MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023
(in millions of Canadian dollars)

Stella-JoneS Inc.

TABLE OF CONTENTS

INTRODUCTION

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 audited consolidated financial statements were reviewed by the Audit Committee and approved by the Board of Directors on February 26, 2025. The MD&A provides a review of the significant developments and financial position, operating results and cash flows of the Company as at and for the year ended December 31, 2024. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2024 and 2023 and the notes thereto.

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

The Company's audited consolidated financial statements are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

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

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

OUR BUSINESS

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

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

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

As at December 31, 2024, the Company operated 44 wood treating plants and a coal tar distillery and its workforce comprised more than 3,000 employees. The Company's facilities are located across Canada and the United States and are complemented by an extensive procurement and distribution network.

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

OUR MISSION

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

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

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

OUR STRATEGY

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

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

Capital Management

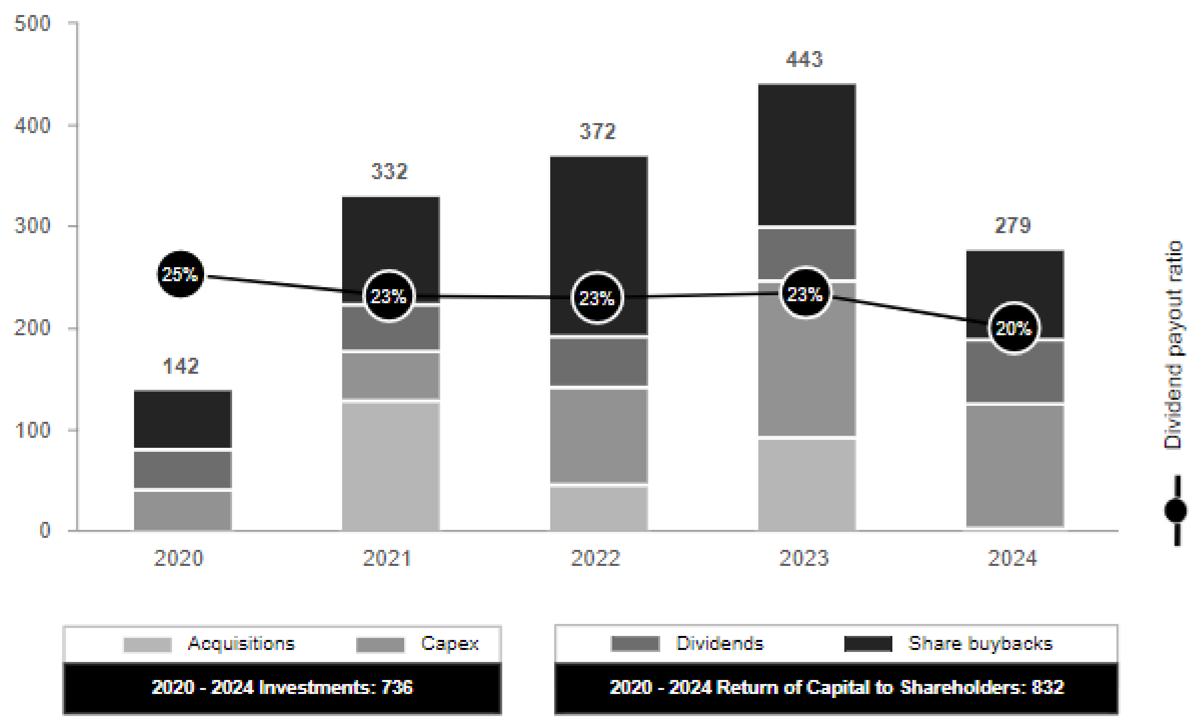
The Company's capital allocation strategy leverages its consistent and strong cash flow generation while enhancing its long-term stability and shareholder value creation. To maintain the Company's strong financial position and financial flexibility, capital is deployed in a disciplined manner, balancing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

The Company's current strategy is to:

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

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

The Company's capital allocation since 2020 is summarized below:
(in millions of $, except %)



2023-2025 FINANCIAL OBJECTIVES

The following is a summary of the Company's 2023-2025 financial objectives:

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

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

Since 2023, the Company has delivered a significant improvement in EBITDA margin[(1)]. It generated an EBITDA margin[(1)] of 18.3% in 2023 and 18.2% in 2024 and expects to generate an above 17% margin in 2025. This reflects an 11% EBITDA CAGR for the 2023 to 2025 period.

The Company is on target to returning in excess of $500 million to shareholders through dividends and share repurchases in the 2023 to 2025 period. As at December 31, 2024, the Company had returned to shareholders $348 million out of the $500 million commitment.

The Company targets to maintain its net debt-to-EBITDA[(1)] in the range of 2.0x to 2.5x, but may deviate from its leverage target to pursue acquisitions and other strategic opportunities, and/or fund its seasonal working capital requirements. As at December 31, 2024, the Company's net debt-to-EBITDA[(1)] stood slightly above the target range at 2.6x, as the appreciation of the closing rate of the U.S. dollar relative to the Canadian dollar resulted in a higher value of the Company's net debt denominated in U.S. dollars, when expressed in Canadian dollars.

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

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

HIGHLIGHTS

OVERVIEW OF 2024

Sales in 2024 were up 5% to $3,469 million, compared to $3,319 million last year. Excluding the contribution from the acquisition of the assets of Baldwin Pole and Piling Company, Inc., Baldwin Pole Mississippi, LLC and Baldwin Pole & Piling, Iowa Corporation in July 2023 (collectively, “Baldwin”), and the positive effect of currency conversion, sales were up $89 million, or 3%. The increase was driven by a 6% organic sales growth(1) of the Company’s infrastructure businesses, namely utility poles, railway ties and industrial products, partially offset by lower residential lumber and logs and lumber sales when compared to 2023. Infrastructure sales benefited from favourable price adjustments across all product categories and higher railway ties volumes but were attenuated by the slower pace of purchases and a deferral in the execution of projects by utilities. Residential lumber sales were lower due to softer consumer demand when compared to last year, but remained within the target range for this product category, at $614 million.

While operating income was relatively unchanged compared to last year, EBITDA(1) increased to $633 million in 2024 compared to $608 million in 2023, largely due to the sales growth of the Company’s infrastructure product categories. EBITDA margin(1) remained elevated at 18.2% in 2024, similar to the 18.3% margin generated in 2023.

During the year ended December 31, 2024, Stella-Jones used the cash generated from operations of $408 million to invest in its network as well as return $153 million to shareholders, through dividends and share repurchases. In 2024, the Company invested a net amount of $88 million to maintain its assets and enhance productivity, and $34 million to complete its growth investments for utility poles. Over the 2022 to 2024 period, approximately $130 million was invested in growth capital expenditures. The dividend paid in 2024 amounted to $1.12 per share, representing a 22% increase compared to 2023.

As at December 31, 2024, the Company maintained a healthy financial position. It had available liquidity of $802 million and its net debt-to-EBITDA(1) stood at 2.6x. The appreciation of the closing rate of the U.S. dollar relative to the Canadian dollar resulted in a higher value of the Company’s net debt denominated in U.S. dollars, when expressed in Canadian dollars.

