in the United States stood at $1,945 million, up from $1,908 million in the corresponding period last year.

Sales in Canada amounted to $278 million, or 30% of sales in the third quarter of 2024, up $12 million, or 5%, compared to sales of $266 million in the third quarter last year. The increase was attributable to pricing and volume gains for utility poles and railway ties, partially offset by lower residential lumber volumes and less logs and lumber sales. For the first nine months of 2024, sales in Canada stood at $794 million, up from $723 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 $727 million, or 79.5% of sales, in the third quarter of 2024. This compares to cost of sales of $734 million, or 77.3% of sales, in the corresponding period last year. The decrease was explained by lower sales volumes compared to the same period last year, partially offset by higher input costs, particularly for utility poles.

Total depreciation and amortization was $32 million in the third quarter of 2024, with $29 million recorded as cost of sales, compared to $27 million in the corresponding period last year, with $23 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 nine 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 $2,153 million, or 78.6% of sales compared to $2,080 million, or 79.1% of sales, in 2023. Total depreciation and amortization was $96 million in 2024, with $85 million recorded as cost of sales, compared to total depreciation and amortization of $78 million in 2023, with $66 million recorded as cost of sales.

Gross profit

Gross profit was $188 million in the third quarter of 2024 compared to $215 million in the corresponding period last year, representing a margin of 20.5% and 22.7%, respectively. The decrease in gross profit was largely driven by lower sales volumes across all product categories.

For the first nine months of 2024, gross profit amounted to $586 million, or 21.4%, compared to $551 million, or 20.9% of sales, in the corresponding period last year.

Selling and administrative

Selling and administrative expenses for the third quarter of 2024 amounted to $53 million, compared to $48 million in the corresponding period last year, including depreciation and amortization of three million dollars in the third quarter of 2024 and four million dollars in the corresponding period last year. The increase in selling and administrative expenses was attributable to higher compensation expense of four million dollars, largely related to variable compensation, and higher information technology consulting fees. As a percentage of sales, selling and administrative expense, excluding depreciation and amortization, represented 5.5% of sales in the third quarter of 2024 compared to 4.6% in the corresponding period last year.

Selling and administrative expenses for the first nine months of 2024 amounted to $156 million, compared to $137 million in the prior year period, including depreciation and amortization of $11 million in 2024 and $12 million in 2023. As a percentage of sales, selling and administrative expenses, excluding depreciation and amortization, represented 5.3% in 2024 compared to 4.8% in 2023.

Other losses, net

During the third quarter of 2024, other losses, net were five million dollars, mainly related to site remediation provisions. In the corresponding quarter of 2023, other losses, net were one million dollars.

For the first nine months of 2023 and 2024, other losses, net largely consisted of site remediation provisions.

Financial expenses

Financial expenses amounted to $23 million in the third quarter of 2024, up from $17 million in the corresponding period last year. The increase in financial expenses was largely explained by a higher debt level, mainly to support the Company's growth.

Financial expenses amounted to $65 million for the first nine months of 2024, up from $47 million in the prior year period.

Income before income taxes and income tax expense

Income before income taxes was $107 million in the third quarter of 2024 versus $149 million in the corresponding period last year. The provision for income taxes totaled $27 million compared to $39 million in 2023, representing an effective tax rate of approximately 25% for the third quarter of 2024 and 26% in the corresponding period last year. The lower effective tax rate for the third quarter of 2024 was mainly attributable to a change in the mix of income from various jurisdictions.

For the nine-month period ended September 30, 2024, income before income taxes was $357 million versus $363 million in the corresponding period of 2023. The provision for income taxes totaled $90 million, compared to $93 million in the same period last year, representing an effective tax rate of approximately 25% in 2024 and 26% in 2023.

Net income

Net income for the third quarter of 2024 was $80 million, or $1.42 per share, versus net income of $110 million, or $1.91 per share, in the corresponding period of 2023.

For the first nine months of 2024, net income totaled $267 million, or $4.72 per share versus net income of $270 million, or $4.63 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 eleven 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	915		
Operating income	124	168	130		
EBITDA	156	200	162		
Net income	77	110	80		
EPS - basic and diluted	1.36	1.94	1.42		

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

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	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 September 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 September 30, 2024, total assets stood at $3,890 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 September 30, 2024**	**As at December 31, 2023**	**Variance**
Accounts receivable	370	308	62
Inventories	1,616	1,580	36
Other	56	59	(3)
Total current assets	**2,042**	**1,947**	**95**
Property, plant and equipment	974	906	68
Right-of-use assets	305	285	20
Intangible assets	164	169	(5)
Goodwill	382	375	7
Other	23	26	(3)
Total non-current assets	**1,848**	**1,761**	**87**
Total assets	**3,890**	**3,708**	**182**

Accounts receivable were $370 million as at September 30, 2024, compared to $308 million as at December 31, 2023. The increase was largely attributable to the seasonal increase in demand in the third 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 $1,616 million as at September 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, the increase in utility poles inventory due to the slower pace of purchases by utilities and the effect of currency translation of U.S. dollar denominated inventories, offset in part by the seasonal reduction in residential lumber inventory.

