BUILDING ON OUR STRONG FUNDAMENTALS

2021
ANNUAL REPORT

Stella-Jones Inc.

BUILDING ON OUR STRONG FUNDAMENTALS

STELLA-JONES INC. (TSX: SJ) is North America's leading producer of pressure-treated wood products. Over 85% of the Company's sales are generated from its three core product categories, namely, utility poles, railway ties and residential lumber.

Stella-Jones Inc.

UTILITY POLES

Supplies all the continent's major electrical utilities and telecommunication companies with wood utility poles.

More on page 13

RAILWAY TIES

Supplies North America's Class 1, short line and commercial railroad operators with railway ties and timbers.

More on page 14

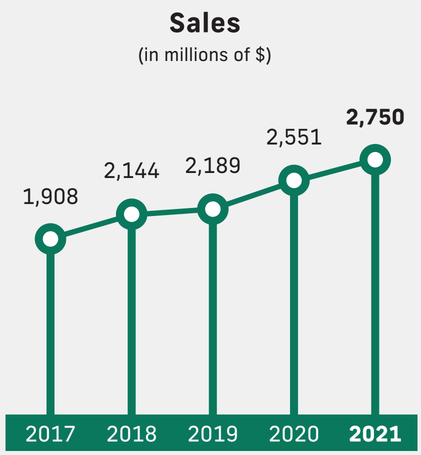
RESIDENTIAL LUMBER

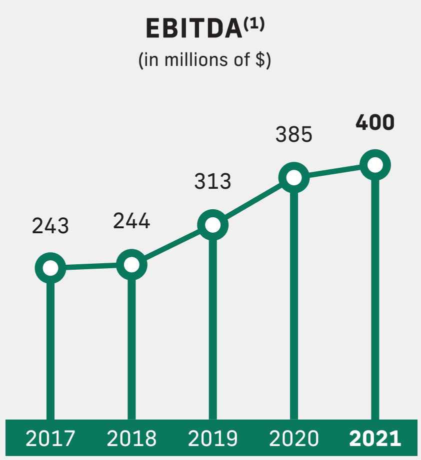
Manufactures and distributes premium residential lumber and accessories to Canadian and American retailers for outdoor applications.

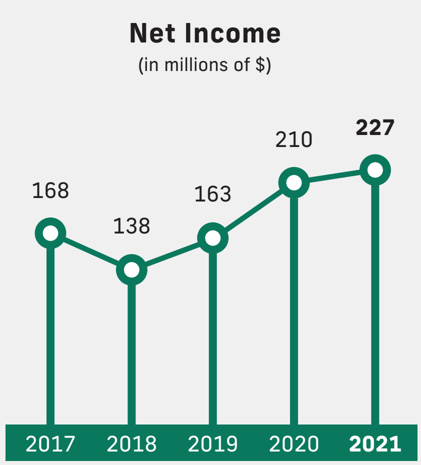
More on page 15

2021 HIGHLIGHTS

Stella-Jones posted record sales and profitability in 2021. The Company benefitted from its strong cash flow and financial flexibility to complete strategic acquisitions and invest in its network, as well as provide a return to shareholders in the form of dividends and share buybacks. The Company ended the year in a healthy financial position.







RECORD RESULTS

- Sales increased 8% to $2.75 billion, the 21st consecutive year of growth
- EBITDA[1] increased to $400 million, driven by organic growth in all product categories
- Net income increased 8% to $227 million
- Earnings per share increased 12% to $3.49

DISCIPLINED CAPITAL ALLOCATION

- $129 million for acquisitions
- $64 million for capital expenditures
- $108 million for share buybacks
- $47 million for dividends

STRONG FINANCIAL POSITION

- Net debt-to-EBITDA[1] ratio of 2.2x
- Available liquidity of $329 million
- Healthy inventory levels to meet anticipated sales growth
- Well-positioned to pursue further growth

MARKET CONDITIONS

- Sustained demand for the Company's utility poles and railway ties products
- Volatile market prices of lumber
- Fibre supply challenges and increasing costs
- Ongoing COVID-19 pandemic

(1) These are non-GAAP and other financial measures which do not have a standardized meaning prescribed by IFRS. Please refer to the non-GAAP and other financial measures section in the management's discussion and analysis.

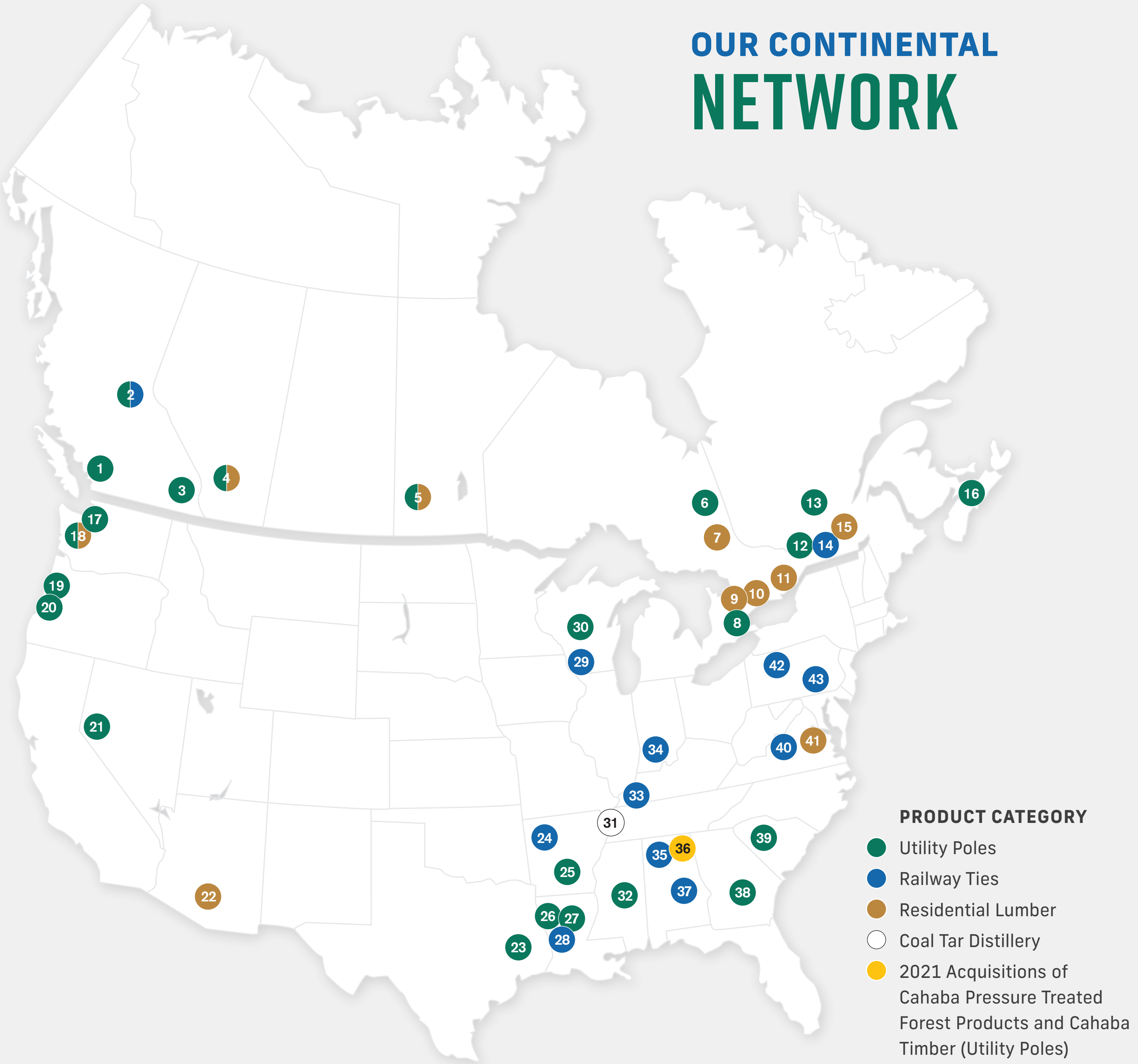
5-YEAR
FINANCIAL HIGHLIGHTS

All amounts expressed in this annual report are in Canadian dollars, except as otherwise specified.

For the years ended December 31	2021	2020	2019	2018[(1)]	2017[(1)]
(millions of Canadian dollars, except per share data and financial ratios)	$	$	$	$	$
OPERATING RESULTS					
Sales	**2,750**	2,551	2,189	2,144	1,908
EBITDA [(3)]	**400**	385	313	244	243
Operating income	**326**	309	242	206	207
Net income	**227**	210	163	138	168
FINANCIAL POSITION					
Working capital [(2)] [(3)]	**1,146**	1,101	1,010	909	779
Total assets	**2,665**	2,426	2,281	2,062	1,786
Long-term debt [(4)]	**734**	606	605	514	456
Lease liabilities [(4)]	**144**	139	118	—	—
Shareholders' equity	**1,448**	1,373	1,288	1,281	1,116
PER SHARE DATA					
Earnings per common share – basic & diluted	**3.49**	3.12	2.37	1.98	2.42
Book value	**22.71**	20.75	19.10	18.50	16.09
Dividend	**0.72**	0.60	0.56	0.48	0.44
FINANCIAL RATIOS					
EBITDA margin [(3)]	**14.5%**	15.1%	14.3%	11.4%	12.7%
Operating income margin [(3)]	**11.9%**	12.1%	11.1%	9.6%	10.8%
Return on average equity [(3)]	**16.1%**	15.8%	12.7%	11.5%	15.7%
Return on capital employed [(3)] [(5)]	**14.3%**	14.0%	11.5%	10.8%	12.5%
Working capital ratio [(2)] [(3)]	**5.74**	6.05	6.55	6.72	7.04
Net debt [(6)] - to total capitalization [(3)]	**0.38:1**	0.35:1	0.36:1	0.29:1	0.29:1
Net debt [(6)] - to EBITDA [(3)]	**2.2x**	1.9x	2.3x	2.1x	1.9x

(1) Comparative figures for 2017-2018 were not restated as permitted by IFRS 16, *Leases*.
(2) Comparative figures have been adjusted to include the current portion of long-term debt, lease liabilities and provisions and other long-term liabilities.
(3) These are non-GAAP and other financial measures which do not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Please refer to the non-GAAP and other financial measures described in the management's discussion and analysis.
(4) Including current portion.
(5) The return on capital employed for 2021 excludes the impact of the Cahaba Pressure Treated Forest Products, Inc. and Cahaba Timber, Inc. acquisitions.
(6) The definition of net debt includes lease liabilities. As IFRS 16, *Leases* was adopted in 2019 without restating comparative periods, the calculations of net debt-to-total capitalization and net-debt-to-EBITDA for the 2017-2018 periods were not restated.

OUR CONTINENTAL NETWORK



1 New Westminster, BC
2 Prince George, BC
3 Galloway, BC
4 Carseland, AB
5 Neepawa, MB
6 Kirkland Lake, ON
7 South River, ON
8 Guelph, ON
9 Shelburne, ON
10 Stouffville, ON
11 Peterborough, ON
12 Gatineau, QC
13 Rivière-Rouge, QC
14 Delson, QC
15 Sorel-Tracy, QC
16 Truro, NS
17 Arlington, WA
18 Tacoma, WA
19 Sheridan, OR
20 Eugene, OR
21 Silver Springs, NV
22 Eloy, AZ
23 Lufkin, TX
24 Russellville, AR
25 Rison, AR
26 Converse, LA
27 Pineville, LA
28 Alexandria, LA
29 Bangor, WI
30 Cameron, WI
31 Memphis, TN
32 Scooba, MS
33 Fulton, KY
34 Winslow, IN
35 Montevallo, AL
36 Brierfield, AL
37 Clanton, AL
38 Cordele, GA
39 Whitmire, SC
40 Goshen, VA
41 Warsaw, VA
42 Dubois, PA
43 McAlisterville, PA

ACCRETIVE ACQUISITIONS
IN INFRASTRUCTURE-RELATED PRODUCT CATEGORY

ACQUISITION

Cahaba Pressure Treated Forest Products, Inc.

DESCRIPTION

- Manufactures, distributes and sells treated and untreated wood poles, crossties and posts and provides custom treating services
- Primarily utilizes oil-borne preservatives including creosote, copper naphthenate and pentachlorophenol at its wood treating facility in Brierfield, Alabama

PRICE PAID

(in millions)

US$66

VALUE

- Expands Stella-Jones' capability and leadership position to supply the needs of North America's utility poles industry
- Adds to the Company's capacity and further supports growth opportunities in its utility poles product category
- Optimizes the overall efficiency of its continental network

ACQUISITION

Cahaba Timber, Inc.

DESCRIPTION

- Well-established producer of treated poles and pilings
- Primarily uses water-borne preservatives including CCA, CCA ET Clear and CCA ET Brown
- Engages in raw material procurement at its treating operations in Brierfield, Alabama

PRICE PAID

(in millions)

US$36

VALUE

- Enhances Stella-Jones' high-quality offerings in the North American wood treating industry
- Expected to yield synergies and be immediately accretive to earnings

ENHANCING
OUR SOUND GOVERNANCE

The responsiveness and agility of the entire Stella-Jones network were in evidence in 2021 as our employees once again delivered profitable growth under exceptionally dynamic circumstances, which included volatile lumber prices, raw material supply challenges and an ongoing pandemic.

Against this backdrop, the Board of Directors focused on several key areas in 2021 to ensure the long-term growth, sustainability and security of the Company: strengthening its Environmental, Social and Governance (ESG) reporting, focusing on cybersecurity and the deployment of a new enterprise resource planning system (ERP) with Audit Committee oversight, elaborating upon qualities of optimal Board composition through an updated diversity policy and a more developed exercise in defining sought after Board member skillsets, and continuing its review of current practices in executive compensation.

STRENGTHENED ESG REPORT

In 2021, Stella-Jones continued its journey of further integrating ESG considerations into its daily operations and strategic decision-making. Our third ESG report, published in November 2021, was prepared by our executive leadership team to reflect and communicate a more matured and developed ESG vision, and was, for the first time, under direct oversight of the Environmental Health and Safety (EH&S) Committee. By reaching out to a wider range of stakeholders as a key component in its development, the Company further refined the declaration of its four key pillars of Environmental Commitment, Product Stewardship, People and Governance Principles and also included performance data referencing both the Global Reporting Initiative and Sustainability Accounting Standards Board criteria. Next steps will involve translating our priorities into a set of more directional goals and targets as Management plans the elaboration of its next ESG report.

DEDICATED AUDIT COMMITTEE OVERSIGHT

The breadth of responsibility for oversight and subject matters covered by the Board's Audit Committee were also expanded this year. Cybersecurity became an increased focus, with our Vice-President, Information Technology providing status reports on IT security initiatives to our Audit Committee on a regular basis and in 2022, at all Audit Committee meetings. To further that endeavour, and at the request of the Audit Committee, Management mandated an independent third party to carry out a cybersecurity maturity assessment of the organization. And, equally important, oversight by the Audit Committee continues regarding the phased-in, Company-wide deployment of a new ERP system.

BOARD COMPOSITION, ADDING A GENDER DIVERSITY TARGET AND SHARING A SKILLS MATRIX

I am proud of our Board composition which includes seasoned executives with various professional skillsets and experience. Recognizing that key competencies and relevant proficiencies are essential for identifying needs and nominating new members, we have added a skills matrix in this year's management proxy circular to better demonstrate our process as well as the depth and breadth of our Board. In addition to varied experience, diversity continues to be a central value. We therefore updated our Board Diversity and Composition Policy to include, amongst others, a stated target that at least 30% of Board members be gender diverse. I am pleased to report that the Stella Jones' Board members are 40% women at the writing of this message.

Committed to Board refreshment, our Board tenure policy necessitates that Ms. Mary Webster exclude herself from nomination at our May 11, 2022 annual shareholder meeting. I would like to take this opportunity to thank Mary for her 15 years of service on the Stella-Jones Board. Her voice as a seasoned Board member with deep first-hand industry knowledge, and her contribution as former Chair of the EH&S Committee, provided sound and trusted guidance, and further solidified the tradition of principled values that have been at the heart of our Board since inception. Douglas Muzyka's appointment as Chair of the EH&S Committee in January 2021 was a timely succession, bringing a PH. D in Chemical Engineering, a broad management background and an in-depth understanding of environmental health and safety management systems.

This brings us to our latest nominee, Ms. Sara O'Brien. With a valued skillset including outstanding credentials in financial literacy with a focus on capital allocation and risk analysis, we are confident that Sara's addition will further benefit the Stella-Jones Board. Her nomination maintains the Board's percentage of women at 40%, comfortably above our gender diverse target of 30%.

REVIEWING EXECUTIVE COMPENSATION

To ensure Stella-Jones offers a competitive compensation package that attracts talented executives and retains its very best, the Board continued to work with an independent advisory firm in 2021. Its mandate involved benchmarking named executive officer compensation at Stella-Jones versus a selected peer group, and an analysis of short-term incentives employed by peers, highlighting ESG metrics and other key indicators used across the market. The Board's Remuneration Committee has recommended several changes to long- and short-term compensation over the past several years and will continue to review its findings and best practices to make recommendations to the larger Board to allow for strong alignment and the development and retention of a highly talented and motivated team to create long-term stakeholder value for the Company.

