



Stella-Jones Inc.

**Condensed Interim Consolidated
Financial Statements
(Unaudited)
June 30, 2025 and 2024**

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(in millions of Canadian dollars)

	Note	As at June 30, 2025	As at December 31, 2024
Assets			
Current assets			
Cash and cash equivalents		65	50
Accounts receivable		408	277
Inventories		1,613	1,759
Income taxes receivable		14	11
Other current assets		54	42
		<u>2,154</u>	<u>2,139</u>
Non-current assets			
Property, plant and equipment		1,069	1,048
Right-of-use assets		281	311
Intangible assets		167	170
Goodwill		386	406
Derivative financial instruments		14	21
Other non-current assets		7	8
		<u>4,078</u>	<u>4,103</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		187	180
Income taxes payable		8	—
Deferred revenue		—	17
Current portion of long-term debt	4	15	1
Current portion of lease liabilities		62	64
Current portion of provisions and other long-term liabilities	5	39	24
		<u>311</u>	<u>286</u>
Non-current liabilities			
Long-term debt	4	1,307	1,379
Lease liabilities		232	259
Deferred income taxes		207	197
Provisions and other long-term liabilities	5	36	37
Employee future benefits		4	4
		<u>2,097</u>	<u>2,162</u>
Shareholders' equity			
Capital stock	7	188	188
Contributed surplus		2	—
Retained earnings		1,629	1,498
Accumulated other comprehensive income		162	255
		<u>1,981</u>	<u>1,941</u>
		<u>4,078</u>	<u>4,103</u>
Subsequent events	12		

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

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Change in Shareholders' Equity

(Unaudited)

For the six-month periods ended June 30, 2025 and 2024

(in millions of Canadian dollars)

	Accumulated other comprehensive income							Total shareholders' equity
	Capital stock	Contributed surplus	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrealized gains (losses) on cash flow hedges	Total	
Balance – January 1, 2025	188	—	1,498	367	(127)	15	255	1,941
Comprehensive income (loss)								
Net income	—	—	199	—	—	—	—	199
Other comprehensive income (loss)	—	—	—	(105)	17	(5)	(93)	(93)
Comprehensive income (loss)	—	—	199	(105)	17	(5)	(93)	106
Dividends on common shares	—	—	(34)	—	—	—	—	(34)
Equity-settled share-based payments expense	—	2	—	—	—	—	—	2
Employee share purchase plans	1	—	—	—	—	—	—	1
Repurchase of common shares including related taxes (note 7)	(1)	—	(34)	—	—	—	—	(35)
	—	2	(68)	—	—	—	—	(66)
Balance – June 30, 2025	188	2	1,629	262	(110)	10	162	1,981

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

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Change in Shareholders' Equity...*Continued*

(Unaudited)

For the six-month periods ended June 30, 2025 and 2024

(in millions of Canadian dollars)

	Accumulated other comprehensive income						Total shareholders' equity
	Capital stock	Retained earnings	Foreign currency translation adjustment	Translation of long-term debts designated as net investment hedges	Unrealized gains on cash flow hedges	Total	
Balance – January 1, 2024	189	1,329	224	(105)	15	134	1,652
Comprehensive income (loss)							
Net income	—	187	—	—	—	—	187
Other comprehensive income (loss)	—	1	53	(8)	3	48	49
Comprehensive income (loss)	—	188	53	(8)	3	48	236
Dividends on common shares	—	(32)	—	—	—	—	(32)
Employee share purchase plans	1	—	—	—	—	—	1
Repurchase of common shares including related income taxes (note 7)	(1)	(35)	—	—	—	—	(36)
	—	(67)	—	—	—	—	(67)
Balance – June 30, 2024	189	1,450	277	(113)	18	182	1,821

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

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Income

(Unaudited)