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FINANCIAL HIGHLIGHTS

Selected Key Indicators (in millions of dollars except ratios and per share data)	**2024**	**2023**	**2022**
Operating results			
Sales	3,469	3,319	3,065
Gross profit[(1)]	724	688	524
Gross profit margin[(1)]	20.9%	20.7%	17.1%
Operating income	503	499	359
Operating income margin[(1)]	14.5%	15.0%	11.7%
EBITDA[(1)]	633	608	448
EBITDA margin[(1)]	18.2%	18.3%	14.6%
Net income	319	326	241
Earnings per share (“EPS”) - basic & diluted	5.66	5.62	3.93
Cash flows from (used in)			
Operating activities	408	107	255
Financing activities	(221)	151	(101)
Investing activities	(137)	(258)	(154)
Financial Position			
Inventories	1,759	1,580	1,238
Total assets	4,103	3,708	3,073
Long-term debt[(2)]	1,380	1,316	941
Lease liabilities[(2)]	323	294	167
Total non-current liabilities	1,876	1,672	1,257
Shareholders’ equity	1,941	1,652	1,557
Other data			
Return on average equity[(1)]	17.8%	20.3%	16.0%
Return on average capital employed[(1)]	13.7%	15.8%	13.4%
Declared dividends per share	1.12	0.92	0.80
Working capital ratio[(1)]	7.48	5.07	6.11
Net debt-to-total capitalization[(1)]	0.46:1	0.49:1	0.42:1
Net debt-to-EBITDA[(1)]	2.6x	2.6x	2.5x

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

[(2)] Including current portion.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

Non-GAAP financial measures include:

- **Organic sales growth**: Sales of a given period compared to sales of the comparative period, excluding the effect of acquisitions and foreign currency changes
- **Gross profit**: Sales less cost of sales
- **EBITDA**: Operating income before depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization)
- **Capital employed**: Total assets excluding cash and cash equivalents less current non-interest bearing liabilities
- **Average capital employed:** 12-month average of the capital employed balance at the beginning of the12-month period and the quarter-end capital employed balances throughout the remainder of the 12-month period
- **Net debt**: Sum of long-term debt and lease liabilities (including the current portion) less cash and cash equivalents

Non-GAAP ratios include:

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

Other financial measures include:

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

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

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

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

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

Reconciliation of Operating Income to EBITDA (in millions of dollars)	**Three-month periods ended December 31,**		**Years ended December 31,**		
	2024	**2023**	**2024**	**2023**	**2022**
Operating income	81	89	503	499	359
Depreciation and amortization	34	31	130	109	89
EBITDA	**115**	**120**	**633**	**608**	**448**

Reconciliation of Average Capital Employed (in millions of dollars)	**Years ended December 31,**		
	2024	**2023**	**2022**
Average total assets	3,940	3,407	2,885
Less:			
Average cash and cash equivalents	10	—	—
Average current liabilities	328	376	254
Add:			
Average current portion of lease liabilities	58	46	38
Average current portion of long-term debt	21	82	7
Average capital employed	**3,681**	**3,159**	**2,676**
Operating income (TTM)	503	499	359
ROCE	**13.7%**	**15.8%**	**13.4%**

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**Years ended December 31,**		
	2024	**2023**	**2022**
Long-term debt, including current portion	1,380	1,316	941
Add:			
Lease liabilities, including current portion	323	294	167
Less:			
Cash and cash equivalents	50	—	—
Net Debt	**1,653**	**1,610**	**1,108**
EBITDA (TTM)	633	608	448
Net Debt-to-EBITDA	**2.6x**	**2.6x**	**2.5x**

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	1.40	1.44	1.36	1.32
Fiscal Year	1.37	1.44	1.35	1.32

- Average rate: The appreciation of the U.S. dollar relative to the Canadian dollar during 2024 compared to 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 December 31, 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.

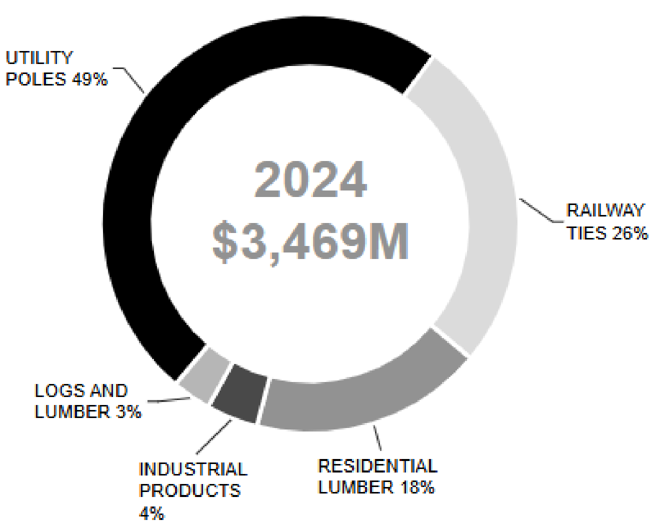
OPERATING RESULTS

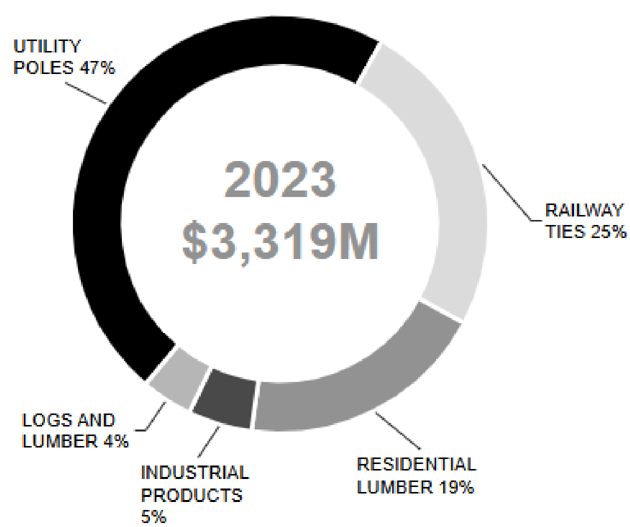
Sales

Sales for the year ended December 31, 2024 reached $3,469 million, up $150 million, versus sales of $3,319 million in 2023. Excluding the contribution from the acquisition of the Baldwin assets of $25 million and the currency conversion effect of $36 million, pressure-treated wood sales rose $110 million, or 3%. Infrastructure sales grew organically by $144 million or 6%, while residential lumber sales decreased by $34 million. Favourable pricing across all infrastructure product categories and higher railway ties volumes were partially offset by lower volumes for utility poles and residential lumber. The decrease in logs and lumber sales compared to last year was largely attributable to lower logs sales.