On behalf of the Board, a heartfelt thank-you to all employees for their efforts and dedication throughout the year as well as our shareholders, customers and suppliers for their continued support.

Katherine A. Lehman
Chair of the Board

BUILDING ON OUR STRONG
FUNDAMENTALS

This past year once again highlighted our many strengths and industry leadership. We increased our sales for a 21st consecutive year to $2.75 billion, with all product categories generating organic growth. Net income improved 8% to $227 million, while EBITDA reached a record high of $400 million. Our infrastructure-related product categories provided stability in a year where record volatility impacted our residential lumber business.

OUR STRONG FUNDAMENTALS

For the last decade, utility poles sales volume has been increasing through acquisitions, organic growth, and accelerated maintenance programs, and we expect to continue to see similar growth over the next several years. Our consistent success is the result of a considerable and coordinated coast to coast effort. While constantly challenged to find the appropriate mix of size, length and wood species, our seasoned procurement team, strengthened by their knowledge of North America's fibre resource, has successfully responded. We also strengthened our position by introducing important innovations, such as our fire-resistant pole wrap, and, as the industry transitions to an alternative preservative solution to pentachlorophenol, Stella-Jones has been at the forefront of the effort to be ready to introduce DCOI, a new preservative option to our customers.

Our team has also led the way through challenges in the railway tie business. The strong demand for hardwoods has reduced the availability of untreated railway ties and has driven costs higher in 2021. Stella-Jones' relationships with over 1,200 sawmills provided steady raw material inflow throughout the year to support the 2022 maintenance programs. Price adjustment mechanisms pre-negotiated in our customer agreements will allow us to recoup higher fibre costs in 2022.

In 2021, our utility poles, railway ties and industrial products businesses represented 64% of our total sales and we expect that to grow to between 75% and 80% over the next three years. Residential lumber accounted for 28% of our sales in the last completed fiscal year and we expect it will represent between 20% and 25% by 2024, which will continue to represent a meaningful dollar increase over pre-pandemic levels.

Despite the volatility in the market price of lumber, our residential lumber business delivered greater year-over-year sales and managed to end the year with the appropriate level and cost of inventory to support 2022 demand, while providing continued support to our customers. Our residential lumber team successfully navigated a complex scenario managing supplier and customer relationships and Company resources.

A SUCCESSFUL STRATEGY

Our strong fundamentals are a result of our well-executed and deliberate strategy of industry consolidation, having completed more than 20 acquisitions over the last 20 years. It has allowed us to broaden our product offerings and capacity, reinforce the strength and reliability of our raw material sourcing, and provide greater service to our growing base of customers. These acquisitions have also helped us assemble a very strong and diversely talented management team.

Our most recent acquisitions, Cahaba Pressure Treated Forest Products and Cahaba Timber, closed in November of 2021. Already integrated into our existing operations, these Alabama treating facilities are operating at full capacity as we respond to the growing treated wood utility pole demand. And, we have continued to generate strong cash flow to fund investments in the business, grow our dividend, and return capital to shareholders. In 2021, we increased our dividend for a 17th consecutive year to $0.72 per share and repurchased shares totaling $108 million, maintaining our consistent track record of rewarding shareholders.

We will continue to pursue accretive acquisitions and invest in network efficiencies and innovation. We are also evaluating strategic opportunities in adjacent infrastructure-related businesses in which we could leverage our core knowledge, extensive network, customer base, fibre sourcing and other competitive strengths, while generating strong and predictable cash flows.

Our ongoing capital investments ensure that our existing facilities are operating efficiently, while adding network capacity and new and expanded capabilities. We continued to invest in our network this past year, including recommissioning our Kirkland Lake, Ontario plant, back into service with key upgrades to meet the growing demand from our utility pole customers. We also acquired an untreated railway tie procurement yard in Tennessee to address fibre procurement challenges and expand our access to several important suppliers to better serve our railway customers.

OUR TEAM

Our success is largely attributable to our stellar team of more than 2,400 devoted employees across North America. Of note this past year, Patrick Kirkham was promoted to Senior Vice-President, Railway Ties, and Steve Larocque was appointed to the newly created role of Vice-President, Information Technology.

While the global pandemic remained a continuing challenge this past year, the critical nature of the work we do meant all our facilities remained operational throughout 2021. We will continue to be diligent for the safety and security of our valued workforce and those we serve.

LOOKING AHEAD

Stella-Jones delivered another strong performance and ended 2021 with a healthy financial position, providing a solid foundation to generate continued profitable growth and enhance value to shareholders. We intend to pursue acquisitions to complement our infrastructure-related product offering while also investing to increase utility pole production capacity to support the expected demand growth. Acknowledging the Company's strong cash flow profile, we plan on returning to shareholders approximately $500 to $600 million over the next three years. Stella-Jones' strategy remains focused on solidifying its leadership position in its core product categories while maintaining our commitment to providing a safe and respectful environment for all employees.

Thank you to all members of the Stella-Jones team for your dedication, perseverance, and hard work. Everyone stepped up and worked together to produce a strong and successful year. I also thank our Board of Directors for its judicious advice, our customers for their loyalty, our suppliers for their collaboration and our shareholders for their ongoing support. We look forward to the year ahead.

Sincerely,

Éric Vachon
President and Chief Executive Officer

ESG
HIGHLIGHTS*

The long-term success of our Company and its continued standing as a responsible corporate citizen involves the integration of ESG considerations into all aspects of our daily operations and strategic decisions. We are committed to maintaining high performance standards in health and safety, environmental compliance, the development of of our workforce, and achieving excellence in governance.

OUR ENVIRONMENTAL COMMITMENT

To reduce the environmental impact of our operations by improving the use and management of natural resources, maximizing manufacturing efficiencies and exhibiting strong governance systems to meet compliance with laws and regulations.

- **Embarking on our Commitment to Fight Climate Change** by initiating climate scenario analysis and working towards Task-Force on Climate-related Financial Disclosures in the coming years
- **Redefined Senior Management Roles** to improve the standardization of our SHIELD program across Canada and the U.S.
- **1.35 MT CO_2e/1000 FT^3** of GHG emissions produced. We commit to setting energy and GHG emissions targets

OUR PRODUCT STEWARDSHIP

Contribute to sustainable forest management and climate change mitigation through carbon sequestration in our products and invest in research and innovation to enhance our product offerings while acting as a leader in our industry.

- **~1.13 million MT CO_2e of GHG emissions** sequestered through our wood treatment process annually
- **154,480 M^3** of wood sustainably harvested through forest tenures in British Columbia and Manitoba
- **Over 80%** of residential lumber sourced from sustainably certified sources
- **99%** of railway ties purchased from small and local businesses[(1)]

(1) Based on U.S. Small Business Administration (SBA) definition of less than 500 employees.

* ESG data covers Stella-Jones' operations in Canada and the United States from 1 January 2020 to 31 December 2020 unless otherwise stated.

OUR LATEST ESG REPORT IS AVAILABLE AT
www.stella-jones.com/en-CA/investor-relations/environmental-social-governance

OUR PEOPLE

Ensure a strong, collaborative, inclusive workplace that empowers employees to achieve professional and personal goals while fostering a culture of safety that prioritizes the well-being of our people.

- **3.1** lost time injury rate, a 16% reduction since 2019
- **18%** employee turnover rate, a 1% decrease from 2019
- **16%** women in the workforce

OUR GOVERNANCE PRINCIPLES

Embody a culture of ethical business practices and integrity through effective corporate communication, transparency, governance and the integration of ESG into our decision-making processes to drive long-term value.

- **9 out of 10** Board members(2) independent from management
- **40%** Women Board members(2) and female Chair of the Board and Audit Committee
- **Formalized** Environmental, Health & Safety Committee Oversight of ESG

(2) Effective January 2021.

PRESSURE TREATED
WOOD PRODUCTS

Stella-Jones Inc. (TSX: SJ) is North America's leading producer of pressure-treated wood products. It supplies all of the continent's major electrical utilities and telecommunication companies with wood utility poles, and North America's Class 1, short line and commercial railroad operators with railway ties and timbers. Stella-Jones also provides industrial products, which include wood for railway bridges and crossings, marine and foundation pilings, construction timbers and coal tar-based products. Approximately 70%-75% of the Company's sales are typically derived from these infrastructure-based product categories. Additionally, the Company manufactures and distributes premium residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing the Canadian market through its national manufacturing and distribution network. Stella-Jones' common shares are listed on the Toronto Stock Exchange.

UTILITY POLES

Providing over one million pressure-treated wood utility poles per year to replace, upgrade and develop new electrical utility and telecommunications lines.

In 2021, sales rose to $925 million from $888 million last year. Excluding the contribution from acquisitions and the negative currency conversion effect, sales increased 9%, driven by strong maintenance demand for distribution poles, favourable price adjustments in response to raw material cost increases and a better sales mix, including the impact of additional fire-resistant wrapped pole sales volumes. This growth was partially offset by less project-related volumes.

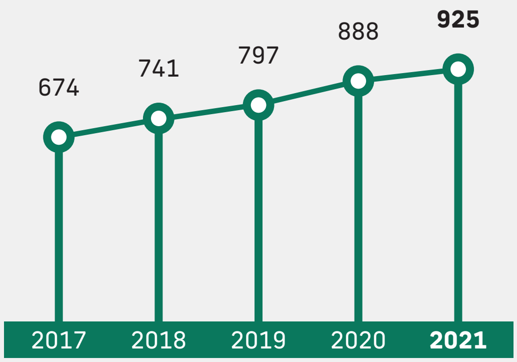
Sales growth in the utility poles category is expected to be in the high single-digits for each of the next three years driven by increased maintenance demand and the sale of fire-resistant wrapped poles, but could also benefit from the expansion of the broadband network and investments to allow for more electric vehicles.

Percentage of Sales	Organic Growth
34%	▲ +9%

2021 Sales

5-year Sales

(in millions of $)

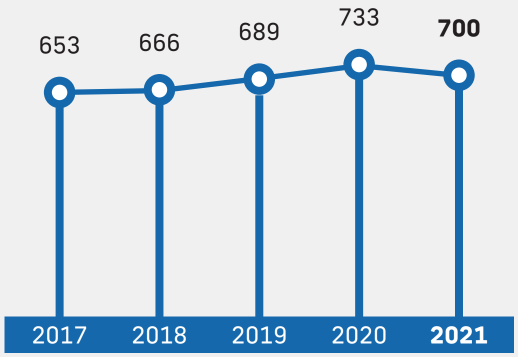


RAILWAY TIES

2021 Sales

5-year Sales

(in millions of $)



Supplying the continent's demand for railway ties and timber with over 10 million pressure-treated wooden crossties per year, playing a key role in the development, upgrade and maintenance of North America's railroad infrastructure.

In 2021, sales reached $700 million, down from $733 million last year. Organically, railway ties sales increased 2%, largely attributable to higher non-Class 1 sales as continued strong demand outweighed the pricing pressures in the first half of the year. Sales for Class 1 customers remained relatively stable year-over-year.

Sales are expected to continue to grow in the low single-digits over the next three years driven by sustained maintenance and replacement demand.

Percentage of Sales	Organic Growth
25%	▲ +2%

RESIDENTIAL LUMBER

Supplying hundreds of millions of board feet of treated wood to the residential lumber market, providing a seamless, end-to-end service.

In 2021, sales increased significantly to $773 million from $665 million last year. Residential lumber's organic sales growth of 19% was driven by the exceptional rise in the market price of lumber during the first half of the year. This increase was partially offset by lower sales volumes attributable to softer consumer demand.

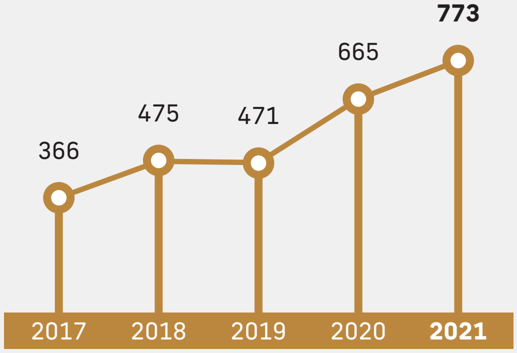
Sales are expected to continue to benefit from sustainable long-term demand, but normalize above pre-pandemic levels over the next three years following the unprecedented rise in the market price of lumber in 2021.

Percentage of Sales	Organic Growth
28%	▲ +19%

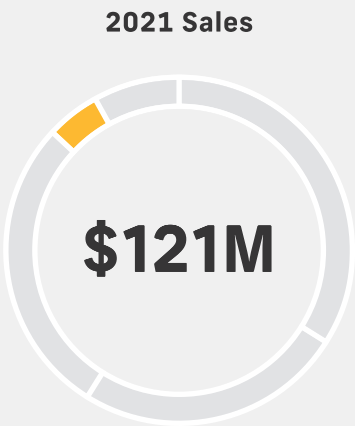
2021 Sales

5-year Sales

(in millions of $)



INDUSTRIAL PRODUCTS



Providing pressure-treated wood products to the industrial, marine and civic sectors for outdoor applications, including railway bridges and crossings, marine and foundation pilings, and construction timbers, offered in a variety of select wood species and preservatives.

In 2021, sales were relatively unchanged at $121 million compared to $119 million in 2020. Excluding the negative currency conversion effect, industrial product sales increased 8% organically, largely due to more timber and piling projects, offset in part by lower project-related bridge and crossing sales.

Percentage of Sales	Organic Growth
5%	▲ +8%

LOGS & LUMBER

This product category is an activity used to optimize procurement. It does not generate any significant margin and is fairly tied to the price of lumber.

In 2021, sales increased significantly to $231 million from $146 million last year due to the rise in the market price of lumber.

Percentage of Sales

8%

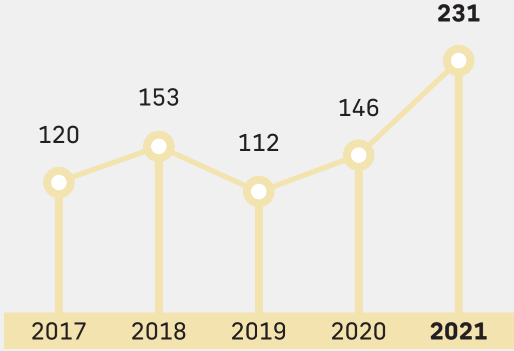
Organic Growth

▲ +60%

2021 Sales

5-year Sales

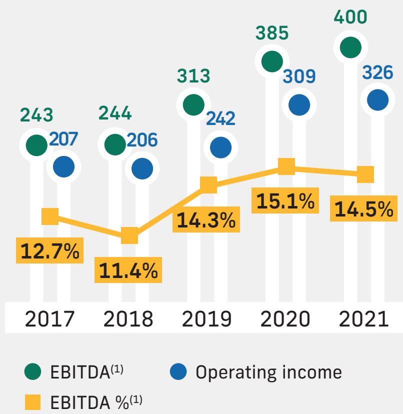
(in millions of $)



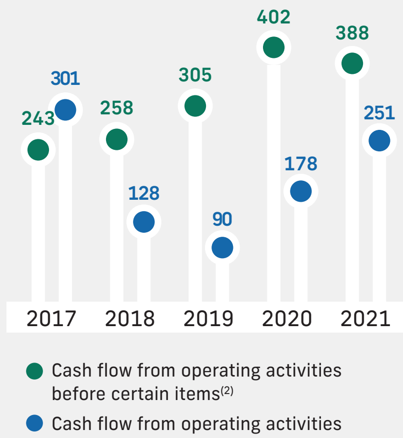
RECORD RESULTS
IN 2021

Sales
(in millions of $)

EBITDA, Operating Income & EBITDA %
(in millions of $, except margin)



Cash flow from operating activities
(in millions of $)



Sales increased for the 21st consecutive year to reach $2.75 billion in 2021.

Organic growth in pressure-treated wood sales of 10% was driven by growth in all product categories. Utility poles benefited from volume and pricing gains, railway ties sales growth stemmed from volume gains which outweighed the pricing headwinds in the first half of the year, and residential lumber benefited from the unprecedented high market prices of lumber during the first half of the year.

Sales of logs and lumber increased by close to 60% to $231 million, largely due to the unprecedented rise in the market price of lumber during the first half of 2021.

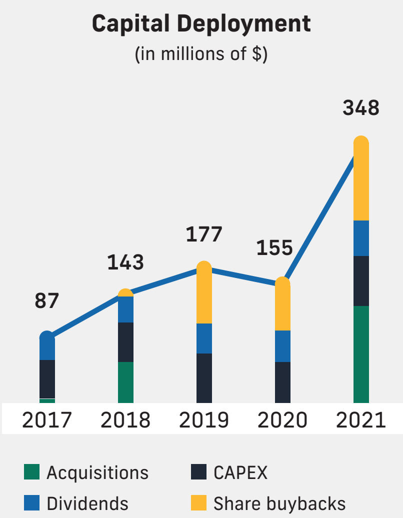
EBITDA(1) for 2021 was a record $400 million, up from $385 million last year. Operating income totalled $326 million, up 6% from $309 million in 2020. This growth was driven by the rise in sales prices for residential lumber, which exceeded the higher cost of lumber, as well as improved pricing, sales mix and volumes for utility poles, partially offset by a decrease in residential lumber demand, lower railway ties pricing and the unfavourable impact of the depreciation of the U.S. dollar.