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

		For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	Note	2025	2024	2025	2024
Sales		1,034	1,049	1,807	1,824
Expenses					
Cost of sales (including depreciation and amortization (3 months - \$31 (2024 - \$28) and 6 months - \$63 (2024 - \$56))		828	823	1,433	1,426
Selling and administrative (including depreciation and amortization (3 months - \$3 (2024 - \$4) and 6 months - \$7 (2024 - \$8))		55	56	105	103
Other (gains) losses, net		(4)	2	(1)	3
Gain on insurance settlement	11	—	—	(28)	—
		879	881	1,509	1,532
Operating income		155	168	298	292
Financial expenses		14	20	34	42
Income before income taxes		141	148	264	250
Income tax expense					
Current		25	36	53	60
Deferred		10	2	12	3
		35	38	65	63
Net income		106	110	199	187
Basic and diluted earnings per common share	7	1.91	1.94	3.58	3.30

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

Stella-Jones Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(in millions of Canadian dollars)

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Net income	106	110	199	187
Other comprehensive income (loss)				
Items that may subsequently be reclassified to net income				
(Losses) gains on translation of financial statements of foreign operation	(104)	15	(105)	53
Gains (losses) on translation of long-term debt designated as hedges of net investment in foreign operations	17	(2)	17	(8)
Change in fair value of derivatives designated as cash flow hedges	(3)	—	(7)	4
Income tax on change in fair value of derivatives designated as cash flow hedges	1	—	2	(1)
Items that will not subsequently be reclassified to net income				
Remeasurements of post-retirement benefit obligations	—	—	—	1
	(89)	13	(93)	49
Comprehensive income	17	123	106	236

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Stella-Jones Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(in millions of Canadian dollars)

		For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	Note	2025	2024	2025	2024
Cash flows from (used in)					
Operating activities					
Net income		106	110	199	187
Adjustments for					
Depreciation of property, plant and equipment		13	12	27	23
Depreciation of right-of-use assets		17	16	34	32
Amortization of intangible assets		4	4	9	9
Financial expenses		14	20	34	42
Income tax expense		35	38	65	63
Gain on insurance settlement	11	—	—	(28)	—
Other		4	(3)	(10)	—
		<u>193</u>	<u>197</u>	<u>330</u>	<u>356</u>
Changes in non-cash working capital components					
Accounts receivable		(48)	(44)	(125)	(138)
Inventories		142	76	101	(41)
Other current assets		(7)	(13)	(4)	(6)
Accounts payable and accrued liabilities		—	10	(11)	21
		<u>87</u>	<u>29</u>	<u>(39)</u>	<u>(164)</u>
Interest paid		(9)	(20)	(34)	(42)
Income taxes paid		(47)	(29)	(49)	(35)
		<u>224</u>	<u>177</u>	<u>208</u>	<u>115</u>
Financing activities					
Net change in revolving credit facilities		(59)	(75)	78	(34)
Proceeds from long-term debt		—	—	—	168
Repayment of long-term debt		(59)	—	(95)	(102)
Repayment of lease liabilities		(16)	(15)	(33)	(30)
Dividends on common shares		(34)	(32)	(34)	(32)
Repurchase of common shares	7	(20)	(20)	(35)	(35)
		<u>(188)</u>	<u>(142)</u>	<u>(119)</u>	<u>(65)</u>
Investing activities					
Business combinations	3	(48)	—	(48)	—
Purchase of property, plant and equipment		(34)	(33)	(54)	(56)
Property insurance proceeds	11	26	—	26	10
Additions of intangible assets		(2)	(2)	(4)	(4)
Other		6	—	6	—
		<u>(52)</u>	<u>(35)</u>	<u>(74)</u>	<u>(50)</u>
Net change in cash and cash equivalents during the period		<u>(16)</u>	<u>—</u>	<u>15</u>	<u>—</u>
Cash and cash equivalents – Beginning of period		<u>81</u>	<u>—</u>	<u>50</u>	<u>—</u>
Cash and cash equivalents – End of period		<u>65</u>	<u>—</u>	<u>65</u>	<u>—</u>

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

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2025 and 2024

1 Description of the business

Stella-Jones Inc. (with its subsidiaries, either individually or collectively, referred to as the “Company”) is a leading North American manufacturer of products focused on supporting infrastructure that are essential to the delivery of electrical distribution and transmission, and the operation and maintenance of railway transportation systems. The Company supplies the continent’s major electrical utilities companies with treated wood and steel utility poles and steel lattice towers, as well as North America’s Class 1, short line and commercial railroad operators with treated wood railway ties and timbers. The Company also supports infrastructure with industrial products, namely timbers for railway bridges, crossings and construction, marine and foundation pilings, and coal tar-based products. Additionally, the Company manufactures and distributes premium treated residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing Canadian customers through its national manufacturing and distribution network. The Company has facilities across Canada and the United States and sells its products primarily in these two countries. The Company’s headquarters are located at 3100 de la Côte-Vertu Blvd., in Saint-Laurent, Quebec, Canada. The Company is incorporated under the Canada Business Corporations Act, and its common shares are listed on the Toronto Stock Exchange (“TSX”) under the stock symbol SJ.