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 $974 million as at September 30, 2024, compared with $906 million as at December 31, 2023. The increase reflected the purchase of property, plant and equipment of $91 million during the first nine months of 2024, including $27 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 $34 million for the period.

Right-of-use assets totaled $305 million as at September 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 $65 million, and the effect of U.S. dollar denominated right-of-use assets, offset by a depreciation expense of $49 million for the period.

Intangible assets and goodwill totaled $164 million and $382 million, respectively, as at September 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 $13 million, partially offset by the software expenditures of five 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 September 30, 2024, Stella-Jones' total liabilities stood at $2,061 million and remained relatively stable compared to $2,056 million as at December 31, 2023. 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 September 30, 2024**	**As at December 31, 2023**	**Variance**
Accounts payable and accrued liabilities	192	204	(12)
Current portion of long-term debt	1	100	(99)
Current portion of lease liabilities	60	54	6
Other	45	26	19
Total current liabilities	**298**	**384**	**(86)**
Long-term debt	1,283	1,216	67
Lease liabilities	257	240	17
Deferred income taxes	183	175	8
Other	40	41	(1)
Total non-current liabilities	**1,763**	**1,672**	**91**
Total liabilities	**2,061**	**2,056**	**5**

Current liabilities were $298 million as at September 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 $1,284 million as at September 30, 2024 compared to $1,316 million as at December 31, 2023, as detailed below. During the period, the Company repaid $52 million of its long-term debt. This decrease was partially offset by the effect of currency translation of U.S. dollar denominated long-term debt.

Long-Term Debt (in millions of dollars)	**As at September 30, 2024**	**As at December 31, 2023**
Unsecured revolving credit facilities	640	750
Unsecured term loan facilities	540	364
Unsecured senior notes	101	198
Other	3	4
Total Long-Term Debt	**1,284**	**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 September 30, 2024, the Company had a total of $342 million (US$253 million) available under its credit facilities 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 September 30, 2024.

Shareholders' equity

Shareholders' equity stood at $1,829 million as at September 30, 2024, compared to $1,652 million as at December 31, 2023.

Shareholders' Equity (in millions of dollars)	**As at September 30, 2024**	**As at December 31, 2023**	**Variance**
Capital stock	188	189	(1)
Retained earnings	1,485	1,329	156
Accumulated other comprehensive income	156	134	22
Total shareholders' equity	**1,829**	**1,652**	**177**

The increase in shareholders' equity as at September 30, 2024 was attributable to net income of $267 million and a $22 million increase in accumulated other comprehensive income, mainly related to the currency translation of foreign operations, partially offset by $65 million of share repurchases and $47 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 from November 14, 2023 to November 13, 2024, representing approximately 5.0% of the public float of its common shares.

During the three-month period ended September 30, 2024, 328,270 common shares were repurchased for cancellation in consideration of $30 million under the Company's NCIB. During the nine-month period ended September 30, 2024, 761,153 of the Company's common shares were repurchased for cancellation in consideration of $65 million. Since the beginning of the NCIB on November 14, 2023, the Company repurchased a total of 1,015,670 common shares for cancellation in consideration of $85 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 September 30,**		**Nine-month periods ended September 30,**	
	2024	**2023**	**2024**	**2023**
Operating activities	186	130	301	125
Financing activities	(144)	(34)	(209)	70
Investing activities	(42)	(96)	(92)	(195)
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 operating activities

Cash flows from operating activities amounted to $186 million in the third quarter of 2024, compared to $130 million in the corresponding period in 2023, mainly due to favourable movements in non-cash working capital, partially offset by lower profitability net of non-cash items. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was $167 million in the third quarter of 2024, compared to $192 million in the corresponding period in 2023. Changes in non-cash working capital components increased liquidity by $63 million in the third quarter of 2024, primarily as a result of the seasonal decrease in residential lumber inventory and accounts receivable, offset in part by a higher level of utility poles inventory due to lower than anticipated sales.

Cash flows from operating activities amounted to $301 million in the first nine months of 2024, compared to $125 million in the corresponding period in 2023. The increase primarily reflected favourable non-cash working capital movements, higher profitability net of non-cash items 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 $523 million in the first nine months of 2024, compared to $492 million in the corresponding period in 2023. Changes in non-cash working capital components decreased liquidity by $101 million in the first nine months of 2024, largely attributable to an increase in accounts receivable following the seasonally stronger sales in the third quarter.