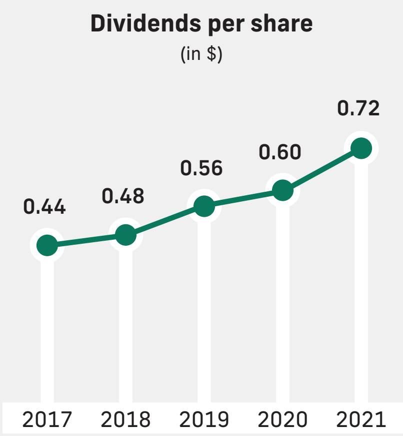
The decrease in EBITDA margin(1) for 2021 to 14.5% from 15.1% last year is largely explained by higher costs which outpaced sales price increases due to the time lag in contractual price adjustments.

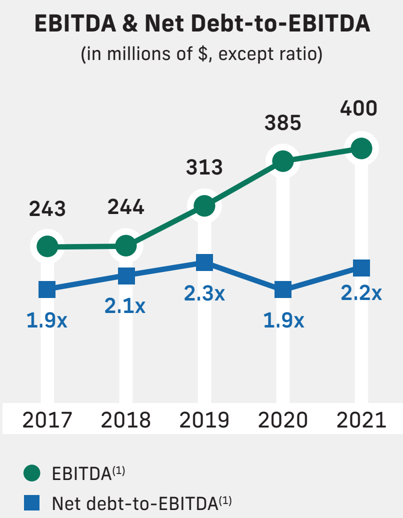
In 2021, Stella-Jones generated $388 million of cash flow from operating activities before non-cash working capital components and interest and income taxes paid, compared to $402 million last year.

The increase in cash flow from operating activities to $251 million in 2021, compared to $178 million in 2020 primarily reflected favourable movements in non-cash working capital, largely stemming from a decrease in railway ties inventory due to a tighter fibre supply market.

(1) These are non-GAAP and other financial measures which do not have a standardized meaning prescribed by IFRS. Please refer to the non-GAAP and other financial measures section in the management's discussion and analysis.
(2) Changes in non-cash working capital components, and interest and income taxes paid.







Stella-Jones' capital allocation approach remains focused on balancing growth investments and the return of capital to shareholders, while maintaining a prudent level of leverage. During the year, the Company acquired Cahaba Pressure Treated Forest Products and Cahaba Timber for a combined total of $129 million and invested $64 million in capital expenditures. It also returned capital to shareholders with dividends of $47 million and share repurchases for $108 million under its Normal Course Issuer Bids.

Subsequent to year-end, the Company received Toronto Stock Exchange approval to amend its Normal Course Issuer Bid and increase the maximum number of shares that may be repurchased from 4,000,000 to 5,000,000 common shares.

Stella-Jones has increased its dividend for each of the past 17 years. In 2021, the dividend increased 20% to $0.72 per share, representing a dividend yield of 1.8%. The payout ratio was 23% of prior year's EPS, in line with the disclosed target of maintaining a sustainable dividend payout in the range of 20% to 30% of the prior year's EPS. On March 9, 2022, the Company announced an increase of its quarterly dividend by 11% to $0.20 per share, continuing its trend of growth.

Stella-Jones concluded 2021 with a net debt-to-EBITDA[1] ratio of 2.2x and available liquidity of $329 million, providing the Company ample opportunity to pursue growth and create value for shareholders.

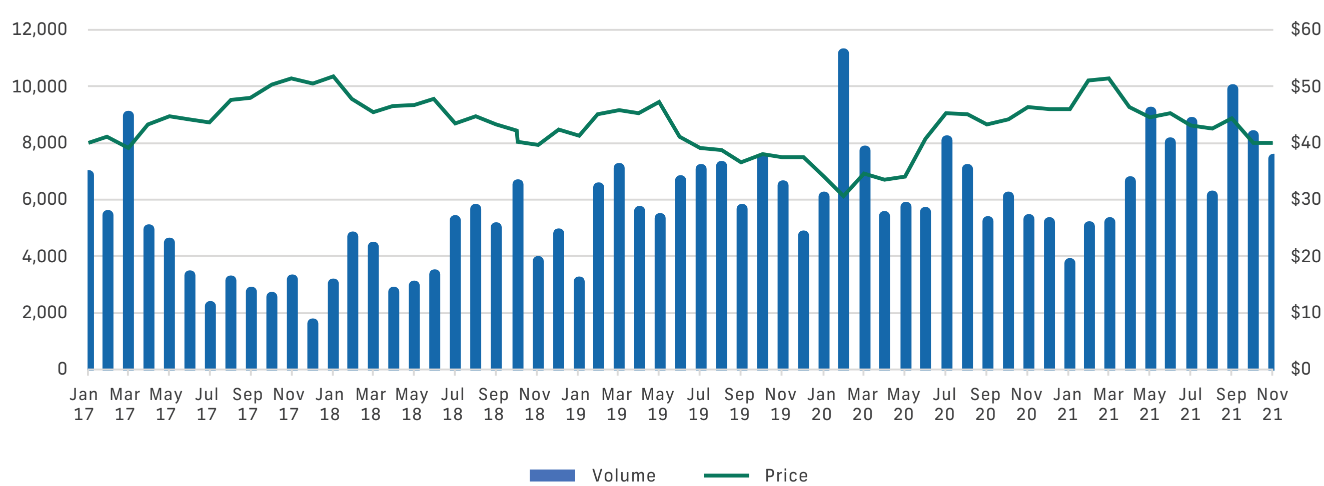
[1] These are non-GAAP and other financial measures which do not have a standardized meaning prescribed by IFRS. Please refer to the non-GAAP and other financial measures section in the management's discussion and analysis. Net debt-to-EBITDA calculations for 2017 and 2018 were not restated, as IFRS 16, *Leases* was adopted without restating comparative periods.

SHARE
INFORMATION

For the years ended December 31	2021	2020	2019	2018	2017
(unaudited)	$	$	$	$	$
TRADING DATA ON COMMON SHARES					
52-week high ($)	**54.09**	47.37	48.28	52.22	51.41
52-week low ($)	**38.58**	23.34	36.00	37.40	38.30
Closing ($)	**40.01**	46.28	37.52	39.61	50.50
Total volume	**83,505,809**	78,372,759	73,030,074	53,908,544	49,339,093
Average daily volume	**332,692**	312,242	290,956	214,775	196,570
OTHER STATISTICS					
Dividends on common shares (in millions $)	**47**	40	39	33	31
Dividends per share ($)	**0.72**	0.60	0.56	0.48	0.44
Dividend yield (%)	**1.8%**	1.3%	1.5%	1.2%	0.9%
Average number of shares outstanding (000's)	**65,002**	67,260	68,761	69,352	69,324
Average number of diluted shares outstanding (000's)	**65,002**	67,264	68,768	69,360	69,333
Shares outstanding at year end (000's)	**63,773**	66,187	67,467	69,268	69,342
Public float (000's)	**56,051**	50,837	52,659	61,718	47,769
Market capitalization (in millions $)	**2,552**	3,063	2,531	2,744	3,502
Enterprise value [1] (in millions $)	**3,286**	3,669	3,136	3,257	3,957

[1] Enterprise value is defined as market capitalization plus long-term debt, including the current portion.

CLOSING SHARE PRICE AND VOLUME



MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

(expressed in millions of Canadian dollars)

MANAGEMENT'S DISCUSSION & ANALYSIS

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 March 8, 2022. The MD&A provides a review of the significant developments, results of operations, financial position and cash flows of the Company during the year ended December 31, 2021 compared with the year ended December 31, 2020. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2021 and 2020 and the notes thereto.

This MD&A contains statements that are forward-looking in nature. Forward-looking statements include, without limitation, the financial guidance and other statements contained in the Outlook section below, which are provided for the purpose of assisting the reader in understanding the Company's financial position, results of operations and cash flows and management's current expectations and plans (and may not be appropriate for other purposes). Such statements are based upon a number of assumptions and involve known and unknown risks and uncertainties that may cause the actual results of the Company to be materially different from those expressed or implied by such forward-looking statements. Such items include, among others: general economic and business conditions (including the impact of the coronavirus [COVID-19] pandemic), evolution in customer demand for the Company's products and services, product selling prices, availability and cost of raw materials, changes in foreign currency rates, the ability of the Company to raise capital and factors and assumptions referenced herein and in the Company's continuous disclosure filings. Unless required to do so under applicable securities legislation, the Company's management does not assume any obligation to update or revise forward-looking statements to reflect new information, future events or other changes after the date hereof.

The Company's 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") and Chartered Professional Accountants ("CPA Canada") Handbook Accounting - Part I. All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

This MD&A also contains non-GAAP and other financial measures which are not prescribed by IFRS and are not likely to be comparable to similar measures 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 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 web site at www.sedar.com. Press releases and other information are also available in the Investor Relations section of the Company's web site at www.stella-jones.com.

OUR BUSINESS

Stella-Jones is North America's leading producer of pressure-treated wood products. It supplies all the continent's major electrical utilities and telecommunication companies with wood utility poles and North America's Class 1, short line and commercial railroad operators with railway ties and timbers. Stella-Jones also provides industrial products, which include wood for railway bridges and crossings, marine and foundation pilings, construction timbers and coal tar-based products. Approximately 70%-75% of the Company's sales are typically derived from these infrastructure-related product categories.

Additionally, the Company manufactures and distributes premium residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing the Canadian market through its national manufacturing and distribution network.

Stella-Jones has been successfully executing a strategy of consolidation in the pressure-treated wood products industry, having completed more than 20 acquisitions since 2003. These acquisitions have allowed the Company 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. The 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 is a proven consolidator with a track record of generating growth, organically and through acquisitions, and delivering solid results. This has set the foundation for a strong cash flow generating business, enabling the Company to continually reinvest in the business and return capital to shareholders through a steadily increasing dividend and share repurchases.

The Company operates 42 wood treating plants, 12 pole peeling facilities and a coal tar distillery. These facilities are located across Canada and the U.S. and are complemented by an extensive distribution network. At the end of 2021, the Company's workforce numbered approximately 2,400 employees.

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

OUR MISSION

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

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

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

OUR STRATEGY

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

The Company is committed to integrating 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.

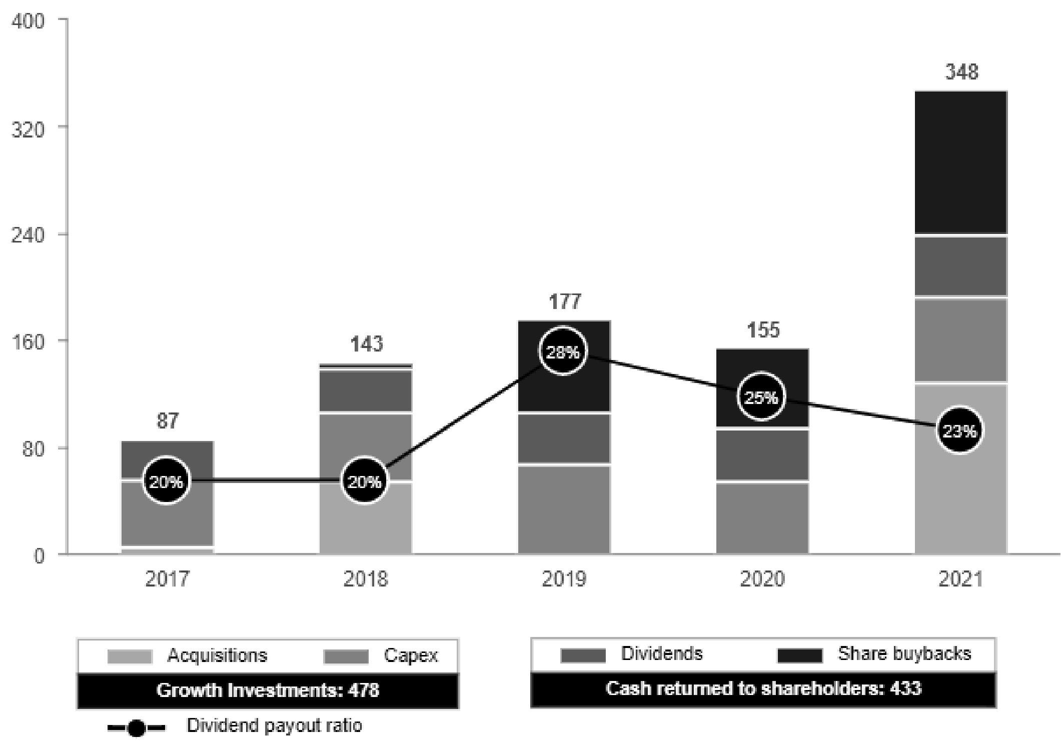
The Company's current strategy is to:

- Continue to invest between $50 and $60 million annually in capital expenditures to maintain the quality of its assets, ensure the safety of its employees and pursue environmental and sustainability initiatives, as well as supporting organic growth and productivity;
- Expand the capital expenditure program and invest an additional $90 to $100 million over the 2022 to 2024 period to support the anticipated high single-digit growth in its utility poles product category;
- 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;
- 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 2017 is summarized below:

(in millions of $, except %)



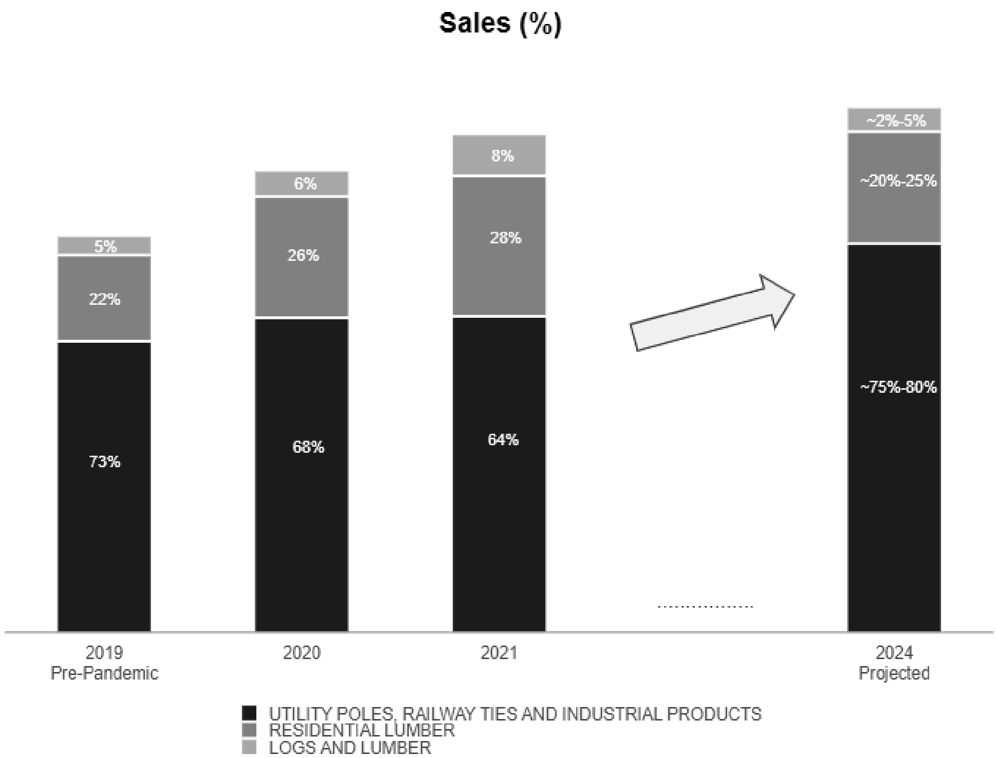
OUTLOOK

Stella-Jones' sales are primarily to critical infrastructure-related businesses. While all product categories can be impacted by short-term fluctuations, the business is mostly based on replacement and maintenance driven requirements, which are rooted in long-term planning. Corresponding to this longer-term horizon and to better reflect the expected sales run-rate for residential lumber and reduce the shorter-term impact of commodity prices, the Company is shifting its guidance to a three-year outlook.

Maintaining sales and EBITDA growth:

The Company expects to generate an annual sales growth rate in the mid-single digit range from the 2019 pre-pandemic levels and continues to target EBITDA margin(1) of approximately 15% for the 2022-2024 period.

Over the next three years, the Company is forecasting continued growth in its infrastructure-related businesses, namely, utility poles, railway ties and industrial products. It expects to fully leverage its added capacity from its most recent acquisitions, Cahaba Pressure Treated Forest Products, Inc. and Cahaba Timber, Inc. and planned additional capital investments to respond to the growing demand of its infrastructure-related customer base. With the anticipated normalization of the market price of lumber and expected growth in its infrastructure-related businesses, the relative proportion of residential lumber sales is expected to stabilize to 20-25% by 2024.