2 Material accounting policies

Basis of presentation

The Company’s condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 6, 2025.

The same accounting policies, methods of computation and presentation have been followed in the preparation of these condensed interim consolidated financial statements as were applied in the annual consolidated financial statements for the year ended December 31, 2024.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2024, which have been prepared in accordance with IFRS Accounting Standards.

Principles of consolidation

The condensed interim consolidated financial statements include the accounts of Stella-Jones Inc. and its controlled subsidiaries. Intercompany transactions and balances between these companies have been eliminated. All consolidated subsidiaries are wholly owned. The significant subsidiaries within the legal structure of the Company are as follows:

Subsidiary	Parent	Country of incorporation
Stella-Jones U.S. Holding Corporation	Stella-Jones Inc.	United States
Stella-Jones Corporation	Stella-Jones U.S. Holding Corporation	United States

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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 annual and condensed interim 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 annual and condensed interim consolidated financial statements.

3 Business combination

On May 7, 2025, the Company completed the acquisition of Locweld Inc. ("Locweld"), a designer and manufacturer of steel lattice transmission towers and steel poles. The total consideration consisted of a purchase price of \$58 million on a debt-free basis, plus a working capital adjustment and a performance-based contingent consideration. The cash outlay was \$48 million, excluding acquisition-related costs of two million dollars, recognized in the condensed interim consolidated statement of income under selling and administrative expenses. With this acquisition, the Company has established a presence in the steel transmission structure market.

As at the reporting date, the Company had not completed the purchase price allocation to the fair value of the identifiable net assets acquired and goodwill. The fair value determination of the assets acquired and

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liabilities assumed was based on Management's best estimates and information known at the time of preparing these condensed interim consolidated financial statements. This fair value determination is expected to be completed within 12 months of the acquisition date and consequently, significant changes could occur mainly with respect to property, plant and equipment, intangible assets and deferred tax liabilities. If new information obtained about facts and circumstances that existed at the date of acquisition identifies adjustments to the below amounts, or any additional provisions that existed at the date of acquisition, the accounting for this acquisition will be revised.

The following is a preliminary summary of the assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date.

(Amounts in millions of Canadian dollars)

Assets Acquired	
Accounts receivable	35
Inventories	16
Other current assets	6
Property, plant and equipment	41
Intangible assets	9
Other non-current assets	1
	108
Liabilities Assumed	
Accounts payable and accrued liabilities	(23)
Income taxes payable	(3)
Long-term debt and notes payable	(22)
Provisions and other long-term liabilities	(7)
Deferred tax liabilities	(8)
Total identifiable net assets acquired	45
Cash outlay at closing	48
Payment of long-term debt and notes payable	(22)
Contingent consideration	5
Deferred consideration	14
Consideration transferred to shareholders	45

The Company agreed to pay an additional consideration to some of the selling shareholders of up to seven million dollars, contingent upon achieving specific financial milestones in a future period. The fair value of the contingent consideration of five million dollars was estimated by calculating the present value of the future expected cash flows. The estimates were based on a discount rate of 10%.

At the acquisition date, the trade receivables comprise gross amounts of \$35 million, which were expected to be collectible.

The Company's valuation of intangible assets has mainly identified customer relationships having a useful life of 10 years. Significant assumptions used in the determination of intangible assets, as defined by Management, include year-over-year sales growth, discount rate and operating income before depreciation and amortization margin.

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In the period from May 7, 2025 to June 30, 2025, the sales and net income of Locweld amounted to \$18 million and three million dollars, respectively.