Sales (in millions of dollars, except percentages)	**Utility Poles**	**Railway Ties**	**Residential Lumber**	**Industrial Products**	**Total Pressure-Treated Wood**	**Logs & Lumber**	**Consolidated Sales**
2023	**1,571**	**828**	**645**	**148**	**3,192**	**127**	**3,319**
Acquisitions	25	—	—	—	**25**	—	**25**
FX impact	21	11	3	1	**36**	—	**36**
Organic growth	88	51	(34)	5	**110**	(21)	**89**
2024	**1,705**	**890**	**614**	**154**	**3,363**	**106**	**3,469**
Organic growth %	6%	6%	(5%)	3%	**3%**	(17%)	**3%**

Sales by Product Category
(% of sales)



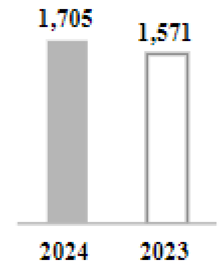


Utility poles

Utility poles sales increased to $1,705 million in 2024, compared to sales of $1,571 million in 2023. Excluding the contribution from the acquisition of assets of Baldwin in July 2023 and the currency conversion effect, utility poles sales increased by $88 million, or 6%, driven by sales price adjustments to cover increased costs. This increase was offset in part by lower volumes when compared to last year. Incremental multi-year commitments were secured from new and existing customers but volumes were impacted 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 total sales in 2024.

UTILITY POLES SALES

(in millions of $)

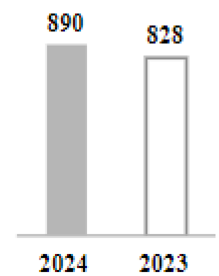


Railway ties

Railway ties sales were $890 million in 2024, compared to sales of $828 million in 2023. Excluding the currency conversion effect, railway ties sales increased $51 million, or 6%. The increase was attributable to higher volumes, mainly for non-Class 1 business due to the replenished level of railway ties inventory, as well as improved pricing, when compared to last year. Railway ties sales accounted for 26% of the Company's total sales in 2024.

RAILWAY TIES SALES

(in millions of $)

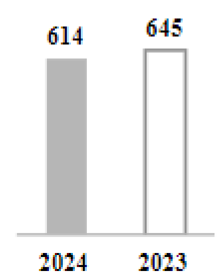


Residential lumber

Sales in the residential lumber category decreased to the lower end of the $600 to $650 million target range, at $614 million in 2024, compared to sales of $645 million in 2023. Excluding the currency conversion effect, residential lumber sales decreased $34 million, or 5%, all explained by lower sales volumes due to softer consumer demand. The average market price of lumber remained relatively unchanged in 2024 when compared to 2023. Residential lumber sales accounted for 18% of the Company's total sales in 2024.

RESIDENTIAL LUMBER SALES

(in millions of $)

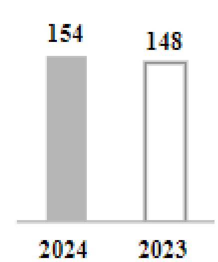


Industrial products

Industrial product sales were $154 million in 2024 compared to sales of $148 million in 2023. Excluding the currency conversion effect, industrial product sales increased five million dollars, or 3%, mainly driven by higher sales for railway bridges and crossings. Industrial product sales represented 4% of the Company's total sales in 2024.

INDUSTRIAL PRODUCTS SALES

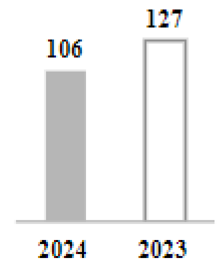
(in millions of $)



Logs and lumber

LOGS AND LUMBER SALES

(in millions of $)



Sales in the logs and lumber product category were $106 million in 2024, down compared to $127 million in 2023. 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 was explained by less logs sales activity. Logs and lumber sales represented 3% of the Company's total sales in 2024.

Sales by Geographic Region

Sales in the United States amounted to $2,515 million, or 72% of sales in 2024, up $59 million, or 2%, compared to sales of $2,456 million in 2023. The increase was explained by higher pricing, particularly for utility poles, the appreciation of the value of the U.S. dollar relative to the Canadian dollar compared to 2023 and the contribution from the acquisition of the Baldwin assets, offset in part by lower volumes for all product categories, except railway ties.

Sales in Canada amounted to $954 million, or 28% of sales in 2024, up $91 million, or 11%, compared to sales of $863 million in 2023. The increase was attributable to pricing and volume gains for utility poles and railway ties, partially offset by lower residential lumber and logs and lumber sales.

Cost of sales

Cost of sales, including depreciation of property, plant and equipment, right-of-use assets as well as amortization of intangible assets, was $2,745 million, or 79.1% of sales, compared to cost of sales of $2,631 million, or 79.3% of sales, in 2023. The increase in absolute dollars was explained by higher input costs, an increase in railway ties sales volumes, offset in part by lower utility poles, residential lumber and logs and lumber volumes. The additional cost of sales attributable to the acquisition of Baldwin and the appreciation of the U.S. dollar also contributed to the higher cost of sales versus 2023.

Total depreciation and amortization was $130 million in 2024, with $115 million recorded as cost of sales, compared to $109 million last year, with $94 million recorded as cost of sales. The increase was largely explained by the depreciation of the right-of-use assets and capital projects added in 2023 and 2024.

Gross profit

Gross profit was $724 million in 2024, compared to $688 million in 2023, representing a margin of 20.9% and 20.7% respectively. The increase in gross profit in absolute dollars was largely due to favourable price adjustments to cover increased costs for the Company's infrastructure product categories and higher railway ties volumes, partially offset by lower sales volumes for utility poles and residential lumber. The acquisition of the Baldwin assets in 2023, and the positive impact of the currency conversion also contributed to the higher gross profit for the year ended December 31, 2024.

Selling and administrative

Selling and administrative expenses for 2024 amounted to $206 million, compared to $181 million in the prior year, including depreciation and amortization of $15 million in 2024 and 2023. The increase in selling and administrative expenses was mainly attributable to higher compensation expense and consulting fees, as well as an increase in information technology-related costs. As a percentage of sales, selling and administrative expense, excluding depreciation and amortization, represented 5.5% of sales in 2024 compared to 5.0% in 2023.

Other losses, net

Other losses, net for 2024 consisted mainly of site remediation provisions of $10 million, largely attributable to two facilities, one of which was damaged by fire in 2023. Losses related to the retirement of idled equipment of five million dollars were also recorded as “Other losses, net” for 2024.

In 2023, the Company recognized a nine million dollar non-cash write-down of its Silver Springs, Nevada, facility damaged by fire and two million dollars of clean-up costs, with a corresponding insurance recovery. The Company also recorded site remediation provisions and environmental-related clean-up costs, net of insurance recovery, of six million dollars, largely related to the preservative release at one of its facilities, and two million dollars of losses related to the retirement of idled equipment.

Financial expenses

Financial expenses amounted to $88 million in 2024, up from $68 million last year. The increase in financial expenses was explained by a higher debt level, mainly to support the Company’s growth. The average cost of borrowing for 2024 was relatively unchanged versus 2023, as the higher cost of borrowing in the first half of 2024 was offset by a lower borrowing rate in the latter part of the year, when compared to 2023.

Income before income taxes and income tax expense

Income before income taxes was $415 million, or 12.0% of sales in 2024 versus $431 million, or 13.0% of sales in 2023. The provision for income taxes totaled $96 million in 2024 compared to $105 million in 2023, representing an effective tax rate of approximately 23% in 2024 and 24% last year. The lower effective tax rate for 2024 was mainly attributable to a change in the mix of income from various jurisdictions.