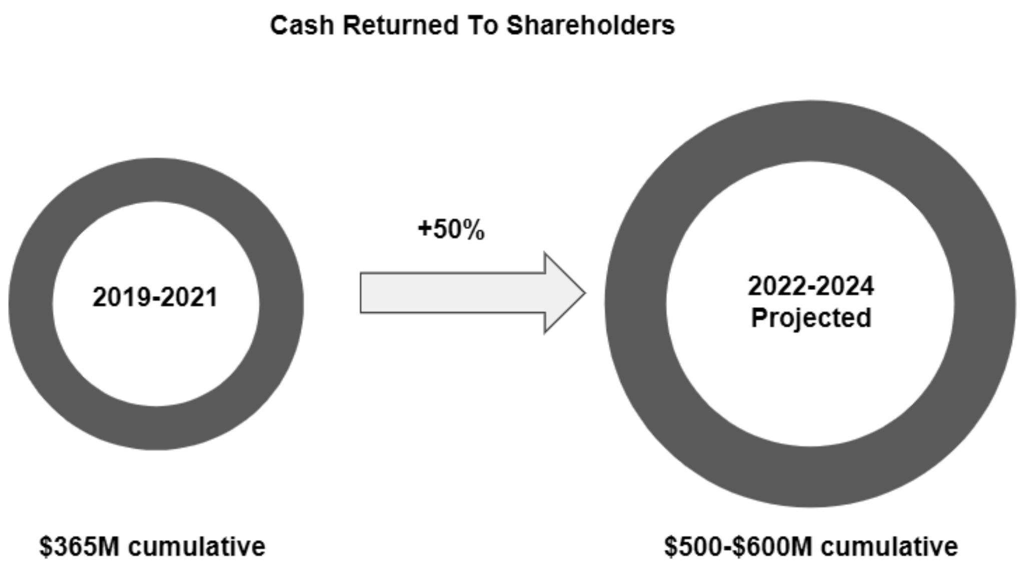


(1) This is a non-GAAP ratio which is not prescribed by IFRS and is not likely to be comparable to similar measures presented by other issuers. Refer to the section entitled "Non-GAAP and Other Financial Measures" of this MD&A for an explanation of the non-GAAP and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

The Company intends to pursue acquisitions that further support growth in its infrastructure-related product categories. Stella-Jones is also evaluating growth opportunities in adjacent businesses where it can leverage its core knowledge and key attributes to generate continued strong cash flow, allowing the Company to reinvest in its business, pursue acquisitions and return capital to shareholders.

Leveraging our strong cash flow profile:

Based on its current three-year outlook, the Company expects to return to shareholders approximately $500 to $600 million in the 2022-2024 period. For strategic acquisitions, the Company anticipates increasing leverage to finance such opportunities. As per its capital allocation strategy, the Company targets a leverage ratio of 2.0x-2.5x and may temporarily deviate and exceed its target to pursue acquisitions.



Product Categories

Utility Poles

In the utility poles business, the Company expects infrastructure investments from utilities over the next several years will drive demand and profitability from higher volumes and pricing. Organic growth is expected from increased maintenance demand and the sale of fire-resistant wrapped poles, but could also benefit from the expansion of broadband networks, and other investments to meet increased demand and use of electric vehicles. The Company projects organic growth in the utility poles product category in the high single-digits for each of the next three years.

With the termination of global production of Pentachlorophenol (“Penta”) by the sole producer in December of 2021, Stella-Jones has been at the forefront in transitioning to an alternative preservative solution, consulting with customers on available alternatives. The Company is cooperating closely with a skilled supplier to introduce DCOI, an oil borne preservative for utility poles, while in parallel, utilizing its remaining supply of Penta. Stella-Jones is set to make all required capital investments necessary to convert its facilities to alternative preservatives in order to lead this transition.

Railway Ties

In the Company’s railway ties business, sustained maintenance and replacement demand will contribute to improved profitability over the next 36 months. The strength of the Company’s procurement network, including a recent investment in a procurement yard, will enable the Company to continue to meet its customer needs.

Focused on asset efficiencies, the Company will continue to upgrade its operational assets by leveraging technological improvements to automate processes in its business. The Company has recently invested in robotic stackers at several of its railway tie treatment plants and developed automated tie pre-plating at facilities in its network leading to increased efficiencies and a near elimination of related injuries.

The Company is expecting growth in the railway ties category in the low single digits for each of the next three years.

Residential Lumber

Stella-Jones has established trusted relationships with leading residential lumber retailers that span North America. This, coupled with the expected growth in new home construction and home renovations, should provide the Company with stable long-term demand for its residential lumber product category.

Following the unprecedented rise in the market price of lumber in 2021, the Company believes lumber prices will normalize over the next three years. As a result, the Company expects its residential lumber sales to decrease compared to 2021 and assumes sales in the 2022-2024 period will be approximately 35% above the 2019 pre-pandemic levels.

Other Assumptions

The Company has made a number of economic and market assumptions in preparing its three-year financial guidance and providing the forward-looking statements contained herein.

These assumptions include, but are not limited to the following:

- No significant reduction in the maintenance programs of major railway ties and utility poles customers;
- No major disruption in the Company's manufacturing operations, supply chain and distribution networks;
- Canadian dollar will trade, on average, at approximately C$1.25 per U.S. dollar, with sales in the U.S. continuing to be close to 70% of total sales;
- Impacts of potential acquisitions are not included.

This outlook is fully qualified by the forward-looking statements described in this MD&A.

COVID-19 PANDEMIC

Critical to the integrity of the supply chain for utility, railroad and the construction industries, all of Stella-Jones' North American facilities have remained operational during the COVID-19 pandemic. The Company continues to reinforce measures to mitigate health risks to its employees, business partners and communities where it operates and to prevent disruptions. Please refer to the "Risks and Uncertainties" section for further details.

HIGHLIGHTS

Business Acquisitions

On November 19, 2021, the Company completed the acquisitions of Cahaba Pressure Treated Forest Products, Inc. ("Cahaba Pressure") and Cahaba Timber, Inc. ("Cahaba Timber") for a combined total purchase price of $129 million (US$102 million). Cahaba Pressure manufactures, distributes and sells treated and untreated wood poles, crossties and posts and provides custom treating services. Cahaba Timber is a producer of treated poles and pilings and engages in raw material procurement. The wood treating facilities are located in Brierfield, Alabama and were acquired for synergistic reasons.

The cash outlay associated with these acquisitions was $129 million (US$102 million), excluding acquisition-related costs of less than a million dollars recognized in the consolidated statement of income under selling and administrative expenses. The Company financed these acquisitions through its existing credit facilities.

Overview of 2021

Sales in 2021 were up 8% to $2,750 million, compared to $2,551 million last year, despite a $127 million negative impact from currency conversion. Excluding the impact of the currency conversion and the contribution from the acquisitions, pressure-treated wood sales rose by $232 million and sales of logs and lumber increased by $88 million. The increase in pressure-treated wood sales was driven by organic growth across all the Company's product categories. Residential lumber benefited from the unprecedented high market prices of lumber during the first half of the year which more than offset lower demand. Utility poles benefited from increased volumes, upward price adjustments and an improved sales mix, while railway ties sales growth stemmed from volume gains which outweighed the pricing headwinds in the first half of the year. The rise in market lumber prices during the year also explains the increase in sales of the logs and lumber product category. Driven by the sales growth, EBITDA[1] increased to $400 million, up from $385 million last year. Given, however, the rise in costs, EBITDA margin[1] decreased to 14.5% compared to a margin of 15.1% in the prior year. In 2021, the basic and diluted earnings per share increased by 12%, to $3.49 from $3.12 in 2020.

During the year ended December 31, 2021, Stella-Jones generated cash from operations of $251 million and used its operating cashflows to invest in capital expenditures and return $155 million of capital to shareholders through share buybacks and the payment of dividends. In 2021, the dividend paid amounted to $0.72 per share, representing a 20% increase year-over-year. As at December 31, 2021, the Company maintained a healthy financial position with a net debt-to-EBITDA ratio[1] of 2.2x.

[1] These are non-GAAP and other financial measures which are not prescribed by IFRS and are not likely to be comparable to similar measures 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 and other financial measures used and presented by the Company and a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures.

Financial Highlights

Selected Key Indicators (in millions of dollars except margins and earnings per share ("EPS"))	**2021**	**2020**	**2019**
Operating results			
Sales	2,750	2,551	2,189
Gross profit[(1)]	456	446	358
EBITDA[(1)]	400	385	313
Operating income	326	309	242
Net income	227	210	163
EPS – basic & diluted	3.49	3.12	2.37
Cash Flows from (used in)			
Operating activities	251	178	90
Financing activities	(58)	(124)	(24)
Investing activities	(193)	(54)	(66)
Financial position			
Current assets	1,388	1,319	1,192
Inventories	1,106	1,075	971
Total assets	2,665	2,426	2,281
Long-term debt[(2)]	734	606	605
Lease liabilities[(2)]	144	139	118
Total liabilities	1,217	1,053	993
Shareholders' equity	1,448	1,373	1,288
Key Performance Indicators			
Gross profit margin[(1)]	16.6%	17.5%	16.4%
EBITDA margin[(1)]	14.5%	15.1%	14.3%
Operating income margin[(1)]	11.9%	12.1%	11.1%
Return on average equity[(1)]	16.1%	15.8%	12.7%
Return on capital employed[(1)(3)]	14.3%	14.0%	11.5%
Working capital ratio[(1) (4)]	5.74	6.05	6.55
Net debt-to-total capitalization[(1)]	0.38:1	0.35:1	0.36:1
Net debt-to-EBITDA[(1)]	2.2x	1.9x	2.3x
Dividend per share	0.72	0.60	0.56

(1) These are non-GAAP and other financial measures which do not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers.

(2) Including current portion.

(3) The return on capital employed for 2021 excludes the impact of the Cahaba Pressure and Cahaba Timber acquisitions.

(4) Prior period ratios have been adjusted to include the current portion of long-term debt, lease liabilities and provisions and other long-term liabilities.

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).

Non-GAAP financial measures include:
- **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**: The difference between total assets and current liabilities
- **Working capital**: Current assets less current liabilities
- **Net debt:** Sum of long-term debt and lease liabilities (including the current portion)

Non-GAAP ratios include:
- **Gross profit margin**: Gross profit divided by sales for the corresponding period
- **EBITDA margin**: EBITDA divided by sales for the corresponding period
- **Return on capital employed**: Operating income divided by 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 EBITDA

Other specified financial measures include:
- **Operating income margin**: Operating income divided by sales for the corresponding period
- **Return on average equity**: Net income divided by the average shareholders' equity
- **Working capital ratio**: Current assets divided by current liabilities

Management considers these non-GAAP and other financial measures to be useful information to assist knowledgeable investors to understand the Company's operating results, financial position and cash flows as they provide a supplemental measure of its performance. Management uses non-GAAP 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. Management uses net debt to calculate the Company's indebtedness level, future cash needs and financial leverage ratios.

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,**		
	2021	**2020**	**2021**	**2020**	**2019**
Operating income	32	50	326	309	242
Depreciation and amortization	20	20	74	76	71
EBITDA	52	70	400	385	313

Reconciliation of Long-Term Debt to Net Debt (in millions of dollars)	**Years ended December 31,**		
	2021	**2020**	**2019**
Long-term debt, including current portion	734	606	605
Add:			
Lease liabilities, including current portion	144	139	118
Net Debt	878	745	723
EBITDA	400	385	313
Net Debt-to-EBITDA	2.2	1.9	2.3

Reconciliation of Working Capital & Capital Employed (in millions of dollars)	**Years ended December 31,**		
	2021	**2020**	**2019**
Current Assets	1,388	1,319	1,192
Less:			
Current Liabilities	242	218	182
Working Capital	1,146	1,101	1,010
Add:			
Non-current assets	1,277	1,107	1,089
Capital employed	2,423	2,208	2,099
Capital employed - excluding the impact of Cahaba Pressure and Cahaba Timber	2,275	2,208	2,099

FOREIGN EXCHANGE

The table below shows average and closing exchange rates applicable to Stella-Jones' quarters for the years 2021 and 2020. Average rates are used to translate sales and expenses for the periods mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities of the Canadian operations denominated in U.S. dollars.

US$/Cdn$ rate	**2021**		**2020**	
	Average	**Closing**	**Average**	**Closing**
First Quarter	1.27	1.26	1.34	1.42
Second Quarter	1.23	1.24	1.39	1.36
Third Quarter	1.26	1.27	1.33	1.33
Fourth Quarter	1.26	1.27	1.30	1.27
Fiscal Year	1.25	1.27	1.34	1.27

- Average rate: The depreciation of the value of the U.S. dollar relative to the Canadian dollar during 2021 compared to 2020 resulted in a negative impact on sales and a favourable impact on cost of sales.

- Closing rate: The value of the U.S. dollar relative to the Canadian dollar was relatively unchanged as at December 31, 2021, compared to December 31, 2020. As a result, the impact on the value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars was not significant.

OPERATING RESULTS

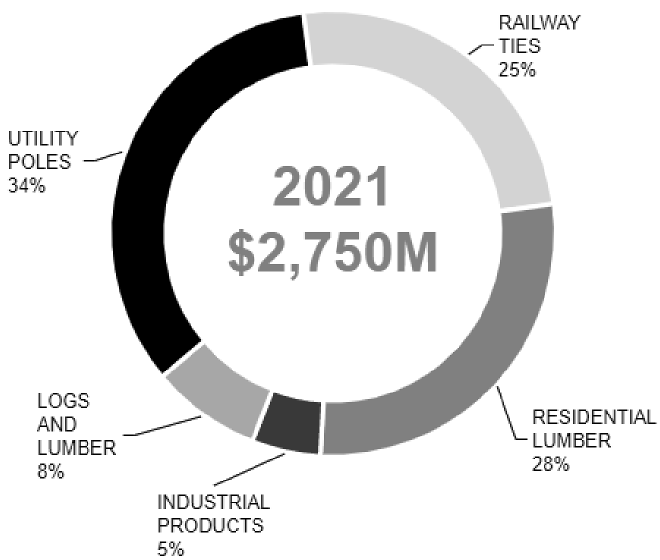
Sales

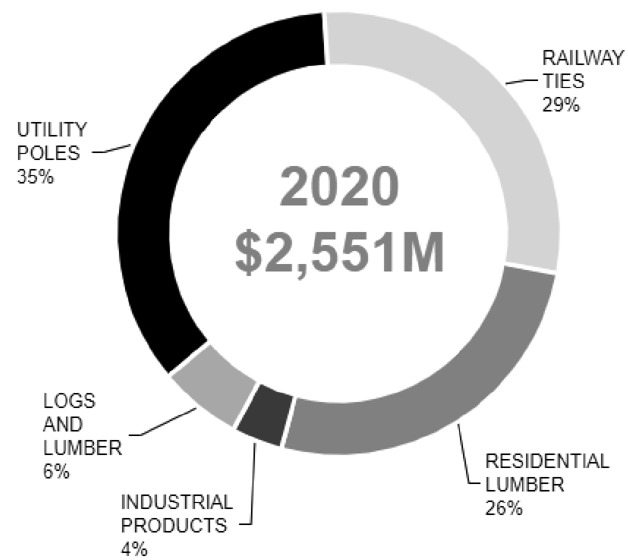
Sales for the year ended December 31, 2021 reached $2,750 million, up $199 million, versus sales of $2,551 million in 2020. Excluding the contribution from the Cahaba Pressure and Cahaba Timber acquisitions of six million and the negative impact of the currency conversion of $124 million, pressure-treated wood sales rose $232 million, or 10%, primarily driven by higher pricing for residential lumber, which more than offset the decrease in demand, as well as pricing and volume gains and a better sales mix for utility poles, and stronger railway ties sales from non-

Class 1 business, as detailed below. The increase in logs and lumber sales stems from the market-driven lumber pricing gains during the first six months of the year.

Sales (in millions of dollars, except percentages)	**Utility Poles**	**Railway Ties**	**Residential Lumber**	**Industrial Products**	**Total Pressure-Treated Wood**	**Logs & Lumber**	**Consolidated Sales**
2020	**888**	**733**	**665**	**119**	**2,405**	**146**	**2,551**
Acquisitions	6	—	—	—	**6**	—	**6**
FX impact	(52)	(46)	(19)	(7)	**(124)**	(3)	**(127)**
Organic growth	83	13	127	9	**232**	88	**320**
2021	**925**	**700**	**773**	**121**	**2,519**	**231**	**2,750**
Organic growth %	9%	2%	19%	8%	**10%**	60%	**13%**

Sales by Product Category
(% of sales)

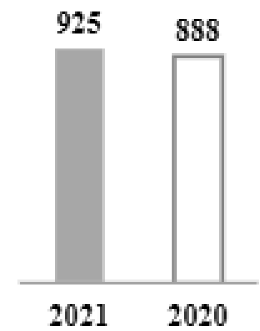




Utility poles

Utility poles sales increased to $925 million in 2021, compared to sales of $888 million in 2020. Excluding the contribution from the acquisition of Cahaba Pressure and Cahaba Timber in November 2021 and the currency conversion effect, utility poles sales increased by $83 million, or 9%, driven by strong maintenance demand for distribution poles, favourable price adjustments in response to raw material cost increases and a better sales mix, including the impact of incremental fire-resistant wrapped pole sales volumes. This growth was partially attenuated by less project-related volumes. Utility poles sales accounted for 34% of the Company's total sales in 2021.