4 Long-term debt

(Amounts in millions of Canadian dollars)		As at June 30, 2025	As at December 31, 2024
Maturity date			
Unsecured:			
Revolving credit facilities ^(a)	2029-2030	365	295
Term loan facilities			
US\$125, variable rate based on SOFR plus 1.725%	2028	171	180
US\$100, fixed rates ranging from 3.27% to 4.47%, with quarterly amortization payments starting in 2026	2029-2030	137	144
US\$25, fixed rate of 4.52%	2029	34	36
US\$82.8 (as at December 31, 2024 – US\$150), variable rate based on SOFR plus applicable margin	2030-2031	113	216
Senior notes			
\$400, fixed rate of 4.312%	2031	400	400
US\$75, fixed rate of 3.81%	2027	102	108
Other		2	3
		1,324	1,382
Deferred financing costs		(2)	(2)
		1,322	1,380
Less: Current portion of long-term debt		15	1
		1,307	1,379

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 earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio to 3.75 :1.00.

In order to maintain in place the credit facilities and private placement senior notes with certain U.S. investors, the Company needs to comply with customary covenants, reporting requirements and financial ratios. As at June 30, 2025, the Company was in compliance with these covenants, requirements and ratios.

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5 Provisions and other long-term liabilities

(Amounts in millions of Canadian dollars)	As at June 30, 2025	As at December 31, 2024
Site remediation	21	28
Share-based payment liabilities	19	24
Deferred and contingent consideration	26	8
Others	9	1
	75	61
Less: Current portion of provisions and long-term liabilities	39	24
	36	37

6 Share-based payments

In May 2024, the shareholders of the Company approved the Treasury Share Unit Plan ("TSU Plan"), which allows equity awards to be granted to the President and Chief Executive Officer, Senior Vice-Presidents and Vice-Presidents (collectively "Executive Officers") in the form of restricted stock units ("TRSUs") and performance stock units ("TPSUs"), starting in March 2025. The total number of shares reserved for issuance under the TSU Plan and the Stock Option Plan, on a combined basis, is 1,500,000.

The TSU Plan supplements the existing cash-settled Stock Unit Plan ("SUP"). Awards granted under the SUP will remain outstanding and governed by the terms of such plan, but no new awards will be granted to Executive Officers under the SUP. All awards made under the TSU Plan are considered equity-settled arrangements.

The Company's share-based payment plans consist of two categories: equity-settled TRSUs and TPSUs and cash-settled restricted stock units ("RSUs"), performance stock units ("PSUs") and deferred share unit ("DSUs").

Equity-settled TRSUs and TPSUs plan

Under the TSU Plan, TRSUs and TPSUs granted to Executive Officers are settled in shares, either issued from treasury or purchased on the open market, in cash or in a combination thereof, at the discretion of the Company. TPSUs granted vest based on the attainment of performance criteria and market conditions set out pursuant to the TSU Plan. TRSUs vest ratably over a period of three years and TPSUs vest three years after the grant date, subject to the participant's continued employment at time of vesting.

Changes in outstanding TRSUs during the six-month periods ended June 30, are as follows:

	2025	2024
TRSUs outstanding - Beginning of period	—	—
Granted	126,650	—
Forfeited	(3,634)	—
TRSUs outstanding - End of period	123,016	—

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June 30, 2025 and 2024

Changes in outstanding TPSUs during the six-month periods ended June 30, are as follows:

	2025	2024
TPSUs outstanding - Beginning of period	—	—
Granted	68,455	—
Forfeited	(1,964)	—
TPSUs outstanding - End of period	66,491	—

Cash-settled RSUs and PSUs plan

Under the SUP, RSUs and PSUs are granted to eligible participants of the Company. RSUs and PSUs entitle the holders to receive a cash payment equal to the average closing price on the TSX of the Company's common shares for the five trading days preceding the vesting date. PSUs granted vest based on the attainment of performance criteria and market conditions set out pursuant to the SUP. RSUs vest ratably over a period of up to three years and PSUs are paid three years after the grant date, subject to the participant's continued employment at time of vesting.