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

Cash flows from operating activities (in millions of dollars)	**Three-month periods ended September 30,**		**Nine-month periods ended September 30,**	
	2024	**2023**	**2024**	**2023**
Net income	80	110	267	270
Depreciation and amortization	32	27	96	78
Financial expenses	23	17	65	47
Income tax expense	27	39	90	93
Other	5	(1)	5	4
Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid	**167**	**192**	**523**	**492**
Accounts receivable	70	25	(68)	(98)
Inventories	27	(48)	(14)	(163)
Other current assets	—	(1)	(6)	(11)
Accounts payable and accrued liabilities	(34)	5	(13)	38
Changes in non-cash working capital components	**63**	**(19)**	**(101)**	**(234)**
Interest paid	(25)	(21)	(67)	(50)
Income taxes paid	(19)	(22)	(54)	(83)
Cash flows from operating activities	**186**	**130**	**301**	**125**

Cash flows (used in) from financing activities

Financing activities for the third quarter of 2024 decreased cash flow by $144 million. During the quarter ended September 30, 2024, the Company decreased net borrowings under its revolving credit facilities by $83 million, paid dividends of $15 million and repurchased shares for $30 million. In the third quarter of 2023, financing activities decreased cash by $34 million, primarily attributable to the payment of dividends of $13 million and the repurchase of shares totaling $45 million, offset in part by the increase of net borrowings under its revolving credit facilities by $36 million.

For the first nine months of 2024, financing activities decreased cash flow by $209 million, compared to an increase of $70 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 September 30,**		**Nine-month periods ended September 30,**	
	2024	**2023**	**2024**	**2023**
Net change in revolving credit facilities	(83)	36	(117)	251
Net (repayment of) proceeds from long-term debt	(1)	—	65	(1)
Repayment of lease liabilities	(16)	(13)	(46)	(36)
Dividends on common shares	(15)	(13)	(47)	(40)
Repurchase of common shares	(30)	(45)	(65)	(105)
Other	1	1	1	1
Cash flows (used in) from financing activities	**(144)**	**(34)**	**(209)**	**70**

Cash flows used in investing activities

Investing activities used $42 million of cash flows in the third quarter of 2024, mainly explained by the purchase of property, plant and equipment. In the third quarter of 2023, investing activities totaled $96 million and primarily consisted of the the purchase of property, plant and equipment and the acquisition of the assets of Baldwin.

For the first nine months of 2024, the Company invested $92 million, mainly explained by the purchase of property, plant and equipment. This included $20 million related to the replacement and upgrade of property, plant and equipment damaged in a fire incident in 2023 at one of the Company's facilities, net of $10 million of insurance proceeds advanced during the year. In 2023, investing activities totaled $195 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 September 30,**		**Nine-month periods ended September 30,**	
	2024	**2023**	**2024**	**2023**
Business combinations	(4)	(52)	(4)	(85)
Purchase of property, plant and equipment	(35)	(42)	(91)	(103)
Property insurance proceeds	—	—	10	—
Additions of intangible assets	(3)	(2)	(7)	(7)
Cash flows used in investing activities	**(42)**	**(96)**	**(92)**	**(195)**

Financial obligations

The following table details the maturities of the financial obligations as at September 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	192	192	192	—	—	—
Long-term debt obligations*	1,284	1,540	66	400	839	235
Minimum payment under lease liabilities*	317	372	70	120	67	115
Financial obligations	**1,793**	**2,104**	**328**	**520**	**906**	**350**

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

SHARE AND STOCK OPTION INFORMATION

As at September 30, 2024, the capital stock issued and outstanding of the Company consisted of 56,136,246 common shares (56,866,712 as at December 31, 2023).

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

Number of shares	Three-month period ended September 30, 2024	Nine-month period ended September 30, 2024
Balance – Beginning of period	56,454,451	56,866,712
Common shares repurchased	(328,270)	(761,153)
Stock option exercised	5,000	15,000
Employee share purchase plans	5,065	15,687
Balance – End of period	**56,136,246**	**56,136,246**

As at November 4, 2024, the capital stock issued and outstanding consisted of 56,029,275 common shares.

As at September 30, 2024, the number of outstanding and exercisable options to acquire common shares issued under the Company's Stock Option Plan was 5,000 (December 31, 2023 – 20,000). As at November 4, 2024, the number of outstanding and exercisable options was 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 2023 Annual Report.

SUBSEQUENT EVENTS

a) On October 1st, 2024, the Company issued $400 million aggregate principal amount of senior unsecured notes due October 1st, 2031, bearing interest at the rate of 4.312% per annum, payable semi-annually until maturity (the "Notes"). The Company used the net proceeds from the Notes to repay existing indebtedness under its revolving credit facilities. The Notes are senior unsecured obligations, ranked pari passu with all other unsecured and unsubordinated obligations of the Company.

b) On November 5, 2024, the Board of Directors declared a quarterly dividend of $0.28 per common share payable on December 20, 2024 to shareholders of record at the close of business on December 2, 2024. This dividend is designated to be an eligible dividend.

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

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

November 5, 2024