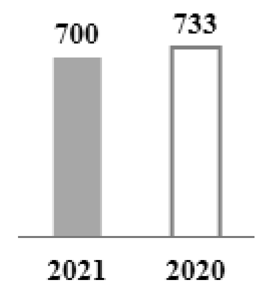
UTILITY POLES SALES
(in millions of $)



Railway ties

Railway ties sales were $700 million in 2021, compared to sales of $733 million in 2020. Excluding the currency conversion effect, railway ties sales increased $13 million, or 2%, largely attributable to higher non-Class 1 sales compared to 2020, as continued strong demand outweighed the pricing pressures in the first half of the year. Sales for Class 1 customers remained relatively stable year-over-year. Railway ties sales accounted for 25% of the Company's total sales in 2021.

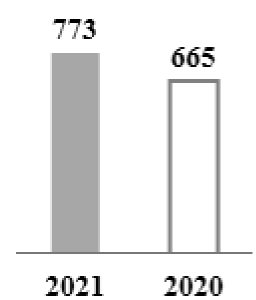
RAILWAY TIES SALES
(in millions of $)



Residential lumber

Sales in the residential lumber category rose to $773 million in 2021, compared to sales of $665 million in 2020. Excluding the currency conversion effect, residential lumber sales increased $127 million, or 19%, driven by the exceptional rise in the market price of lumber during the first six months of the year. This increase was partially offset by lower sales volumes attributable to softer consumer demand compared to last year. Residential lumber sales accounted for 28% of the Company's total sales in 2021.

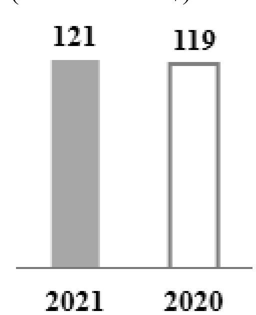
RESIDENTIAL LUMBER SALES
(in millions of $)



Industrial products

Industrial product sales were relatively unchanged at $121 million in 2021 compared to sales of $119 million in 2020. Excluding the currency conversion effect, industrial product sales increased $9 million or 8%, largely due to more timber and piling projects compared to 2020, offset in part by lower project-related bridge and crossing sales. Industrial product sales represented 5% of the Company's total sales in 2021.

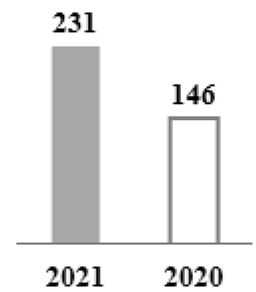
INDUSTRIAL PRODUCT SALES
(in millions of $)



Logs and lumber

Sales in the logs and lumber product category were $231 million in 2021, up 60% compared to $146 million in 2020. The increase is due to the exceptional rise in the market price of lumber in the first half of the year. Logs and lumber sales represented 8% of the Company's total sales in 2021.

LOGS AND LUMBER SALES
(in millions of $)



Sales by Geographic Region

Sales in the United States amounted to $1,756 million, or 64% of sales in 2021, up $15 million, or 1%, compared to sales of $1,741 million in 2020. The increase is primarily explained by the higher prices realized for residential lumber and logs and lumber, volume and pricing gains for utility poles and higher railway ties volumes. These factors were largely offset by a decrease in residential lumber demand, lower pricing for railway ties and the depreciation of the value of the U.S. dollar relative to the Canadian dollar during 2021 compared to 2020.

Sales in Canada amounted to $994 million, or 36% of sales in 2021, an increase of $184 million, or 23%, compared to sales of $810 million in 2020. The increase is mainly attributable to higher residential lumber and logs and lumber sales stemming from the higher market price of lumber, offset in part by the decrease in residential lumber demand. Increased volumes and pricing gains for utility poles also contributed to the higher sales in 2021.

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 $2,294 million in 2021 compared to $2,105 million in 2020, representing 83.4% and 82.5% of sales respectively. The increase is largely explained by higher fibre costs across all product categories, particularly for residential lumber and for the Company's lumber trading activities, which was partially offset by lower residential lumber sales volumes and the favourable impact of the depreciation of the U.S. dollar.

Total depreciation and amortization was $74 million in 2021, with $63 million recorded as cost of sales. Total depreciation and amortization was $76 million in 2020, with $62 million recorded as cost of sales.

Gross profit

Gross profit grew to $456 million in 2021 compared to $446 million in 2020, representing a margin of 16.6% and 17.5% respectively. The absolute dollar increase was primarily driven by the rise in sales prices for residential lumber, which exceeded the higher cost of lumber, as well as, improved pricing, sales mix and volumes for utility poles. This increase was partially offset by a decrease in residential lumber demand, lower railway ties pricing and the unfavourable impact of the depreciation of the U.S. dollar. The decrease in gross profit margin is explained by cost increases which outpaced sales price increases, largely due to the time lag in contractual price adjustments.

Selling and administrative

Selling and administrative expenses for 2021 amounted to $127 million, compared to $125 million in 2020, including depreciation and amortization of $11 million in 2021 and $14 million in 2020. The increase in selling and administrative expenses is largely attributable to higher compensation expense, higher information technology expenses related to the deployment of a new enterprise resource planning system ("ERP") and an increase in travel expenses, largely offset by the favourable impact of the depreciation of the U.S. dollar and lower depreciation and amortization expense. As a percentage of sales, selling and administrative expense, excluding depreciation and amortization, represented 4.2% of sales in 2021 compared to 4.4% in 2020.

Other losses, net

Other losses, net for 2021 were three million dollars, mainly related to provisions for the remediation of sites. In 2020, other losses, net were $12 million, including six million dollars of realized losses related to the diesel and petroleum derivative commodity contracts which expired at the end of 2020 and six million dollars of site remediation provisions.

Financial expenses

Financial expenses amounted to $23 million in 2021, slightly down from $25 million in 2020. The reduction in financial expenses is mainly explained by lower interest rates, partially offset by higher year-over-year borrowings.

Income before income taxes and income tax expense

Income before income taxes was $303 million in 2021, versus $284 million in 2020, representing 11% of sales in 2021 and last year. The provision for income taxes totaled $76 million, representing an effective tax rate of approximately 25%, compared to $74 million, representing an effective tax rate of approximately 26%, last year. The lower effective tax rate for 2021 was mainly due to the change in the mix of income from various jurisdictions.

Net income

Net income in 2021 was $227 million, an increase of 8%, versus net income of $210 million in 2020. Earnings per share in 2021 were $3.49, an increase of 12%, compared to earnings per share of $3.12 in 2020. Earnings per share was positively impacted by the increase in net income and the Company's repurchase of shares through its normal course issuer bids.

QUARTERLY RESULTS

The Company's sales follow a seasonal pattern, with utility poles, railway ties, and industrial product shipments stronger in the second and third quarters to provide industrial end users with product 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:

2021

For the quarters ended (in millions of dollars, except EPS)	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Sales	623	903	679	545	2,750
EBITDA[1]	99	180	69	52	400
Operating income	82	161	51	32	326
Net income for the period	56	115	34	22	227
EPS - basic and diluted [2]	0.85	1.76	0.52	0.34	3.49

2020

For the quarters ended (in millions of dollars, except EPS)	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**	**Total**
Sales	508	768	742	533	2,551
EBITDA[1]	63	120	132	70	385
Operating income	45	101	113	50	309
Net income for the period	28	69	79	34	210
EPS - basic and diluted	0.41	1.02	1.17	0.52	3.12

[1] This is a non-GAAP financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers.
[2] 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 margins and EPS)	**Q4-2021**	**Q4-2020**	**Variation ($)**	**Variation (%)**
Operating results				
Sales	545	533	12	2%
Gross profit[1]	65	85	(20)	(24%)
Gross profit margin[1]	11.9%	15.9%	n/a	(400 bps)
EBITDA[1]	52	70	(18)	(26%)
EBITDA margin[1]	9.5%	13.1%	n/a	(360 bps)
Operating income	32	50	(18)	(36%)
Net income	22	34	(12)	(35%)
EPS – basic & diluted	0.34	0.52	(0.18)	(35%)

[1] These are non-GAAP and other financial measures which do not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers.

Operating Results

Sales for the fourth quarter of 2021 amounted to $545 million, up from sales of $533 million for the same period in 2020. Excluding the contribution from the acquisitions of Cahaba Pressure and Cahaba Timber of six million dollars and the negative impact of the currency conversion of $14 million, pressure-treated wood sales rose $26 million, or

5%, mainly driven by higher volumes and pricing from utility poles as well as improved pricing for railway ties. This growth was partially offset by lower demand for residential lumber, as detailed below. The decrease in logs and lumber sales mainly stems from the lower market price of lumber.

Sales (in millions of dollars, except percentages)	**Utility Poles**	**Railway Ties**	**Residential Lumber**	**Industrial Products**	**Total Pressure-Treated Wood**	**Logs & Lumber**	**Consolidated Sales**
Q4-2020	**201**	**147**	**117**	**23**	**488**	**45**	**533**
Acquisitions	6	—	—	—	**6**	—	**6**
FX impact	(7)	(5)	(1)	(1)	**(14)**	—	**(14)**
Organic growth	27	5	(9)	3	**26**	(6)	**20**
Q4-2021	**227**	**147**	**107**	**25**	**506**	**39**	**545**
Organic growth	13%	3%	(8%)	13%	**5%**	(13%)	**4%**

Utility poles sales amounted to $227 million, up from $201 million for the same period last year. Excluding the contribution from acquisitions and the negative currency conversion effect, sales increased 13%, primarily due to increased maintenance and project-related demand and higher pricing. Sales of railway ties amounted to $147 million, in line with last year. Excluding the negative currency conversion effect, railway ties sales rose 3%, mainly driven by improved pricing for both Class 1 and non-Class 1 business. Residential lumber sales totaled $107 million, down from $117 million of sales generated in the same period in 2020. Despite the lower market price of lumber in the fourth quarter of 2021, compared to the fourth quarter of 2020, pricing for residential lumber remained unchanged. The decrease in residential lumber sales stemmed from lower sales volumes. Industrial product sales amounted to $25 million, slightly up compared to the $23 million of sales generated a year ago, primarily due to the mix of project-related bridge work. Logs and lumber sales totaled $39 million, down 13% compared to the same period last year, mainly due to the lower market price of lumber.

Gross profit was $65 million in the fourth quarter of 2021, versus $85 million, in the fourth quarter of 2020, representing a margin of 11.9% and 15.9% respectively. The decrease was primarily attributable to the higher inventory cost of residential lumber at the end of the third quarter. Given the time lag in contractual price adjustments, the rise in costs during the quarter outpaced sales price increases across all product categories. This further contributed to the lower gross profit in the fourth quarter of 2021, compared to the same period last year. Similarly, operating income decreased by $18 million to $32 million in the fourth quarter of 2021 compared to operating income of $50 million in the corresponding period of 2020.

Net income for the period amounted to $22 million, or $0.34 per share, compared with $34 million, or $0.52 per share, in the prior year.

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 value of the U.S. dollar relative to the Canadian dollar as at December 31, 2021, compared to December 31, 2020 was relatively unchanged (see “Foreign Exchange” on page 31). As a result, the impact on the value of assets and liabilities denominated in U.S. dollars, when expressed in Canadian dollars was not significant.

Assets

As at December 31, 2021, total assets stood at $2,665 million versus $2,426 million as at December 31, 2020. The increase in total assets largely reflected the acquisition of Cahaba Pressure and Cahaba Timber and higher current assets, as detailed below. Note that the following table provides information on assets from the consolidated statements of financial position.

Assets (in millions of dollars)	**As at December 31, 2021**	**As at December 31, 2020**	**Variance**
Accounts receivable	230	208	22
Inventories	1,106	1,075	31
Income taxes receivable	9	—	9
Other current assets	43	36	7
Total current assets	**1,388**	**1,319**	**69**
Property, plant and equipment	629	574	55
Right-of-use assets	138	135	3
Intangible assets	158	115	43
Goodwill	341	280	61
Derivative financial instruments	3	—	3
Other non-current assets	8	3	5
Total non-current assets	**1,277**	**1,107**	**170**
Total assets	**2,665**	**2,426**	**239**

Accounts receivable, net of a credit loss allowance of less than one million dollars, were $230 million as at December 31, 2021, compared to $208 million as at December 31, 2020. The increase was primarily attributable to higher sales in the fourth quarter of 2021, when compared to the fourth quarter of 2020. 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.

Inventories stood at $1,106 million as at December 31, 2021, up from $1,075 million as at December 31, 2020. The increase is explained by the higher cost of raw materials impacting all product categories and additional inventories pertaining to the acquisitions of Cahaba Timber and Cahaba Pressure, partially offset by the lower levels of untreated railway ties given the tighter fibre supply market.

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 $629 million as at December 31, 2021, compared with $574 million as at December 31, 2020. The increase reflects the purchase of property, plant and equipment of $48 million during 2021 as well as additional property, plant and equipment of $34 million from the acquisitions of Cahaba Pressure and Cahaba Timber, partially offset by depreciation expense of $25 million for the period.

Right-of-use assets totaled $138 million as at December 31, 2021, compared to $135 million as at December 31, 2020. Additions of right-of-use assets, largely rolling stock, of $41 million during 2021 were offset by depreciation expense of $38 million for the period.

Intangible assets and goodwill totaled $158 million and $341 million, respectively, as at December 31, 2021. Intangible assets consist mainly of customer relationships, a creosote registration, software costs and cutting rights. As at December 31, 2020, intangible assets and goodwill were $115 million and $280 million, respectively. The increase in intangible assets stems primarily from customer relationships from acquisitions of Cahaba Pressure and

Cahaba Timber of $38 million and expenditures related to the deployment of a new ERP system, partially offset by an amortization expense of $11 million. The increase in goodwill is primarily explained by the acquisitions.

Liabilities

As at December 31, 2021, Stella-Jones' total liabilities stood at $1,217 million, up from $1,053 million as at December 31, 2020. The increase in total liabilities mainly reflected the increase in non-current liabilities, as detailed below. 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, 2021**	**As at December 31, 2020**	**Variance**
Accounts payable and accrued liabilities	162	137	25
Income taxes payable	1	19	(18)
Current portion of long-term debt	33	11	22
Current portion of lease liabilities	35	33	2
Other current liabilities	11	18	(7)
Total current liabilities	**242**	**218**	**24**
Long-term debt	701	595	106
Lease liabilities	109	106	3
Deferred income taxes	137	104	33
Other non-current liabilities	28	30	(2)
Total non-current liabilities	**975**	**835**	**140**
Total liabilities	**1,217**	**1,053**	**164**

Current liabilities were $242 million as at December 31, 2021, versus $218 million as at December 31, 2020. This variation primarily reflected a $25 million increase in accounts payable and accrued liabilities, in line with the increased business activity and costs in the fourth quarter of 2021, compared to the same period last year, as well as an increase in the current portion of long-term debt attributable to the reclassification of the US$25 million unsecured non-revolving term facility due in February 2022, offset in part by the decrease in income taxes payable.

Short-term Debt

In the first quarter of 2021, the Company entered into a bridge term loan agreement for US$100 million with a lender within the U.S. farm credit system. During the year ended December 31, 2021, the Company repaid the US$100 million of indebtedness advanced under the bridge loan facility and terminated and canceled the demand loan facility.

Long-Term Debt

The Company's long-term debt, including the current portion, increased to $734 million as at December 31, 2021 versus $606 million as at December 31, 2020. The increase in borrowings mainly reflected the financing required for the acquisitions of Cahaba Timber and Cahaba Pressure.

Long-Term Debt (in millions of dollars)		**As at December 31, 2021**	**As at December 31, 2020**
Unsecured revolving credit facilities	(a)(b)	252	271
Unsecured term loan facility	(b)	253	—
Unsecured senior notes		190	191
Unsecured non-revolving term facility		32	127
Other		7	17
Total Long-Term Debt		**734**	**606**

a) During 2021, the Company obtained a one-year extension of its unsecured syndicated revolving credit facility to February 27, 2026. The extension was granted through an amendment to the sixth amended and restated credit agreement dated as of May 3, 2019. All terms and conditions remain substantially unchanged.

b) In 2021, the Company also entered into a credit agreement (the "U.S. Farm Credit Agreement") pursuant to which senior unsecured credit facilities of an aggregate amount of up to US$350 million were made available by a syndicate of lenders within the U.S. farm credit system. The U.S. Farm Credit Agreement provides a term loan facility of up to US$250 million with a delayed draw period of up to three years, and the choice of maturities of five to 10 years from the date of drawing, and a five-year revolving credit facility of up to US$100 million with a maturity date of April 29, 2026. At the date of closing, a drawdown was made under the revolving credit facility to repay in full the bridge term loan. The U.S. Farm Credit Agreement includes representations, warranties, covenants and events of default substantially similar to those under the existing syndicated credit agreement.