Net income

Net income in 2024 was $319 million, compared to net income of $326 million in 2023. Despite the lower net income, earnings per share in 2024 was higher at $5.66 versus $5.62 in 2023 due to the continued repurchase of shares through the Company’s normal course issuer bids.

QUARTERLY RESULTS

The Company's sales follow a seasonal pattern, with utility poles, railway ties, and industrial products shipments stronger in the second and third quarters to provide industrial end users with products for their summer maintenance projects. Residential lumber sales also follow a similar seasonal pattern. In the fall and winter seasons, there tends to be less activity; as a result, the first and fourth quarters are typically characterized by relatively lower sales. The table below sets forth selected financial information for the Company's last eight 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	730	3,469
Operating income	124	168	130	81	503
EBITDA	156	200	162	115	633
Net income	77	110	80	52	319
EPS - basic and diluted (1)	1.36	1.94	1.42	0.93	5.66

2023

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

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

FOURTH QUARTER RESULTS

Highlights

Selected Key Indicators (in millions of dollars except ratios and per share data)	**Q4-2024**	**Q4-2023**	**Variation ($)**	**Variation (%)**
Operating results				
Sales	730	688	42	6%
Gross profit	138	137	1	1%
Gross profit margin	18.9%	19.9%	n/a	(100 bps)
Operating income	81	89	(8)	(9%)
Operating income margin	11.1%	12.9%	n/a	(180 bps)
EBITDA	115	120	(5)	(4%)
EBITDA margin	15.8%	17.4%	n/a	(160 bps)
Net income	52	56	(4)	(7%)
EPS – basic & diluted	0.93	0.98	(0.05)	(5%)

Operating Results

Sales for the fourth quarter of 2024 amounted to $730 million, up 6% from sales of $688 million for the same period in 2023. Excluding the currency conversion of $14 million, pressure-treated wood sales rose $31 million, or 5% due to higher railway ties sales attributable to an increase in Class 1 volumes and improved residential lumber sales, while utility poles sales were relatively unchanged. Lower logs and lumber sales were driven by a decrease in log sales activity, compared to the fourth 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**
Q4-2023	**383**	**165**	**82**	**27**	**657**	**31**	**688**
FX impact	8	4	1	1	**14**	—	**14**
Organic growth	(6)	24	10	3	**31**	(3)	**28**
Q4-2024	**385**	**193**	**93**	**31**	**702**	**28**	**730**
Organic growth %	(2%)	15%	12%	11%	**5%**	(10%)	**4%**

Utility poles sales totaled $385 million, compared to $383 million in the same period last year. Excluding the currency conversion effect, sales decreased by 2%, due to lower volumes from non-contract business, offset in large part by favourable price adjustments to cover increased costs. Sales of railway ties amounted to $193 million, compared to $165 million in the same period last year. Excluding the currency conversion effect, railway ties sales rose 15%, largely explained by the timing of Class 1 shipments. For the year, Class 1 volumes increased modestly when compared to 2023. Residential lumber sales totaled $93 million, up from $82 million of sales generated in the same period in 2023, reflecting a 12% organic sales growth. The increase in residential lumber sales stemmed from favourable pricing attributable to the increase in the market price of lumber, as well as higher sales volumes, when compared to the same period last year. Industrial products sales amounted to $31 million, up from $27 million last year. The organic sales growth of 11% was mainly attributable to higher sales for railway bridges and crossings. Logs and lumber sales totaled $28 million, down 10% compared to the same period last year.

Gross profit was $138 million in the fourth quarter of 2024, relatively unchanged compared to gross profit of $137 million in the fourth quarter of 2023. As a percentage of sales, gross profit decreased from 19.9% in the fourth quarter of 2023 to 18.9% in the fourth quarter of 2024 due to a less favourable sales mix.

Net income for the period amounted to $52 million, or $0.93 per share, compared with $56 million, or $0.98 per share, in the corresponding period of 2023.

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 December 31, 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 December 31, 2024, total assets stood at $4,103 million versus $3,708 million as at December 31, 2023. The increase in total assets largely reflected an increase in inventories, 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 consolidated statements of financial position.

Assets (in millions of dollars)	**As at December 31, 2024**	**As at December 31, 2023**	**Variance**
Cash and cash equivalents	50	—	50
Accounts receivable	277	308	(31)
Inventories	1,759	1,580	179
Other	53	59	(6)
Total current assets	**2,139**	**1,947**	**192**
Property, plant and equipment	1,048	906	142
Right-of-use assets	311	285	26
Intangible assets	170	169	1
Goodwill	406	375	31
Other	29	26	3
Total non-current assets	**1,964**	**1,761**	**203**
Total assets	**4,103**	**3,708**	**395**

Accounts receivable were $277 million as at December 31, 2024, compared to $308 million as at December 31, 2023. The decrease was largely attributable to a reduction in the days of sales outstanding in trade receivables, when compared to the same period last year, partially offset by the effect of currency translation of U.S. dollar denominated accounts receivables. 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 $1,759 million as at December 31, 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 of about $100 million.

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 $1,048 million as at December 31, 2024, compared with $906 million as at December 31, 2023. The increase reflected the purchase of property, plant and equipment of $134 million during 2024 and the effect of currency translation of U.S. dollar denominated property, plant and equipment of about $60 million, partially offset by the depreciation expense of $46 million for the year.

Right-of-use assets totaled $311 million as at December 31, 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 $76 million, and the effect of U.S. dollar denominated right-of-use assets, offset by the depreciation expense of $66 million for the year.

Intangible assets and goodwill totaled $170 million and $406 million, respectively, as at December 31, 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 intangible assets remained relatively stable as software expenditures of nine million dollars and the effect of U.S. dollar denominated intangible assets were offset by the amortization expense of $18 million. The increase in goodwill was explained by the effect of currency translation on US-based goodwill.

Liabilities

As at December 31, 2024, Stella-Jones' total liabilities stood at $2,162 million, up from $2,056 million as at December 31, 2023. The increase in total liabilities largely reflected the currency translation effect on U.S. dollar denominated liabilities. Note that the following table provides information on liabilities using select line items from the consolidated statements of financial position.

Liabilities (in millions of dollars)	**As at December 31, 2024**	**As at December 31, 2023**	**Variance**
Accounts payable and accrued liabilities	180	204	(24)
Current portion of long-term debt	1	100	(99)
Current portion of lease liabilities	64	54	10
Other	41	26	15
Total current liabilities	**286**	**384**	**(98)**
Long-term debt	1,379	1,216	163
Lease liabilities	259	240	19
Deferred income taxes	197	175	22
Other	41	41	—
Total non-current liabilities	**1,876**	**1,672**	**204**
Total liabilities	**2,162**	**2,056**	**106**

Long-Term Debt

The Company's long-term debt, including the current portion, increased to $1,380 million as at December 31, 2024 from $1,316 million as at December 31, 2023. During the year ended December 31, 2024, the Company reduced its net borrowings by six million dollars, but the appreciation of the closing rate of the U.S. dollar relative to the Canadian dollar increased the long-term debt denominated in U.S. dollar when expressed in Canadian dollars by $72 million. The reduction in net borrowings in 2024 included the US$75 million repayment of unsecured senior notes, classified as current portion of long-term as at December 31, 2023.