Changes in outstanding RSUs during the six-month periods ended June 30, are as follows:

	2025	2024
RSUs outstanding - Beginning of period	156,156	129,438
Granted	13,648	118,688
Vested	(78,051)	(66,492)
Forfeited	(2,366)	(1,102)
RSUs outstanding - End of period	89,387	180,532

Changes in outstanding PSUs for the six-month periods ended June 30, are as follows:

	2025	2024
PSUs outstanding - Beginning of period	128,744	97,072
Granted	7,391	59,348
Performance multiplier	36,130	26,543
Vested	(72,260)	(53,086)
Forfeited	(2,783)	(831)
PSUs outstanding - End of period	97,222	129,046

DSUs

DSUs entitle non-executive directors of the Company to receive a minimum participation amount in the form of DSUs and they may elect to participate in the DSU plan for all or a portion of their Board fees.

Such deferred remuneration is converted to DSUs based on the average closing price of the Company's common shares on the TSX of the five trading days immediately preceding the date such awards are granted to the non-executive director. DSUs are settled for cash only after a non-executive director ceases to act as a director.

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Additionally, the Company maintains a supplementary executive retirement plan that permits certain Executive Officers to receive DSUs.

Changes in outstanding DSUs for the six-month periods ended June 30, are as follows:

	2025	2024
DSUs outstanding - Beginning of period	71,457	59,365
Granted	11,341	12,092
DSUs outstanding - End of period	82,798	71,457

7 Capital stock and earnings per share

The following table provides the number of common shares outstanding for the six-month periods ended June 30:

	2025	2024
Number of common shares outstanding – Beginning of period	55,824,953	56,866,712
Common shares repurchased	(489,054)	(432,883)
Stock option exercised	5,000	10,000
Employee share purchase plans	18,874	10,622
Number of common shares outstanding – End of period	55,359,773	56,454,451

a) Capital stock

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

All issued shares are fully paid. The common shares provide for the right to receive notice of, attend and vote at all meetings of shareholders and receive dividends, subject to the prior rights of the preferred shares and any other shares ranking senior to the common shares. To date, the Company has not issued any preferred shares.

During the six-month period ended June 30, 2025, 5,000 ordinary shares were issued as a result of the exercise of options arising from the share options granted in 2015 (June 30, 2024 - 10,000). Options were exercised at the option value price of \$49.01 per share.

b) Normal Course Issuer Bid ("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.

During the six-month period ended June 30, 2025, the Company repurchased for cancellation 489,054 common shares under its NCIB (June 30, 2024 – 432,883 under the NCIB then in effect) for a total consideration of \$35 million (June 30, 2024 – \$35 million), representing an average price of

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\$71.56 per common share (June 30, 2024 – \$80.85). For the six-month period ended June 30, 2025, the Company's capital stock was reduced by one million dollars (as at June 30, 2024 – one million dollars) and the retained earnings decreased by \$34 million (as at June 30, 2024 – \$35 million), including one million dollars of related taxes (as at June 30, 2024 – one million dollars).

c) Employee share purchase plans

The employee share purchase plans were amended in January 2025. The aggregate number of common shares reserved for issuance under the Company's employee share purchase plans remains at 1,300,000. Under the new plans, employees of the Company are eligible to buy common shares from the Company, up to a maximum of 5% of their base annual salary, and the Company contributes an amount equal to 25% of the employee contributions.

d) Earnings per share

The following table provides the reconciliation, as at June 30, between basic earnings per common share and diluted earnings per common share:

(Amounts in millions of Canadian dollars, except per share amounts)	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2025	2024	2025	2024
Net income applicable to common shares	\$106	\$110	\$199	\$187
Weighted average number of common shares outstanding*	55,506	56,585	55,612	56,684
Effect of dilutive stock options and non-vested TRSUs and TPSUs*	29	5	24	6
Weighted average number of diluted common shares outstanding*	55,535	56,590	55,636	56,690
Basic and diluted earnings per common share	\$1.91	\$1.94	\$3.58	\$3.30

* Number is presented in thousands.