As at December 31, 2021, the Company had a total of $329 million (US$260 million) available under its credit facilities. An amount of $266 million (US$210 million) was available under the Company's revolving credit facilities of $539 million (US$425 million) and $63 million (US$50 million) was available under the U.S. farm credit term loan facility.

As at December 31, 2021, the net debt-to-EBITDA ratio increased to 2.2x from 1.9x last year. The Company was in full compliance with its debt covenants, reporting requirements and financial ratios as at December 31, 2021.

Deferred tax liabilities were $137 million as at December 31, 2021, versus $104 million as at December 31, 2020. This increase was mainly related to the 2021 business acquisitions.

Shareholders' equity

Shareholders' equity stood at $1,448 million as at December 31, 2021, compared to $1,373 million as at December 31, 2020.

Shareholders' Equity (in millions of dollars)	**As at December 31, 2021**	**As at December 31, 2020**	**Variance**
Capital stock	208	214	(6)
Retained earnings	1,161	1,079	82
Accumulated other comprehensive income	79	80	(1)
Total shareholders' equity	**1,448**	**1,373**	**75**

The increase in shareholders' equity as at December 31, 2021 is attributable to net income of $227 million generated during 2021. This increase was partially offset by a reduction of $108 million in shareholders' equity related to the repurchase of shares and $47 million of dividends.

On August 4, 2020, the TSX accepted Stella-Jones' 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 August 10, 2020 and ending August 9, 2021. On March 9, 2021, the Company received approval from the TSX to amend its NCIB in order to increase the maximum number of common shares that may be repurchased for cancellation by the Company from 2,500,000 to 3,500,000 common shares. All other terms and conditions of the NCIB remained unchanged. The amendment to the NCIB was effective on March 15, 2021 and continued until August 9, 2021.

On November 8, 2021, the TSX accepted Stella-Jones' Notice of Intention to Make a NCIB to purchase for cancellation up to 4,000,000 common shares during the 12-month period commencing November 12, 2021 and ending November 11, 2022, representing approximately 8% of the public float of its common shares.

In the three-month period ended December 31, 2021, the Company repurchased 721,548 common shares for cancellation in consideration of $30 million, under its NCIB then in effect. In 2021, the Company repurchased a total of 2,447,419 common shares for cancellation in consideration of $108 million, under the NCIBs then in effect.

LIQUIDITY AND CAPITAL RESOURCES

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

Summary of cash flows (in millions of dollars)	**Years ended December 31,**	
	2021	**2020**
Operating activities	251	178
Financing activities	(58)	(124)
Investing activities	(193)	(54)
Net change in cash and cash equivalents during the year	—	—
Cash and cash equivalents - Beginning of year	—	—
Cash and cash equivalents – End of year	—	—

The Company believes that its cash flow from operations and available credit facilities are adequate to finance its business plans, meet its working capital requirements and maintain its assets.

Cash flows from operating activities

Cash flows from operating activities amounted to $251 million in 2021, compared to $178 million in the corresponding period in 2020. The increase in operating cash flows primarily reflected favourable movements in non-cash working capital, largely stemming from a decrease in railway ties inventory, partially offset by higher income tax installment payments. Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid was $388 million in 2021, compared to $402 million in the corresponding period in 2020. Changes in non-cash working capital components decreased liquidity by $23 million in 2021, primarily attributable to an increase in accounts receivable and inventories, despite the lower inventory levels for railway ties, which exceeded the increase in accounts payable and accrued liabilities.

The following table provides information on cash flows provided by operating activities using select line items from the consolidated statements of cash flows.

Cash flows from operating activities (in millions of dollars)	**Years ended December 31,**	
	2021	**2020**
Net income	227	210
Depreciation and amortization	74	76
Current income taxes expense	64	66
Other	23	50
Cash flows from operating activities before changes in non-cash working capital components and interest and income taxes paid	**388**	**402**
Accounts receivable	(19)	(32)
Inventories	(21)	(123)
Other current assets	(7)	(2)
Accounts payable and accrued liabilities	24	1
Changes in non-cash working capital components	**(23)**	**(156)**
Interest paid	(23)	(26)
Income taxes paid	(91)	(42)
Cash flows from operating activities	**251**	**178**

Cash flows used in financing activities

Financing activities in 2021 decreased cash by $58 million. In 2021, the Company borrowed $247 million under its term loan facility, repaid $95 million of the non-revolving syndicated term facilities, repaid $10 million of promissory notes and decreased borrowings under its revolving credit facilities by $13 million. In addition, the Company paid dividends of $47 million and repurchased shares for $108 million. In 2020, financing activities decreased cash by $124 million. The Company borrowed $20 million under its revolving credit facilities, repurchased shares for $60 million, paid dividends for $40 million, and repaid eight million of its long-term debt.

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

Cash flows used in financing activities (in millions of dollars)	**Years ended December 31,**	
	2021	**2020**
Net change in revolving credit facilities	(13)	20
Proceeds from (repayment of) long-term debt	142	(8)
Dividends on common shares	(47)	(40)
Repurchase of common shares	(108)	(60)
Other	(32)	(36)
Cash flows used in financing activities	**(58)**	**(124)**

Cash flows used in investing activities

Investing activities used liquidity of $193 million in 2021, primarily explained by the acquisitions of Cahaba Pressure and Cahaba Timber and the purchase of property, plant and equipment. In 2020, investing activities totaled $54 million and primarily consisted of the purchase of property, plant and equipment and expenditures related to the implementation of the new ERP system.

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,**	
	2021	**2020**
Business acquisitions	(129)	—
Purchase of property, plant and equipment	(48)	(42)
Additions of intangible assets	(16)	(13)
Other	—	1
Cash flows used in investing activities	**(193)**	**(54)**

Financial obligations

The following table details the maturities of the financial obligations as at December 31, 2021:

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	162	162	162	—	—	—
Long-term debt obligations*	734	828	52	133	306	337
Minimum payment under lease liabilities	144	157	39	55	32	31
Financial obligations	**1,040**	**1,147**	**253**	**188**	**338**	**368**

* Includes interest payments. Interest on variable interest debt is assumed to remain unchanged from the rates in effect as at December 31, 2021.

SHARE AND STOCK OPTION INFORMATION

As at December 31, 2021, the capital stock issued and outstanding of the Company consisted of 63,773,252 common shares (66,187,404 as at December 31, 2020).

The following table presents the outstanding capital stock activity for the year ended December 31, 2021:

Number of shares	**Year ended December 31, 2021**
Balance – Beginning of year	66,187,404
Common shares repurchased	(2,447,419)
Stock option exercised	—
Employee share purchase plans	33,267
Balance – End of year	**63,773,252**

As at March 8, 2022, the capital stock issued and outstanding consisted of 62,999,171 common shares.

As at December 31, 2021, the number of outstanding and exercisable options to acquire common shares issued under the Company's Stock Option Plan was 30,000 (December 31, 2020 – 30,000). As at March 8, 2022, the number of outstanding and exercisable options was 30,000.

DIVIDENDS

In 2021, the Company's Board of Directors declared the following quarterly dividends:

Declared	Record Date	Payable Date	Dividend
			$
March 9, 2021	April 5, 2021	April 24, 2021	0.18
May 2, 2021	June 1, 2021	June 22, 2021	0.18
August 2, 2021	September 1, 2021	September 17, 2021	0.18
November 8, 2021	December 1, 2021	December 17, 2021	0.18

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 amounting to $30 million in 2021 (2020 – $27 million) under letters of credit and various bid and performance bonds. 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'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 and wastewater effluent discharges. 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 TO DECEMBER 31, 2021

a) On March 8, 2022 the Board of Directors declared a quarterly dividend of $0.20 per common share payable on April 22, 2022 to shareholders of record at the close of business on April 4, 2022. This dividend is designated to be an eligible dividend.

b) On March 8, 2022, the Company received approval from the TSX to amend its NCIB in order to increase the maximum number of common shares that may be repurchased for cancellation by the Company during the 12-month period ending November 11, 2022 from 4,000,000 to 5,000,000 common shares, representing approximately 10% of the public float of its common shares as at October 31, 2021. The amendment to the NCIB will be effective on March 14, 2022 and will continue until November 11, 2022 or such earlier date as the Company has acquired the maximum number of common shares permitted under NCIB. All other terms and conditions of the NCIB remained unchanged.

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 principle risks and uncertainties and mitigate their impact but the Company cannot provide assurances that any such efforts will be successful.

Operational Risks

COVID-19 Pandemic
Critical to the integrity of the supply chain for utility, railroad and the construction industries, all of the Company's North American facilities have remained operational during the COVID-19 pandemic. While the Company has not to date experienced a material disruption to operations, and it has not incurred significant increases in costs as a result of COVID-19, the extent and duration of the impact of the ongoing COVID-19 pandemic, including new outbreaks, on the demand for the Company's products, as well as on the Company's operations and those of its suppliers and customers remain uncertain and cannot currently be predicted. The impact of the COVID-19 pandemic, including the additional mitigation measures that could be implemented by government authorities and other businesses to reduce the spread could directly or indirectly disrupt the Company's operations and/or 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.

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, 2021, the Company's top ten customers accounted for approximately 48% of its sales. During this same period, the Company's largest and second largest customers accounted for approximately 19% and 5% of its total sales, respectively, and are associated with the residential lumber product category.

Availability and Cost of Raw Materials
Management considers that the Company may be affected by potential fluctuations in wood prices and supply. 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.

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. Moreover, certain suppliers may elect to cease production of specific preservatives altogether, 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.

Climate Change
The Company's operations are subject to climate variations, including the occurrence of one or more natural disasters and unusually adverse weather exacerbated by global climate change. These events could result in physical damage to one or more of the Company's facilities, variations in the cost and availability of raw materials, the disruption in the transportation of goods, as well as workforce unavailability. 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 the costs of complying with evolving climate change regulations and

transition costs relating to a low carbon economy, could result in increased costs and adversely impact the Company's operating results.

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 loss 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 strong 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. Difficulty in attracting qualified employees and retaining valuable internal expertise, or the occurrence of work stoppages could lead to operational disruptions or increased costs.

Information Security and Privacy

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, 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 disrupt operations, 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 invested in data privacy controls, threat protections as well as detection and mitigation policies, procedures and controls. 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 implementing 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 completed the development phase in 2020 and has begun the roll out in the first quarter of 2021 with the goal of being fully operational across the organization by the end of 2024. 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 and economic conditions or political instability, including significant civil unrest, acts of war or terrorist activities, may affect most or all the markets the Company serves, impacting costs, selling prices and demand for its products and adversely affecting 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 additional complementary 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 other 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 is exposed to currency risks due to its export of certain goods manufactured in Canada. The Company strives to mitigate such risks by purchases of raw materials denominated in U.S. dollars for use in its Canadian manufacturing process. The Company may also use foreign exchange forward contracts to hedge contracted net cash inflows and outflows of U.S. dollars. The use of such currency hedges involves specific risks, including the possible default by the other party to the transaction or illiquidity. Given these risks, there is a possibility that the use of hedges may result in losses greater than if hedging had not been used.

Interest Rate Fluctuation
As at December 31, 2021, 70% of the Company's long-term debt was at fixed interest rates, therefore reducing the Company's exposure to interest rate risk. The Company enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its long- term debt, subject to floating 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.

The administrator of US Dollar (USD) LIBOR has ceased the publication of one week and two month USD LIBOR and most other non-USD IBOR rates on January 1, 2022, intends to discontinue the remaining USD LIBOR rates on June 30, 2023 and has recommended the use of Secured Overnight Financing Rate as a replacement benchmark. The Company has exposure to floating-rate bank loans indexed to USD LIBOR and interest rate swaps have floating legs that are indexed to the one month USD LIBOR. While the Company's bank loan agreements provide a mechanism for the introduction of a benchmark replacement, and for its interest rate swap agreements, the substitution of reference rates in line with the underlying instruments is expected to be negotiated with its counterparties, the Company cannot predict the impact of the alternative index. As a result, interest expense could increase, and liquidity may be adversely affected. In the future, the Company may be required to renegotiate its variable rate debt or incur other indebtedness, and the discontinuance of LIBOR may negatively impact the terms of such indebtedness.

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, 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 risk. 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, and remediation of contaminated sites. 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. 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.

The possibility of major changes in environmental laws and regulations is another risk 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 as well, 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, and the Company is not found liable.

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 floating 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 short-and long-term debt. As at December 31, 2021, the Company had two interest rate swap agreements hedging $221 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, 2021, of fixed and floating debt was 70% and 30%, respectively, including the effects of interest rate swap positions (73% and 27%, respectively, as at December 31, 2020).

Foreign Exchange Risk Management
The Company's financial results are reported in Canadian dollars, while a portion of its operations are in U.S. dollars. Foreign exchange risk is the risk that fluctuations in foreign exchange rates may have on operating results and cash flows. The Company's risk management objective is to reduce cash flow risk related to foreign denominated cash flows. When the natural hedge of sales and purchases does not match, the Company considers foreign exchange forward contracts to hedge contracted net cash inflows and outflows of U.S. dollars. As at December 31, 2021, the Company had no foreign exchange forward contract agreements in place.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies and critical accounting estimates and judgements are respectively described in Note 2 and in Note 3 to the December 31, 2021 and 2020 audited consolidated financial statements.

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

The preparation of consolidated financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates and assumptions include estimated useful life of assets, recoverability of long-lived assets and goodwill and determination of the fair value of the assets acquired and liabilities assumed in the context of an acquisition. 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.

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, 2021 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.

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, 2021.

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, 2021 to December 31, 2021 that have materially affected or are reasonably likely to materially affect the Company's ICFR.

It should be noted that the operations derived from Cahaba Pressure and Cahaba Timber, acquired November 19, 2021, have been excluded from the scope of the design of disclosure controls and procedures as well as the design of internal controls over financial reporting. Certain financial information related to the Cahaba Pressure and Cahaba Timber acquisitions under the NI 52-109 scope limitation is summarized as follows. As at December 31, 2021, current assets and non-current assets were $24 million and $34 million respectively, whereas current liabilities amounted to six million dollars and non-current liabilities to three million dollars. In the period from November 19, 2021 to December 31, 2021, sales and net income amounted to six million dollars and less than a million dollars, respectively.

March 8, 2022

December 31, 2021 and 2020

Management's Statement of Responsibility for Financial Information

The consolidated financial statements contained in this Annual Report are the responsibility of Management, and have been prepared in accordance with International Financial Reporting Standards. Where necessary, Management has made judgments and estimates of the outcome of events and transactions, with due consideration given to materiality. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data included in the consolidated financial statements.

The Company maintains a system of internal controls to provide reasonable assurance as to the reliability of the financial records and safeguarding of its assets. The consolidated financial statements have been audited by the Company's independent auditors, PricewaterhouseCoopers LLP, and they have issued their report thereon.

The Board of Directors is responsible for overseeing Management in the performance of its responsibilities for financial reporting. The Board of Directors exercises its responsibilities through the Audit Committee, which is comprised of five independent directors. The Audit Committee meets from time to time with Management and the Company's independent auditors to review the consolidated financial statements and matters relating to the audit. The Company's independent auditors have full and free access to the Audit Committee. The consolidated financial statements have been reviewed by the Audit Committee, who recommended their approval by the Board of Directors.

(s) Eric Vachon

Éric Vachon, CPA, CA
President and Chief Executive Officer

(s) Silvana Travaglini

Silvana Travaglini, CPA, CA
Senior Vice-President and Chief Financial Officer

Saint-Laurent, Québec
March 8, 2022

Independent auditor's report

To the Shareholders of Stella-Jones Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Stella-Jones Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of change in shareholders' equity for the years then ended;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accuracy and existence of inventories *Refer to note 2 – Significant accounting policies and note 6 – Inventories to the consolidated financial statements.* The Company's inventories totalled $1,106 million as at December 31, 2021. Inventories held in its network across North America are comprised of raw materials and finished goods. Raw materials are valued at the lower of weighted average cost and net realizable value. Finished goods are valued at the lower of weighted average cost and net realizable value and include the cost of raw materials, other direct costs and manufacturing overhead expenses. Net realizable value is the estimated selling price less costs necessary to make the sale. We considered this a key audit matter due to the magnitude of the inventories balance, the number of inventory locations across the Company's network and the audit effort involved in testing the inventories balance.	Our approach to addressing the matter included the following procedures, among others: • Tested the operating effectiveness of controls related to the matching of invoices, purchase orders and receiving documents. • For a selection of locations of inventory counts performed by management prior to year-end, observed the inventory count procedures and performed independent test counts for a sample of inventory items. • Tested the inventories activity in the intervening period between the count date and the year-end date. • For a sample of raw materials, tested the cost by agreeing to invoices, purchase orders and receiving documents, as applicable. • For a sample of inventory items for raw materials and finished goods, recalculated the weighted average cost. • For a sample of finished goods, tested the cost of transferred materials from raw materials to finished goods, by agreeing the cost transferred to the carrying cost of the items previously classified in raw materials. • Tested the allocation of other direct standard costs attributed to finished goods during the year, by comparing the other direct standard costs for a sample of finished goods to the direct standard cost list.