Long-Term Debt (in millions of dollars)	**As at December 31, 2024**	**As at December 31, 2023**
Unsecured revolving credit facilities	295	750
Unsecured term loan facilities	576	364
Unsecured senior notes	508	198
Other	1	4
Total Long-Term Debt	**1,380**	**1,316**

On December 20, 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) extend the maturity date to December 20, 2029; 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$400 million, subject to lenders' approval.

In October 2024, the Company completed a private placement of $400 million aggregate principal amount of unsecured senior notes due October 1st, 2031, bearing interest at the rate of 4.312% per annum, payable semi-annually until maturity. The notes are ranked pari passu with all other unsecured and unsubordinated obligations of the Company. DBRS Limited assigned a rating of BBB with a stable trend to the Company's $400 million senior unsecured notes. The Company used the net proceeds from the notes to repay existing indebtedness under its revolving credit facilities.

As at December 31, 2024, the Company's net debt-to-EBITDA ratio stood at 2.6x and was in full compliance with its debt covenants, reporting requirements and financial ratios.

Shareholders' Equity

Shareholders' equity stood at $1,941 million as at December 31, 2024, compared to $1,652 million as at December 31, 2023.

Shareholders' Equity (in millions of dollars)	**As at December 31, 2024**	**As at December 31, 2023**	**Variance**
Capital stock	188	189	(1)
Retained earnings	1,498	1,329	169
Accumulated other comprehensive income	255	134	121
Total shareholders' equity	**1,941**	**1,652**	**289**

The increase in shareholders' equity as at December 31, 2024 was attributable to net income of $319 million and a $121 million increase in accumulated other comprehensive income, mainly related to the currency translation of foreign operations, partially offset by $90 million of share repurchases and $63 million of dividends.

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. The Company repurchased 1,192,595 common shares for cancellation in consideration of $100 million, under this NCIB.

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

In 2024, the Company repurchased 1,078,577 common shares for cancellation in consideration of $90 million under its NCIBs then in effect.

LIQUIDITY AND CAPITAL RESOURCES

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

Summary of cash flows (in millions of dollars)	**Years ended December 31,**	
	2024	**2023**
Operating activities	408	107
Financing activities	(221)	151
Investing activities	(137)	(258)
Net change in cash and cash equivalents during the year	50	—
Cash and cash equivalents - Beginning of year	—	—
Cash and cash equivalents – End of year	50	—

The Company believes that its cash flow from operations and available credit facilities are adequate to finance its business plans, meet its working capital requirements and maintain its assets. As at December 31, 2024, the Company had $802 million of available liquidity, including $752 million (US$523 million) available under its revolving credit facilities.

Cash flows from operating activities

Cash flows from operating activities amounted to $408 million in 2024, compared to $107 million in 2023, largely reflecting favourable non-cash working capital movements. Following an investment in inventory of $353 million in 2023, to support the anticipated demand growth for utility poles and to replenish railway ties inventories, the net increase in inventory in 2024 was reduced to $82 million. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was $637 million in 2024, compared to $619 million in 2023. Changes in non-cash working capital components decreased liquidity by $57 million in 2024, driven by the increase in inventory.

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

Cash flows from operating activities (in millions of dollars)	**Years ended December 31,**	
	2024	**2023**
Net income	319	326
Depreciation and amortization	130	109
Financial expenses	88	68
Income tax expense	96	105
Other	4	11
Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid	**637**	**619**
Accounts receivable	56	(7)
Inventories	(82)	(353)
Income taxes receivable	—	(2)
Other current assets	9	8
Accounts payable and accrued liabilities	(40)	9
Changes in non-cash working capital components	**(57)**	**(345)**
Interest paid	(85)	(68)
Income taxes paid	(87)	(99)
Cash flows from operating activities	**408**	**107**

Cash flows (used in) from financing activities

Financing activities in 2024 decreased cash flows by $221 million, compared to an increase of $151 million in 2023. During the year ended December 31, 2024, the Company issued $400 million of senior unsecured notes (the “Notes”), borrowed $168 million (US$125 million) under its U.S. Farm Credit term loan facility (“Term Loan”), and used the net proceeds from the Notes and Term Loan to repay $471 million of indebtedness under its unsecured revolving credit facilities and $102 million (US$75 million) of the unsecured senior notes issued to certain U.S. investors. In addition, in 2024, the Company repaid lease liabilities of $62 million, paid dividends of $63 million, in line with its capital allocation policy, and repurchased shares for $90 million. In 2023, the Company increased net borrowings under its credit facilities by $394 million to finance growth investments and increase inventory levels, repaid lease liabilities of $50 million and returned $195 million to shareholders.

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

Cash flows (used in) from financing activities (in millions of dollars)	**Years ended December 31,**	
	2024	**2023**
Net change in revolving credit facilities	(471)	362
Net proceeds from long-term debt	465	32
Repayment of lease liabilities	(62)	(50)
Dividends on common shares	(63)	(53)
Repurchase of common shares	(90)	(142)
Other	—	2
Cash flows (used in) from financing activities	**(221)**	**151**

Cash flows used in investing activities

Investing activities used liquidity of $137 million in 2024, mainly explained by the purchase of property, plant and equipment, including $34 million of utility poles growth capital expenditures. In 2023, investing activities totaled $258 million and primarily consisted of the purchase of property, plant and equipment, including $60 million of utility poles growth capital expenditures, and the acquisition of substantially all the assets of IndusTREE Pole & Piling, LLC, Balfour Pole Co., LLC and Baldwin.

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

Cash flows used in investing activities (in millions of dollars)	**Years ended December 31,**	
	2024	**2023**
Business combinations	(4)	(93)
Purchase of property, plant and equipment	(132)	(155)
Property insurance proceeds	10	—
Additions of intangible assets	(11)	(10)
Cash flows used in investing activities	**(137)**	**(258)**

Financial obligations

The following table details the maturities of the financial obligations as at December 31, 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	180	180	180	—	—	—
Long-term debt obligations*	1,380	1,710	62	299	686	663
Minimum payment under lease liabilities*	323	384	74	128	65	117
Financial obligations	**1,883**	**2,274**	**316**	**427**	**751**	**780**

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

SHARE AND STOCK OPTION INFORMATION

As at December 31, 2024, the capital stock issued and outstanding of the Company consisted of 55,824,953 common shares (56,866,712 as at December 31, 2023).

The following table presents the outstanding capital stock activity for the year ended December 31, 2024:

Number of shares	**Year ended December 31, 2024**
Balance – Beginning of year	56,866,712
Common shares repurchased	(1,078,577)
Stock option exercised	15,000
Employee share purchase plans	21,818
Balance – End of year	**55,824,953**

As at February 25, 2025, the capital stock issued and outstanding consisted of 55,705,521 common shares.

As at December 31, 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 February 25, 2025, the number of outstanding and exercisable options was 5,000.

DIVIDENDS

In 2024, the Company's Board of Directors declared the following quarterly dividends:

Declared	Record Date	Payable Date	Dividend
			$
February 28, 2024	April 1, 2024	April 19, 2024	0.28
May 7, 2024	June 3, 2024	June 21, 2024	0.28
August 6, 2024	September 3, 2024	September 23, 2024	0.28
November 5, 2024	December 2, 2024	December 20, 2024	0.28

The declaration, amount and date of any future dividends will continue to be considered by the Board of Directors of the Company based on the Company's capital allocation strategy. There can be no assurance as to the amount or timing of such dividends in the future.