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8 Fair value measurement and financial instruments

The following table summarizes the Company's interest rate swap agreements:

					As at June 30, 2025	As at December 31, 2024
(Amounts in millions of Canadian dollars)						
Notional amount	Related debt instrument	Fixed rate	Effective date	Maturity date	Notional equivalent	Notional equivalent
		%			CA\$	CA\$
US\$50	Revolving credit facilities	0.796*	Dec. 2021	Dec. 2026	68	72
US\$125	Term loan facility	1.0769**	July 2021	June 2028	171	180

* Plus applicable margin based on pricing grid included in the revolving credit agreements.

** Plus set margin of 1.725%.

The Company designates its interest rate swap agreements as cash flow hedges of the underlying debt. The cash flow hedge documentation allows the Company to substitute the underlying debt as long as the hedge effectiveness is demonstrated. As at June 30, 2025, all cash flow hedges were effective.

As at June 30, 2025, the fair value of interest swap agreements was \$14 million, recognized as non-current assets in the condensed interim consolidated statement of financial position (December 31, 2024 - \$21 million in the consolidated statement of financial position).

The fair value of these financial instruments has been estimated using the discounted future cash flow method and has been classified as Level 2 in the fair value hierarchy as per IFRS 7, *Financial Instruments: Disclosures*, as it is based mainly on observable market data, namely government bond yields and interest rates.

A description of each level of the hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for these assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial instruments which are not measured at fair value on the statement of financial position are represented by accounts receivable, accounts payable and accrued liabilities and long-term debt. The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The long-term debt has a carrying value of \$1,322 million (December 31, 2024 - \$1,380 million) and a fair value of \$1,319 million (December 31, 2024 - \$1,368 million).

9 Seasonality

The Company's operations follow a seasonal pattern, with utility poles, railway ties and industrial products shipments strongest in the second and third quarters to provide industrial end-users with product for their summer maintenance projects. Residential lumber sales follow the same seasonal pattern. Inventory levels

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of utility poles, railway ties and residential lumber are typically highest in the first quarter in advance of the summer shipping season.

10 Segment information

The Company operates within two business segments which are the production and sale of pressure-treated wood and the procurement and sales of logs and lumber. The reportable segments are managed independently as the operational processes and capital requirements are different.

The pressure-treated wood segment includes utility poles, railway ties, residential lumber and industrial products.

The logs and lumber segment comprises the sales of logs harvested in the course of the Company's procurement process that are determined to be unsuitable for use as utility poles. Also included in this segment is the sale of excess lumber to local home-building markets. Assets and net income related to the logs and lumber segment are nominal.

Operating plants are located in six Canadian provinces and 18 American states. The Company also operates a large procurement and distribution network across North America.

Sales attributed to countries based on location of customer for the six-month periods ended June 30, are as follows:

(Amounts in millions of Canadian dollars)	2025	2024
U.S.	1,369	1,308
Canada	438	516
	1,807	1,824

Sales by product for the six-month periods ended June 30, are as follows:

(Amounts in millions of Canadian dollars)	2025	2024
Utility poles	895	872
Railway ties	448	492
Residential lumber	334	330
Industrial products	85	82
Pressure-treated wood	1,762	1,776
Logs and lumber	45	48
	1,807	1,824

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Property, plant and equipment, right-of-use assets, intangible assets and goodwill attributed to the countries based on location are as follows:

(Amounts in millions of Canadian dollars)	As at	As at
	June 30, 2025	December 31, 2024
Property, plant and equipment		
U.S.	741	765
Canada	328	283
	1,069	1,048
Right-of-use assets		
U.S.	212	236
Canada	69	75
	281	311
Intangible assets		
U.S.	105	115
Canada	62	55
	167	170
Goodwill		
U.S.	365	385
Canada	21	21
	386	406

11 Insurance settlement

During the first quarter of 2025, the Company settled a claim with its insurer related to a fire event in 2023 at its Silver Springs, Nevada manufacturing facility for total proceeds, net of the deductible, of \$53 million (US\$37.5 million).

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

The Company received an advance from the insurance company for this claim of \$10 million (US\$7.5 million) in 2024. The remaining \$43 million (US\$30 million) was received during the three-month period ended June 30, 2025.

12 Subsequent event

On August 6, 2025, the Board of Directors declared a quarterly dividend of \$0.31 per common share payable on September 25, 2025 to shareholders of record at the close of business on September 2, 2025.