Key audit matter	How our audit addressed the key audit matter
	• For a portion of inventory items, tested the reasonability of the allocation of the manufacturing overhead standard costs to finished goods at year-end by comparing to the prior year's allocations. • Assessed whether variances related to other direct and manufacturing overhead standard costs needed to be capitalized into finished goods to approximate actual cost.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Gregory Tremellen.

/s/PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 8, 2022

[1] CPA auditor, CA, public accountancy permit No. A119714

Stella-Jones Inc.

Consolidated Statements of Financial Position

As at December 31, 2021 and 2020

(expressed in millions of Canadian dollars)

	Note	2021 $	2020 $
Assets			
Current assets			
Accounts receivable	5	230	208
Inventories	6	1,106	1,075
Income taxes receivable		9	—
Other current assets		43	36
		1,388	1,319
Non-current assets			
Property, plant and equipment	7	629	574
Right-of-use assets	8	138	135
Intangible assets	9	158	115
Goodwill	9	341	280
Derivative financial instruments	20	3	—
Other non-current assets		8	3
		2,665	2,426
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	10	162	137
Income taxes payable		1	19
Derivative financial instruments	20	—	2
Current portion of long-term debt	12	33	11
Current portion of lease liabilities	8	35	33
Current portion of provisions and other long-term liabilities	13	11	16
		242	218
Non-current liabilities			
Long-term debt	12	701	595
Lease liabilities	8	109	106
Deferred income taxes	17	137	104
Provisions and other long-term liabilities	13	15	15
Employee future benefits	18	13	15
		1,217	1,053
Shareholders' equity			
Capital stock	15	208	214
Retained earnings		1,161	1,079
Accumulated other comprehensive income		79	80
		1,448	1,373
		2,665	2,426
Commitments and contingencies	19		

Approved by the Board of Directors,

(s) Katherine A. Lehman
Katherine A. Lehman
Director

(s) Karen Laflamme
Karen Laflamme, FCPA, FCA, ASC
Director

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

(expressed in millions of Canadian dollars)

			Accumulated other comprehensive income				
	Capital stock	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term debts designated as net investment hedges**	**Unrealized gains (losses) on cash flow hedges**	**Total**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Balance – January 1, 2021	214	1,079	179	(98)	(1)	80	1,373
Comprehensive income (loss)							
Net income for the year	—	227	—	—	—	—	227
Other comprehensive income (loss)	—	2	(4)	—	3	(1)	1
Comprehensive income (loss) for the year	—	229	(4)	—	3	(1)	228
Dividends on common shares	—	(47)	—	—	—	—	(47)
Employee share purchase plans	2	—	—	—	—	—	2
Repurchase of common shares (note 15)	(8)	(100)	—	—	—	—	(108)
	(6)	(147)	—	—	—	—	(153)
Balance – December 31, 2021	208	1,161	175	(98)	2	79	1,448

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

(expressed in millions of Canadian dollars)

			Accumulated other comprehensive income				
	Capital stock	**Retained earnings**	**Foreign currency translation adjustment**	**Translation of long-term debts designated as net investment hedges**	**Unrealized gains (losses) on cash flow hedges**	**Total**	**Total shareholders' equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Balance – January 1, 2020	217	968	191	(89)	1	103	1,288
Comprehensive income (loss)							
Net income for the year	—	210	—	—	—	—	210
Other comprehensive income (loss)	—	(3)	(12)	(9)	(2)	(23)	(26)
Comprehensive income (loss) for the year	—	207	(12)	(9)	(2)	(23)	184
Dividends on common shares	—	(40)	—	—	—	—	(40)
Employee share purchase plans	1	—	—	—	—	—	1
Repurchase of common shares (note 15)	(4)	(56)	—	—	—	—	(60)
	(3)	(96)	—	—	—	—	(99)
Balance – December 31, 2020	214	1,079	179	(98)	(1)	80	1,373

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

Stella-Jones Inc.

Consolidated Statements of Income

For the years ended December 31, 2021 and 2020

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

	Note	2021	2020
		$	**$**
Sales		2,750	2,551
Expenses			
Cost of sales (including depreciation and amortization of $63 (2020 - $62))		2,294	2,105
Selling and administrative (including depreciation and amortization of $11 (2020 - $14))		127	125
Other losses, net		3	12
	16	2,424	2,242
Operating income		326	309
Financial expenses	16	23	25
Income before income taxes		303	284
Provision for income taxes			
Current	17	64	66
Deferred	17	12	8
		76	74
Net income for the year		227	210
Basic and diluted earnings per common share	15	3.49	3.12

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

(expressed in millions of Canadian dollars)

	2021 $	2020 $
Net income for the year	227	210
Other comprehensive income (loss)		
Items that may subsequently be reclassified to net income		
Net change in losses on translation of financial statements of foreign operations	(4)	(12)
Change in losses on translation of long-term debt designated as hedges of net investment in foreign operations	—	(9)
Change in fair value of derivatives designated as cash flow hedges	4	(3)
Income tax on change in fair value of derivatives designated as cash flow hedges	(1)	1
Items that will not subsequently be reclassified to net income		
Remeasurements of post-retirement benefit obligations	3	(4)
Income taxes on remeasurements of post-retirement benefit obligations	(1)	1
	1	(26)
Comprehensive income for the year	228	184

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

(expressed in millions of Canadian dollars)

	Note	2021 $	2020 $
Cash flows provided by (used in)			
Operating activities			
Net income for the year		227	210
Adjustments for			
Depreciation of property, plant and equipment	7	25	26
Depreciation of right-of-use assets	8	38	38
Amortization of intangible assets	9	11	12
Gain on derivative financial instruments		—	(2)
Financial expenses	16	23	25
Current income taxes expense	17	64	66
Deferred income taxes	17	12	8
Provisions and other long-term liabilities		(7)	14
Other		(5)	5
		388	402
Changes in non-cash working capital components			
Accounts receivable		(19)	(32)
Inventories		(21)	(123)
Other current assets		(7)	(2)
Accounts payable and accrued liabilities		24	1
		(23)	(156)
Interest paid		(23)	(26)
Income taxes paid		(91)	(42)
		251	178
Financing activities			
Proceeds from short-term debt	14	125	—
Repayment of short-term debt	14	(123)	—
Net change in revolving credit facilities	14	(13)	20
Proceeds from long-term debt	14	247	—
Repayment of long-term debt	14	(105)	(8)
Repayment of lease liabilities	14	(35)	(35)
Dividends on common shares		(47)	(40)
Repurchase of common shares	15	(108)	(60)
Other		1	(1)
		(58)	(124)
Investing activities			
Business acquisitions	4	(129)	—
Purchase of property, plant and equipment		(48)	(42)
Additions of intangible assets		(16)	(13)
Other		—	1
		(193)	(54)
Net change in cash and cash equivalents during the year		—	—
Cash and cash equivalents – Beginning of year		—	—
Cash and cash equivalents – End of year		—	—

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

1 Description of the business

Stella-Jones Inc. (with its subsidiaries, either individually or collectively, referred to as the "Company") is North America's leading producer of pressure-treated wood products. It supplies all the continent's major electrical utilities and telecommunication companies with wood utility poles and North America's Class 1, short line and commercial railroad operators with railway ties and timbers. Stella-Jones also provides industrial products, which include wood for railway bridges and crossings, marine and foundation pilings, construction timbers and coal tar-based products. Additionally, the Company manufactures and distributes premium residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing the Canadian market through its national manufacturing and distribution network. The Company has treating and pole peeling 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 Significant accounting policies

Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and Chartered Professional Accountants Canada Handbook Accounting Part I.

These consolidated financial statements were approved by the Board of Directors on March 8, 2022.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and certain long-term liabilities which are measured at fair value. The Company has consistently applied the same accounting policies for all periods presented, unless otherwise stated.

Principles of consolidation

The 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
Cahaba Pressure Treated Forest Products, Inc.	Stella-Jones U.S. Holding Corporation	United States
Cahaba Timber, Inc.	Stella-Jones U.S. Holding Corporation	United States

The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the

Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities assumed, and the equity interests issued by the Company. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the net identifiable assets acquired and liabilities assumed is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. All amounts have been rounded to the nearest million, unless otherwise indicated.

b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Revenues and expenses denominated in a foreign currency are translated by applying the monthly average exchange rates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate in effect at the consolidated statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency are recognized in the consolidated statement of income within other losses, net, except for qualifying cash flow hedges which are recognized in other comprehensive income (loss) and deferred in accumulated other comprehensive income in shareholders' equity.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in the consolidated statement of income, within other losses, net, except for foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are translated at historical exchange rates.

c) Foreign operations

The financial statements of operations that have a functional currency different from that of the Company are translated using the rate in effect at the consolidated statement of financial position date for assets and liabilities, and the monthly average exchange rates during the year for revenues and expenses. Adjustments arising from this translation are recorded in accumulated other comprehensive income (loss) in shareholders' equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate in effect at the consolidated statement of financial position date.

d) Hedges of net investments in foreign operations

Foreign currency differences arising on the translation of financial liabilities designated as a hedge of net investment in foreign operations are recognized within equity in other comprehensive income (loss) to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized in the consolidated statement of income, within other losses, net. When the hedged portion of a net investment (the subsidiary) is disposed of, the relevant amount in equity is transferred to the consolidated statement of income as part of the gain or loss on disposal.

Revenue recognition

The Company sells treated and untreated wood products (the "Products"), as well as wood treating services. Revenue from the sale of Products is recognized when the Company satisfies a performance obligation by transferring a promised Product to a customer. Products are considered to be transferred once the customer takes control of them, being either at the Company's manufacturing site or at the customer's location. Control of the Products refers to the ability to direct its use and obtain substantially all the remaining benefits from the Product.

The Company offers to treat wood products owned by third parties. Revenue from these treating services is recognized using the point in time criteria since there is a short manufacturing timeframe to treat wood products.

Product sales can be subject to retrospective volume discounts based on aggregate sales over a 12 month period, per certain contractual conditions. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. The Company's significant experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a reversal will not occur. A liability is recognized for expected volume discounts payable to customers in relation to sales transacted to the end of the reporting period.

Product sales may also be subject to retrospective price discounts based on aggregate sales over a 12 month period, according to certain contractual conditions. Revenue from these sales is recognized based on the expected average sales price over the specified period. Accumulated experience is used to estimate and provide for the price discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that specified contractual conditions will be met. The customer is invoiced at the contract price and a liability is recognized to adjust to the average price.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with initial maturities of three months or less.

Accounts receivable

Accounts receivable are amounts due from customers from the sale of products or services rendered in the ordinary course of business. Accounts receivable are classified as current assets if payment is due within 12 months or less. Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost, less credit loss allowance.

Inventories

Inventories of raw materials are valued at the lower of weighted average cost and net realizable value. Finished goods are valued at the lower of weighted average cost and net realizable value and include the cost of raw materials, other direct costs and manufacturing overhead expenses. Net realizable value is the estimated selling price less costs necessary to make the sale.

Property, plant and equipment

Property, plant and equipment are recorded at cost, including borrowing costs incurred during the construction period, less accumulated depreciation and impairment. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts, and depreciates separately each such part. Depreciation is calculated on a straight-line basis using rates based on the estimated useful lives of the assets.

	Useful life
Buildings	7 to 60 years
Production equipment	5 to 60 years
Rolling stock	3 to 20 years
Office equipment	2 to 10 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. The depreciation expense is included in cost of sales in the consolidated statements of income.

Financial expenses

Borrowing costs are recognized as financial expenses in the consolidated statement of income in the period in which they are incurred. Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Leases

The Company leases certain property, plant and equipment and recognizes a right-of-use asset and liability at the lease commencement date. Right-of-use assets represent the right to use an underlying asset for the term of the lease, and the related liabilities represent the obligation to make the lease payments arising from the lease. Right-of-use assets and the related liabilities are recognized at the lease commencement date based on the present value of the lease payments over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Renewal and termination options are included in the lease terms when it is reasonably certain that they will be exercised.

Lease payments comprise of fixed payments, including in-substance fixed payments, the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period that the Company is reasonably certain to exercise and penalties for early termination of a lease if the Company is reasonably certain to terminate. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the consolidated statement of income over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. The depreciation expense is included in cost of sales and selling and administrative expense in the consolidated statements of income.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease-term of less than 12 months and leases of low-value assets. Payments associated with short-term leases and low-value assets are charged to the consolidated statement of income on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets with finite useful lives are recorded at cost and are amortized over their useful lives. Intangible assets with indefinite useful lives are recorded at cost and are not amortized. The amortization method and estimate of the useful life of an intangible asset are reviewed on an annual basis.

	Method	**Useful life**
Software	Straight-line	5 to 10 years
Customer relationships	Straight-line	12 years
Customer relationships	Declining balance	4% to 20%
Non-compete agreements	Straight-line	3 to 5 years
Creosote registration	-	Indefinite

Cutting rights are recorded at cost less accumulated amortization and impairment. Amortization is provided on the basis of timber volumes harvested. Amortization amounts are charged to operations based on a pro rata calculation of timber volumes harvested over the estimated volumes to be harvested during a 40 year period and are applied against the historical cost.

Development costs that are directly attributable to the design, development, implementation, and testing of identifiable software products are recognized as software if certain criteria are met, including technical feasibility and intent and ability to develop and use the software to generate probable future economic benefits; otherwise they are expensed as incurred. Directly attributable costs that are capitalized include software related, employee and third-party development costs.

The amortization expense is included in cost of sales and selling and administrative expense in the consolidated statements of income.

The creosote registration is subject to an annual impairment test or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill

Goodwill is not amortized and tested annually for impairment, or more frequently, whenever indicators of potential impairment exist. Impairment losses on goodwill are not reversed. For the purpose of impairment testing, goodwill is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The Company defines CGUs as either plants specialized in the treatment of utility poles and residential lumber or plants specialized in the treatment of railway ties.

Impairment

Impairments are recorded when the recoverable amounts of assets are less than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use (being the present value of the expected future cash flows of the relevant asset or CGU).

The carrying values of non-financial assets with finite lives, such as property, plant and equipment and intangible assets with finite useful lives, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Long-lived assets that are not amortized are tested at least annually for impairment or when events or changes in circumstances warrant such consideration. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment when events or changes in circumstances warrant such consideration.

Provisions

Provisions for site remediation and other provisions are recognized when the Company has a legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recorded in the consolidated statement of financial position as a separate asset, but only if it is virtually certain that reimbursement will be received.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a financial expense.

The Company considers the current portion of the provision to be an obligation whose settlement is expected to occur within the next 12 months.

Site remediation obligations

Site remediation obligations relate to the discounted present value of estimated future expenditures associated with the obligations of restoring the environmental integrity of certain properties. The Company reviews estimates of future site remediation expenditures on an ongoing basis and records any revisions, along with the accretion expense on existing obligations, in other losses, net in the consolidated statement of income.

At each reporting date, the liability is remeasured for changes in discount rates and in the estimate of the amount, timing and cost of the work to be carried out.

Income taxes

The income tax expense or credit for the period is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Employee future benefits

Defined benefit pension plan

The Company accrues obligations and related costs under defined benefit pension plans, net of plan assets. The cost of pensions earned by employees is actuarially determined using the projected unit credit method and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and discount rates on obligations. Past service costs from plan amendments are recognized in net income when incurred. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are charged or credited to other comprehensive income (loss). These amounts are recognized immediately in retained earnings without recycling to the consolidated statements of income in subsequent periods.

Other post-employment benefit programs

The Company provides other post-employment benefits to certain retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are attributed from the date when service by the employee first leads to benefits under the plan, until the date when further service by the employee will lead to no material amount of further benefits. The cost of future benefits earned by employees is established by actuarial calculations using the projected benefit method pro-rated on years of service based on Management's best estimate of economic and demographic assumptions. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income (loss) in the period in which they arise and are recognized immediately in retained earnings without recycling to the consolidated statements of income in subsequent periods.

Share-based payments

The Company operates a number of equity-settled and cash-settled share-based compensation plans under which it receives services from employees and non-executive directors as consideration for equity instruments of the Company or cash payments. Equity-settled share-based payments are comprised of the stock option plan and cash-settled share-based payments include restricted stock units ("RSUs"), performance stock units ("PSU's") and deferred share units ("DSUs").

Equity-settled plan

The Company accounts for stock options granted to employees using the fair value method. Under this method, compensation expense for stock options granted is measured at fair value at the grant date using the Black-Scholes option pricing model and is recognized in the consolidated statements of income over the vesting period of the options granted, with a corresponding credit to contributed surplus. For options with graded vesting, each tranche is considered a separate grant with a different vesting date and fair value. Any consideration paid on the exercise of stock options is credited to capital stock together with any related share-based compensation expense included in contributed surplus.

Cash-settled plan

The Company has liability-based awards, RSUs, PSUs and DSUs, which are initially measured at fair value at the grant date using an option pricing model. Until the liability is settled, the fair value of that liability is remeasured at each reporting date, with changes in fair value recognized in the consolidated statements of income. The compensation expenses are recognized in the consolidated statements of income over the vesting periods, based on the fair value of the awards at the end of each reporting period.

Financial instruments

The Company recognizes a financial asset or a financial liability in its consolidated statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Financial assets

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:

   – the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

   – the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

c) Fair value through profit or loss - any financial assets that are not held in one of the two business models mentioned in a) and b) are measured at fair value through profit or loss.