COMMITMENTS AND CONTINGENCIES

The Company is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. The Company believes that a final determination of these proceedings cannot be made at this time but should not materially affect the Company's cash flows, financial position or results of operations.

The Company has issued guarantees under letters of credit and various bid and performance bonds for a total of $68 million as at December 31, 2024 (2023 – $48 million). The Company does not believe these guarantees are likely to be called on and, as such, no provisions have been recorded in the consolidated financial statements. The Company has also entered into a ten-year agreement to purchase renewable energy certificates for a total commitment of eight million dollars (2023 – nil).

The Company's operations are subject to Canadian federal and provincial as well as U.S. federal and state environmental laws and regulations governing, among other matters, air emissions, waste management, wastewater effluent discharges and use of antimicrobial pesticide products. The Company takes measures to comply with such laws and regulations. However, the measures taken are subject to the uncertainties of changing legal requirements, enforcement practices and developing technological processes.

SUBSEQUENT EVENTS

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

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

RISKS AND UNCERTAINTIES

The Company is exposed to risks and uncertainties that, if not properly mitigated, could materially affect its business, financial position, future results, reputation, as well as the market price of its common shares. The Board of Directors requires that the Company's management identify and properly manage the principal risks related to the Company's business operations. The Company has put in place policies and procedures to manage, on an ongoing basis, its principal risks and uncertainties and mitigate their impact, but the Company cannot provide assurances that any such efforts will be successful.

The principal risks and uncertainties to which the Company is exposed are described below. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also materially affect its business, financial position and future results.

Operational Risks

Dependence on Major Customers
The Company is dependent on major customers for a significant portion of its sales, and the loss of one or more of its major customers could result in a substantial reduction in its results. For the year ended December 31, 2024, the Company's top 10 customers accounted for 40% of its sales. During this same period, the Company's largest customer accounted for 14% of total sales and is associated with the residential lumber product category, while the second largest customer accounted for 4% of total sales and is associated with the railway ties product category.

Availability and Cost of Raw Materials
Management considers that the Company may be affected by potential fluctuations in wood supply and prices. While the Company has entered into long-term cutting licenses and benefits from long-standing relationships with private woodland owners and other suppliers, there can be no assurance that such licenses will be respected or renewed on expiry, or that its suppliers will continue to provide sufficient timber to the Company. Increasing governance of forest management may also impact wood supply. In certain regions, like British Columbia, Canada, the Company is developing long-term business relationships with Indigenous communities, but there is no assurance that it will succeed in securing the available wood.

There are a limited number of suppliers for certain preservatives that the Company employs in its production process, which lessens the availability of alternate sources of supply in the event of unforeseen shortages or disruptions of production. Certain suppliers may also reduce or cease production of specific preservatives, while changes in legislation may require the application of alternative preservatives to those historically utilized. Although the Company does not have direct suppliers based in Russia or Ukraine, further escalation of this conflict may also increase supply chain disruptions, creating availability challenges and requiring the Company to evaluate substitute products that are reasonably priced, safe, effective and acceptable to the Company's customers. While the Company is mitigating this risk by researching, identifying and securing alternate suppliers and preservatives outside of its traditional sources of supply, there can be no assurance that it will be able to secure the sufficient supply of all materials required to manufacture its products, which in turn could adversely impact the Company's results of operations.

Countries impose, modify and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions. In these circumstances, the Company cannot predict future developments regarding tariffs and other trade restrictions or quantify their impact. The imposition of tariffs could disrupt established supply chains and increase the cost of the Company's raw materials, which could adversely affect its results of operations. While several agreements with the Company's customers provide for sales price indexation based on fluctuations in raw materials costs and certain industrial price indices, the impact on the Company's results of operations will be influenced by its ability to pass on costs related to tariffs and to pass them on in a timely manner.

Operational Disruption
The Company's operations could be disrupted by natural or human-induced disasters. The magnitude of the impact on results will depend on certain factors, including the nature of the disruption, its duration and the

location affected by the disrupting event. While the Company has implemented a business continuity plan and holds insurance policies to mitigate the impact of most catastrophic events, the occurrence of business disruptions could, among other impacts, harm the Company's financial position and results of operations, increase its operating costs, make it difficult or impossible to provide products to customers or to receive raw material from suppliers, or require substantial expenditures and recovery time in order to fully resume operations.

Pandemic, Epidemic or Outbreak of Infectious Disease
The outbreak of a disease or virus could create significant volatility and uncertainty and economic disruption and can pose the risk that the employees, suppliers, customers and business partners may be prevented from conducting business activities. It may also result in governments worldwide enacting emergency preventive measures and restrictions. These emergency measures and restrictions may cause material disruptions to the Company's operations and those of its suppliers or customers, which in turn, could adversely impact the business, financial position, results of operations and cash flows of the Company.

Climate Change
The effects of global climate change are increasing the severity and frequency of natural threats on the Company's business and may result in increased operational and capital costs. Some of the more significant climate-related risks that the Company has identified include 1) increased costs as a result of damage to one or more of the Company's facilities and/or equipment and to those of its suppliers and customers and 2) increased production downtime and costs due to longer-term changes in climate patterns such as chronic heat waves. Measures taken to mitigate climate-related risks include business continuity and disaster recovery plans and strategies. The magnitude of the effects of climate change could be unpredictable and therefore, the Company's plans may not successfully mitigate the consequences of a natural disaster, which could adversely impact the business, financial position, results of operations and cash flows of the Company.

In addition to the physical risks associated with changes in climate conditions, there is the risk of governmental responses to such changes. The effects of global climate change, including complying with evolving climate change regulations and transitioning to a low carbon economy, could require substantial expenditures, result in increased operating costs and reduce the availability of fibre as harvestable land may be set aside for carbon mitigation and offsets.

Implementation of Environmental, Social and Governance ("ESG") Initiatives and Standards
The expectations for the rapid implementation of initiatives related to ESG matters are increasingly high. In its efforts to improve its sustainability performance, the Company developed an organization-wide ESG strategy which contains certain goals and targets. These goals and targets reflect the Company's current plans and aspirations, are based on available data and estimates, and it is not guaranteed that the Company will be able to achieve them. Failure to adequately update, accomplish or accurately track and report on these goals and targets on a timely basis, or at all, could represent a competitive disadvantage and a reputation and business risk.

Emerging ESG regulations and standards may also increase the Company's disclosure and reporting obligations. Failure to implement detailed and solid data gathering and analysis processes with effective controls to comply with regulations and expectations of stakeholders, could impact the Company's ability to provide accurate, complete, reliable and timely reporting.

Reliance on Key Personnel
The Company's senior management and other key employees have extensive experience in the industry and with the business, suppliers, products and customers. The loss of senior management knowledge and expertise as a result of the loss of one or more members of the core management team, or the departure of key employees with knowledge in engineering, forestry, wood treating and other specialized areas could negatively affect the Company's ability to develop and pursue its business strategies, which could adversely affect its business and operating results.

Recruitment, Retention and Management of Qualified Workforce
The Company’s ability to build upon its record of performance and continue to achieve sustainable growth are dependent, to a significant extent, on its ability to recruit, develop and retain quality personnel, develop sound strategies for succession and maintain good relations with its employees. Social and demographic trends, and changes in employees' lifestyles and expectations, can make it more challenging to hire and retain personnel. Difficulty in attracting qualified employees and retaining valuable internal expertise, or the occurrence of work stoppages could lead to operational disruptions or increased costs.

Cybersecurity and Data Protection
The Company relies on information technology to securely process, transmit and store electronic data in its daily business activities. Despite its security design and controls, and those of third-party providers, the Company’s information technology and infrastructure may be vulnerable to cyber incidents. Cyber threats vary in technique and sources, including through the use of emerging artificial intelligence technologies, are persistent, and are increasingly more targeted and difficult to detect and prevent. Cyber attacks and security breaches could include unauthorized attempts to access, disable, improperly modify or degrade the Company’s information technology systems, networks and websites, the introduction of computer viruses and other malicious codes, and fraudulent “phishing” emails that seek to misappropriate data and information or install malware onto users’ computers. Any such breach could result in operational disruption and increased costs or the misappropriation of sensitive data that could subject the Company to litigation and have a negative impact on its reputation or an impact to customers or suppliers. To limit exposure to incidents that may affect confidentiality, integrity and availability of information, the Company has introduced information security policies, procedures and technical controls and it routinely engages a third party to assess the maturity of its information security program against the National Institute of Standards and Technology (“NIST”) Cybersecurity Framework. All employees receive security awareness training including communication of processes for reporting a potential security incident. The Company has a Cyber Incident Response Plan in place which provides a documented framework for handling high severity security and privacy incidents and facilitates coordination across multiple parts of the Company and with external expertise when necessary. Additionally, the Company has existing procedures to determine the potential materiality of a cybersecurity incident. These procedures include reporting protocols to and oversight from our Board of Directors. The Company routinely performs simulations and drills at both a technical and management level. Such measures may not be adequate or effective to prevent or identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could cause damage and could adversely affect the Company’s business and operating results. In addition, the Company relies on information technology systems to operate, and any disruption to such systems could cause a disruption to daily operations while the systems are being repaired or updated.

Enterprise Resource Planning (“ERP”) Implementation
The Company is in the process of deploying a new ERP system. Such a change involves detailed planning, transformation of current business and financial processes, as well as substantial testing and employee training. The Company began the roll-out in 2021, with the goal of being fully operational across the organization by 2025. During the deployment process, the Company could experience disruptions to business information systems and operations. Any disruptions could adversely affect the Company’s ability to process transactions, provide accurate, timely and reliable reports on financial and operating results as well as assess the effectiveness of internal controls over financial reporting and disclosure controls and procedures. In addition, it is possible that the deployment process may exceed the expected time frame and budget, and there can be no assurance that the system will be beneficial to the extent anticipated. The Company has adopted a phased approach and believes it is taking the necessary steps, including deploying both internal resources and third-party consultants to mitigate the implementation risk.

Strategic Risks

Political and Economic Conditions
A negative change in political conditions or political instability, including significant civil unrest, acts of war or terrorist activities, and adverse economic conditions, may affect most or all the markets the Company serves, impacting costs, selling prices and demand for its products, increase disruptions in supply chains, and adversely affect its financial position and operating results. These events may also impact the financial

condition of one or more of the Company's key suppliers, which could affect its ability to secure raw materials and components to meet its customers' demand for its products.

Risk Related to Acquisitions
As part of its growth strategy, the Company intends to acquire businesses where such transactions are economically and strategically justified. There can be no assurance that the Company will succeed in effectively managing the integration of businesses which it might acquire. If the expected synergies do not materialize, or if the Company fails to successfully integrate such new businesses into its existing operations, this could adversely impact the Company's business, financial position and operating results. The Company may also incur costs and direct Management's attention to potential acquisitions which may never be consummated.

In addition, although the Company performs due diligence investigations in connection with its acquisitions, an acquired business could have liabilities that the Company fails or is unable to uncover prior to acquisition and for which the Company may be responsible. Such liabilities could adversely impact the Company's financial position, operating results, and cash flows.

Financial Risks

Currency
The Company's financial results are reported in Canadian dollars but a significant portion of its sales, operating expenses and capital expenditures are realized in U.S. dollars. For financial reporting purposes, any change in the value of the Canadian dollar against the U.S. dollar during a given financial reporting period would result in variations of the Company's operating results and financial condition, which could be significant.

Interest Rate
The Company is exposed to interest rate fluctuations. The Company maintains a combination of fixed rate and variable rate indebtedness and may, if applicable, hedge the exposure to variable interest rates with various derivative instruments. As at December 31, 2024, 68% of the Company's indebtedness bore interest at fixed rates, therefore reducing the Company's exposure to interest rate risk. The Company also enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its indebtedness, subject to variable interest rates. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as cash flow hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swap agreements. However, if interest rates increase, the debt service obligations on the variable rate indebtedness of the Company would increase even though the amount borrowed remained the same, and this could have an adverse effect on the Company's profitability, cash flows and financial position.

Availability of Credit
The agreements governing the Company's credit facilities and senior notes contain certain restrictive covenants that impose operating and financial restrictions and could limit the Company's ability to engage in activities that might be in its long-term best interests. In addition, a breach of the covenants under the Company's credit facilities and senior notes could result in an event of default, which could allow lenders to accelerate the repayment of the debt. In this event, the Company may seek to refinance its indebtedness, but be unable to do so on commercially reasonable terms. As a result, the Company could be limited in how it conducts its business, be unable to compete effectively or take advantage of new business opportunities.

Customers' Credit
The Company carries a substantial level of trade accounts receivable on its statement of financial position. This value is spread among numerous contracts and clients. Trade accounts receivable include an element of credit risk should the counterparty be unable to meet its obligations. Although the Company reduces this risk by dealing primarily with large-scale utility providers, Class 1 railroad operators and large retailers, there can be no assurance that outstanding accounts receivable will be paid on a timely basis or at all.

Insurance

The Company maintains property and casualty commercial insurance policies that are in accordance with customary industry practice and the Company's specific risk profile. Such insurance may not cover all risks associated with the hazards of its business and is subject to limitations, including self-insured retentions, deductibles, co-insurance, coverage exclusions, and maximum liabilities covered. The Company may incur losses beyond the limits or outside the coverage of its insurance policies, including liabilities for environmental compliance and remediation, losses from a material disruption at its manufacturing facilities, damage to the Company's customer relationships caused by such liabilities and/or disruptions, and first and third party losses due to cyber risks. In addition, from time to time, various types of insurance coverage for companies in the Company's industry have not been available on commercially acceptable terms, or in some cases, have not been available at all. In the future, the Company may not be able to obtain coverage at current levels, and its premiums may increase significantly on coverage that it maintains.

Corporate Tax

In estimating the Company's income tax payable, Management uses accounting principles to determine income tax positions that are likely to be accepted by applicable tax authorities. However, there is no assurance that tax benefits or tax liability will not materially differ from estimates or expectations. The tax legislation, regulation and interpretation that apply to the Company's operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates and anticipated business in the various jurisdictions in which the Company operates. Moreover, the Company's tax returns are continually subject to review by applicable tax authorities. These tax authorities determine the actual amounts of taxes payable or receivable, any future tax benefits or liabilities and the income tax expense that the Company may ultimately recognize. Such determinations may become final and binding on the Company. Any of the above factors could have an adverse effect on net income or cash flows.

Legal and Compliance Risks

Environmental Compliance

The Company is subject to a variety of environmental laws and regulations, including those relating to:

- emissions to the air;
- discharges into water;
- releases of hazardous and toxic substances;
- remediation of contaminated sites; and
- use of antimicrobial pesticide products authorized in the United States under the Federal Insecticide, Fungicide, and Rodenticide Act of the U.S. Environmental Protection Agency's regulation and in Canada under the Health Canada Pest Management Regulatory Agency and its Pest Control Products Act.

These environmental laws and regulations require the Company to obtain various environmental registrations, licenses, permits and other approvals, as well as carry out inspections, compliance testing and meet timely reporting requirements in order to operate its manufacturing and operating facilities.

Compliance with these environmental laws and regulations will continue to affect the Company's operations by imposing operating and maintenance costs and capital expenditures. Failure to comply could result in civil or criminal enforcement actions, which could result, among others, in the payment of substantial fines, often calculated on a daily basis, or in extreme cases, the disruption or suspension of operations at the affected facility.

Under various federal, provincial, state and local laws and regulations, the Company could, as the owner, lessor or operator, be liable for the costs of removal or remediation of contamination at its sites or neighboring properties, even in circumstances where the Company did not cause or otherwise contribute to the contamination. The remediation costs and other costs required to clean up or treat contaminated sites could be substantial. However, in certain cases, the Company benefits from indemnities from the former owners of its sites. Contamination on and from the Company's sites may subject it to liability to third parties or governmental authorities for injuries to persons, property or the environment and could adversely affect the Company's ability to sell or rent its properties or to borrow money using such properties as collateral.

Increased regulatory activity and the possibility of major changes in environmental laws and regulations, including changes in the interpretation or application thereof, are other risks faced by the Company. While it is not possible to predict the outcome and nature of these changes, they could substantially increase the Company's capital expenditures and compliance costs at the facilities affected or could change the availability or pricing of certain products such as preservatives purchased and used by the Company.

While the Company has been party to environmental litigation which has included, among others, claims for adverse physical effects and diminution of property value, the outcomes and associated costs have not been material. There is, however, no guarantee that this will continue to be the case in the future, as the result of disputes regarding environmental matters and conclusions of environmental litigation cannot be predicted.

The Company's business has grown, and its image strengthened, in large part by its consistent production and delivery of high-quality products, while maintaining a high level of environmental responsibility. Claims of irresponsible practices by regulatory authorities, communities or customers could harm the reputation of the Company. Adverse publicity resulting from actual or perceived violations of environmental laws, regulations or industry practices could negatively impact customer loyalty, reduce demand, lead to a weakening of confidence in the marketplace and ultimately, a reduction in the Company's share price. These effects could materialize even if the allegations are not valid, the Company is fully compliant with applicable laws and regulations and the Company is not found liable.

Privacy Laws and Regulations
The Company collects, processes and stores proprietary information relating to the Company's business and personal information relating to employees, customers and vendors. The Company is subject to numerous laws and regulations designed to protect information, such as the Canada's Federal Personal Information Protection and Electronic Documents Act and substantially similar equivalents at the provincial or state level including An Act to Modernize Legislation Provisions Respecting the Protection of Personal Information in Quebec and the California Consumer Privacy Act. Privacy laws and regulations are increasing in number and complexity and are being adopted and amended with greater frequency, which results in greater regulatory compliance risk and costs to prevent events related to confidential data. The potential financial penalties for non-compliance with these laws and regulations have significantly increased. Any security breach, improper use and other types of unauthorized access or misappropriation of such information could not only lead to regulatory penalties, audits or investigations by various government agencies relating to compliance with applicable laws, but also expose the Company to a reputational disadvantage risk.

Litigation
The Company is subject to the risk of litigation in the ordinary course of business by employees, customers, suppliers, competitors, shareholders, government agencies, or others, through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. Although the final outcome cannot be predicted with any degree of certainty, the Company regularly assesses the status of these matters and establishes provisions based on the assessment of the probable outcome. If the assessment is not correct, the Company may not have recorded adequate provisions for such losses and the Company's financial position, operating results and cash flows could be adversely impacted. Regardless of outcome, litigation could result in substantial costs to the Company and divert Management's attention and resources away from the day-to-day operations of the Company's business.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company uses derivative instruments to provide economic hedges to mitigate various risks. The fair values of these instruments represent the amount of the consideration that could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. The fair value of these derivatives is determined using prices in active markets, where available. When no such market is available, valuation techniques are applied such as discounted cash flow analysis. The valuation technique incorporates all factors that would be considered in setting a price, including the Company’s own credit risk, as well as the credit risk of the counterparty.

Interest Rate Risk Management
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company enters into both fixed and variable rate debt. The risk management objective is to minimize the potential for changes in interest rates to cause adverse changes in cash flows to the Company. The Company enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its long-term debt. As at December 31, 2024, the Company had two interest rate swap agreements hedging $252 million (US$175 million) in debts and having December 2026 and June 2028 as maturity dates. These instruments are presented at fair value and designated as cash flow hedges. The ratio, as at December 31, 2024, of fixed and floating debt was 68% and 32%, respectively, including the effects of interest rate swap positions (46% and 54%, respectively, as at December 31, 2023).

Foreign Exchange Risk Management
A large portion of the Company's consolidated revenue and expenses are received or denominated in the functional currency of the business units operating in the markets in which it does business. Accordingly, the Company’s sensitivity to variations in foreign exchange rates is economically limited. The Company’s main source of foreign exchange risk resides in the Canadian operations' business transactions denominated in U.S. dollars. The Company’s objective in managing its foreign exchange risk is to minimize its exposure to foreign currency cash flows and operations, by transacting with third parties in the functional currency of the business units to the maximum extent possible and through the use of foreign exchange forward contracts. As at December 31, 2024, the Company had no foreign exchange forward contract agreements in place.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

The Company prepares its consolidated financial statements in accordance with IFRS Accounting Standards.

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

New Accounting Standards Announced but not yet Adopted

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

DISCLOSURE CONTROLS AND PROCEDURES

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

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have evaluated, or caused the evaluation of, under their direct supervision, the design and operating effectiveness of the Company's DC&P (as defined in Regulation 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings) as at December 31, 2024 and have concluded that such DC&P were designed and operating effectively.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Management has evaluated the design and operating effectiveness of its ICFR as defined in Regulation 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings. The evaluation was based on the criteria established in the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation was performed by the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company with the assistance of other Company Management and staff to the extent deemed necessary. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer concluded that the ICFR were appropriately designed and operating effectively, as at December 31, 2024.

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Stella-Jones Inc. is taking a phased approach to its migration to a new 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 October 1, 2024 to December 31, 2024 that have materially affected or are reasonably likely to materially affect the Company's ICFR.

February 26, 2025