If the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash, cash equivalents, accounts receivable and derivative financial instruments. Cash, cash equivalents and accounts receivable are measured at amortized cost.

Derivative financial instruments that are not designated as hedging instruments are measured at fair value through profit or loss. Derivative financial instruments that are designated as hedging instruments are measured at fair value through other comprehensive income.

A financial asset is derecognized when the Company has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset or the contractual rights to the cash flows from the financial asset expire.

When the transfer of a customer receivable results in the derecognition of the asset, the corresponding cash proceeds are classified as cash flows from operating activities.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, short-term debt, long-term debt and derivative financial instruments. Accounts payable and accrued liabilities, short-term debt and long-term debt are measured at amortized cost. Derivative financial instruments that are not designated as hedging instruments are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in profit or loss. After initial recognition, an entity cannot reclassify any financial liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in net income.

Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Hedging transactions

As part of its hedging strategy, the Company considers derivative financial instruments such as foreign exchange forward contracts to limit its exposure under contracted cash inflows of sales denominated in U.S. dollars. The Company also considers interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its short-term and long-term debt. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument. These derivative financial instruments are treated as cash flow hedges for accounting purposes and are fair valued through other comprehensive income.

The effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within other losses, net.

When forward contracts are used to hedge forecast transactions, the Company generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognized within other comprehensive income in the costs of hedging reserve within equity. In some cases, the Company may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to net income.

Earnings per share

Basic earnings per share is calculated by dividing the net income for the period attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method. Under this method, earnings per share data are computed as if the options were exercised at the beginning of the year (or at the time of issuance, if later) and as if the funds obtained from exercise were used to purchase common shares of the Company at the average market price during the period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management team, which makes strategic and operational decisions.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to estimates and assumptions include the 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, income tax rate 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.

4 Business acquisitions

On November 19, 2021, the Company, through a wholly-owned U.S. subsidiary, completed the acquisition of Cahaba Pressure Treated Forest Products, Inc. ("Cahaba Pressure") and Cahaba Timber, Inc. ("Cahaba Timber") for a combined total purchase price of $129 million (US$102 million). Cahaba Pressure manufactures, distributes and sells treated and untreated wood poles, crossties and posts and provides custom treating services. Cahaba Timber is a producer of treated poles and pilings and engages in raw material procurement. Both wood treating facilities are located in Brierfield, Alabama and were acquired for synergistic reasons.

The cash outlay associated with these acquisitions was $129 million (US$102 million), excluding acquisition-related costs of less than a million dollars recognized in the consolidated statement of income under selling and administrative expenses. The Company financed these acquisitions through its existing credit facilities.

As at the reporting date, the Company had not completed the purchase price allocation to the fair value of the identifiable net assets and goodwill acquired. The fair value determination of the assets acquired and liabilities assumed was based on Management's best estimates and information known at the time of preparing these 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 intangible assets, goodwill and deferred income taxes. The information that was available to the Company was affected by the proximity of the acquisitions to its year-end. 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 these acquisitions 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. The original transaction was made in U.S. dollars and converted into Canadian dollars as at the acquisition date.

(Amounts in millions of Canadian dollars)	
Assets acquired	
Accounts receivable	4
Inventories	13
Property, plant and equipment	34
Intangible assets	39
Goodwill	62
	152
Liabilities assumed	
Accounts payable	1
Other long-term liabilities	3
Deferred income tax liabilities	19
	23
Total net assets acquired and liabilities assumed	129
Purchase consideration	129

The trade receivables comprise gross contractual amounts of four million dollars, which were expected to be collectible.

The Company's valuation of intangible assets has mainly identified customer relationships having a useful life of 12 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. Goodwill is non-deductible for U.S. tax purposes, and represents the future economic value associated with the enhanced procurement network, acquired workforce and synergies with the Company's operations. For impairment test purposes, goodwill is allocated to CGUs as defined in the Company's accounting policies. Goodwill is allocated to a CGU defined as plants specialized in the treatment of utility poles and residential lumber.

In the period from November 19, 2021 to December 31, 2021, the combined sales and net income of Cahaba Pressure and Cahaba Timber amounted to six million dollars and less than a million dollars, respectively.

5 Accounts receivable

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Trade receivables	218	194
Less: Credit loss allowance	—	(1)
Trade receivables – net	218	193
Other receivables	12	15
	230	208

The aging of gross trade receivables at each reporting date was as follows:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Current	148	147
Past due 1-30 days	41	26
Past due 31-60 days	10	11
Past due more than 60 days	19	10
	218	194

In the normal course of its business, the Company has entered into facilities with certain financial institutions whereby it can sell, without credit recourse, eligible receivables to the concerned financial institutions. During the year ended December 31, 2021, trade receivables of $219 million ($146 million in 2020) were sold under these facilities.

6 Inventories

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Raw materials	692	693
Finished goods	414	382
	1,106	1,075

7 Property, plant and equipment

(Amounts in millions of Canadian dollars)	Land	Buildings	Production equipment	Rolling stock	Others	Total
As at January 1, 2020						
Cost	57	131	488	31	18	725
Accumulated depreciation	—	(26)	(99)	(21)	(11)	(157)
Net book amount	57	105	389	10	7	568
Year ended December 31, 2020						
Opening net book amount	57	105	389	10	7	568
Additions	2	3	34	—	4	43
Disposals / impairments	—	—	(2)	(1)	—	(3)
Depreciation	—	(4)	(17)	(2)	(3)	(26)
Exchange differences	(1)	(1)	(6)	—	—	(8)
Closing net book amount	58	103	398	7	8	574
As at December 31, 2020						
Cost	58	133	512	28	20	751
Accumulated depreciation	—	(30)	(114)	(21)	(12)	(177)
Net book amount	58	103	398	7	8	574
Year ended December 31, 2021						
Opening net book amount	58	103	398	7	8	574
Business acquisitions	1	10	18	5	—	34
Additions	2	5	37	2	2	48
Disposals / impairments	—	—	(1)	(1)	—	(2)
Depreciation	—	(4)	(18)	(2)	(1)	(25)
Closing net book amount	61	114	434	11	9	629
As at December 31, 2021						
Cost	61	147	566	31	22	827
Accumulated depreciation	—	(33)	(132)	(20)	(13)	(198)
Net book amount	61	114	434	11	9	629

8 Leases

The consolidated statement of financial position shows the following amounts relating to leases:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Right-of use assets		
Rolling stock	112	107
Land	21	24
Other assets	5	4
	138	135
Lease liabilities		
Current lease liabilities	35	33
Non-current lease liabilities	109	106
	144	139

The following table provides a reconciliation of the right-of-use assets, presented in the consolidated statements of financial position for the years ended December 31, 2021 and 2020:

Right-of-use

(Amounts in millions of Canadian dollars)	**Rolling stock**	**Land**	**Other assets**	**Total**
As at January 1, 2020	82	28	6	116
Additions	50	—	1	51
Disposals	(2)	—	—	(2)
Depreciation	(31)	(4)	(3)	(38)
Remeasurement	10	—	—	10
Exchange differences	(2)	—	—	(2)
As at December 31, 2020	107	24	4	135
Additions	37	1	3	41
Disposals	(1)	—	—	(1)
Depreciation	(31)	(4)	(3)	(38)
Remeasurement	—	—	1	1
As at December 31, 2021	112	21	5	138

The following table provides a reconciliation of the lease liabilities, presented in the consolidated statements of financial position for the years ended December 31, 2021 and 2020:

Lease liabilities (Amounts in millions of Canadian dollars)	**Rolling stock**	**Land**	**Other assets**	**Total**
As at January 1, 2020	82	30	6	118
Payments under lease agreements	(32)	(4)	(3)	(39)
Finance costs	3	1	—	4
Additions	50	—	1	51
Lease termination payments	(2)	—	—	(2)
Remeasurement	10	—	—	10
Exchange differences	(3)	—	—	(3)
As at December 31, 2020	108	27	4	139
Payments under lease agreements	(32)	(4)	(3)	(39)
Finance costs	3	1	—	4
Additions	37	1	3	41
Lease termination payments	(1)	—	—	(1)
Remeasurement	—	—	1	1
Exchange differences	(1)	—	—	(1)
As at December 31, 2021	114	25	5	144

The Company leases various rolling stock (mobile equipment, road vehicles and rail cars), land and other assets. Leases are typically made for fixed periods of one to 10 years and may have extension options that are considered when it is reasonably certain that the option will be exercised.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

9 Intangible assets and goodwill

The intangible assets include customer relationships, creosote registration, software, cutting rights and non-compete agreements.

Customer relationships comprise long-term agreements with certain customers and ongoing business relationships. The acquisition cost was established based on future benefits associated with these relationships.

Impairment tests for goodwill

Goodwill is allocated for impairment testing purposes to CGUs which reflect how it is monitored for internal management purposes.

The recoverable amount of a CGU is determined based on fair value less cost to dispose ("FVLCTD") calculations. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. FVLCTD calculations use cash flow projections covering a five-year period that are based on the latest financial budgets for revenue and cost as approved by senior management. Cash flow projections beyond five years are based on a growth rate not exceeding gross domestic product for the respective countries and one percent real growth rates are assumed in perpetuity for most of the businesses given the commodity nature of the majority of the products (i.e. volume growth is assumed to be offset by real price declines). Post-tax cash flow projections are discounted using a real post-tax discount rate of 8%, that is based on past experience, and industry average weighted average cost of capital. The assumptions used in calculating FVLCTD have considered the current economic environment.

The carrying value of goodwill is allocated to the following CGUs:

CGUs (Amounts in millions of Canadian dollars)	**2021**	**2020**
Plants specialized in the treatment of utility poles and residential lumber	198	136
Plants specialized in the treatment of railway ties	143	144
	341	280

Impairment tests for intangible assets with indefinite useful life

The only intangible asset with indefinite useful life is the creosote registration. This registration provides the Company with the right to produce and sell creosote out of its Memphis, Tennessee facility. The Company's approach to creosote supply is to produce a portion of its requirements and to buy the remainder on the open market. As a result, the creosote registration procures the advantage of being able to produce, which is less expensive than buying on the market.

The recoverable amount of the creosote registration is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections covering a five-year period that are based on the latest financial budgets for cost savings as approved by senior management. Cash flow projections beyond five years are based on a growth rate not exceeding domestic product for the respective countries and one percent real growth rates are assumed in perpetuity for most of the business given the commodity nature of the majority of the products (i.e. volume growth is assumed to be offset by real price declines). Pre-tax cash flow projections are discounted using a real pre-tax discount rate of 11%.

The net book amount of these intangible assets and goodwill was as follows:

(Amounts in millions of Canadian dollars)	Intangible assets							
	Customer relationships	**Creosote registration**	**Software**	**Cutting rights**	**Non-compete agreements**	**Others**	**Total**	**Goodwill**
As at January 1, 2020								
Cost	159	40	12	7	17	12	247	285
Accumulated amortization	(100)	—	(5)	(2)	(15)	(10)	(132)	—
Net book amount	59	40	7	5	2	2	115	285
Year ended December 31, 2020								
Opening net book balance	59	40	7	5	2	2	115	285
Additions	—	—	14	—	—	—	14	—
Amortization	(9)	—	(2)	—	(1)	—	(12)	—
Exchange differences	(1)	(1)	—	—	—	—	(2)	(5)
Closing net book amount	49	39	19	5	1	2	115	280
As at December 31, 2020								
Cost	121	39	26	7	6	12	211	280
Accumulated amortization	(72)	—	(7)	(2)	(5)	(10)	(96)	—
Net book amount	49	39	19	5	1	2	115	280
Year ended December 31, 2021								
Opening net book balance	49	39	19	5	1	2	115	280
Business acquisitions	38	—	—	—	—	1	39	62
Additions	—	—	15	—	—	—	15	—
Amortization	(7)	—	(3)	—	(1)	—	(11)	—
Exchange differences	—	—	—	—	—	—	—	(1)
Closing net book amount	80	39	31	5	—	3	158	341
As at December 31, 2021								
Cost	158	39	40	7	—	10	254	341
Accumulated amortization	(78)	—	(9)	(2)	—	(7)	(96)	—
Net book amount	80	39	31	5	—	3	158	341

10 Accounts payable and accrued liabilities

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Trade payables	57	55
Accrued expenses	82	61
Other payables	23	21
	162	137

11 Short-term debt

In 2021, the demand loan agreement was amended to increase the amount available under the credit facility from US$50 million to US$100 million until June 30, 2021. The demand loan agreement provided financing under terms and conditions similar to those under the syndicated credit agreement (see note 12(a)). During the year ended December 31, 2021, the Company terminated and canceled the facility.

In 2021, the Company entered into a bridge term loan agreement for US$100 million with a lender within the U.S. farm credit system. During the 12 months ended December 31, 2021, the US$100 million of indebtedness advanced under the bridge loan facility was repaid in full (see note 12).

12 Long-term debt

(Amounts in millions of Canadian dollars)	Note	2021	2020
Unsecured revolving credit facilities	12(a)(b)	252	271
Unsecured term loan facility	12(b)	253	—
Unsecured senior notes	12(c)	190	191
Unsecured non-revolving term facility	12(a)	32	127
Unsecured promissory notes	12(d)	—	10
Secured promissory note	12(e)	5	5
Other		2	3
		734	607
Deferred financing costs		—	(1)
		734	606
Less: Current portion of long-term debt		33	11
		701	595

a) Unsecured Syndicated Credit Facilities

Under the terms of the sixth amended and restated credit agreement dated as at May 3, 2019, as amended on February 24, 2020, October 30, 2020 and July 30, 2021 (the "Syndicated Credit Agreement"), the following syndicated credit facilities are made available to the Company by a syndicate of lenders: (i) an unsecured revolving facility in the amount of US$325 million maturing on February 27, 2026 and (ii) an unsecured non-revolving term facility in the amount of US$25 million maturing on February 28, 2022. As at December 31, 2021, the Syndicated Credit Agreement provided financing up to US$350 million and makes available an accordion option. Upon request, the Company may increase the syndicated credit facilities by increasing the amount of one or more of the syndicated credit facilities or by adding one or more new non-revolving single draw term loans, in each case, up to an aggregate amount of US$350 million, provided that no more than five term loans in total may be outstanding at any time. The Company may obtain such new term loans upon written request and are subject to lenders' approval.

Borrowings under the syndicated credit facilities may be obtained in the form of Canadian prime rate loans, bankers' acceptances ("BAs"), U.S. base rate loans, LIBOR loans in U.S. dollars and letters of credit. The interest rate margin will range from 0.00% to 1.25% with respect to Canadian prime rate loans and U.S. base rate loans and from 1.00% to 2.25% with respect to BAs, LIBOR loans and fees for letters of credit, in each case based on a leverage ratio.

The Company enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its debt. Details of the outstanding interest rate swap agreements as at December 31, 2021 are provided in Note 20, *Financial instruments and management of financial risk.*

As at December 31, 2021, borrowings by Canadian entities denominated in U.S. dollars represented $62 million (US$49 million).

In order to maintain the syndicated credit facilities in place, the Company needs to comply with affirmative covenants, negative covenants, reporting requirements and financial ratios. The Company is required to maintain a net funded debt-to-EBITDA ratio of no more than 3.50:1 and an interest coverage ratio equal to or greater than 3.00:1, which are measured on a quarterly basis. As at December 31, 2021, the Company was in full compliance with these covenants, requirements and ratios.

b) Unsecured Senior U.S. Farm Credit Facilities

On April 29, 2021 (the "Closing Date"), the Company entered into a credit agreement (the "U.S. Farm Credit Agreement") pursuant to which unsecured senior credit facilities in an aggregate amount of up to US$350 million were made available by a syndicate of lenders within the U.S. farm credit system. The U.S. Farm Credit Agreement provides a term loan facility of up to US$250 million with a delayed draw period of up to three years, and the choice of maturities of five to 10 years from the date of drawing, provided the final maturity of any term loan is not more than 10 years from the Closing Date (or, the "Term Loan Facility"), and a five-year revolving credit facility of up to US$100 million with a maturity date of April 29, 2026 (or, the "Revolving Credit Facility"). On the Closing Date, a drawdown of US$100 million was made under the Revolving Credit Facility, and the proceeds thereof were used to repay in full the bridge term loan. There is also an uncommitted option to increase the unsecured senior credit facilities by up to an additional US$150 million, subject to certain terms and conditions.

The obligations under the unsecured senior credit facilities are guaranteed by Stella-Jones Inc. and certain subsidiaries of the Company. Interest rates under the Revolving Credit Facility are based, at the Company's election, on either a floating rate based on the LIBOR, or a base rate, in each case plus a margin over the index. The Term Loan Facility bears interest, at the Company's election, at either a floating rate based on LIBOR, or a base rate, in each case plus a margin over the index, or at a fixed rate based on the farm credit system cost of funds plus an applicable margin set at the time of each tranche draw. The base rate is the highest of (i) the prime rate; and (ii) the federal funds rate plus 0.5%. The applicable margin over the index fluctuates quarterly based upon (a) the Company's funded debt-to-EBITDA ratio; and (b) in the case of the loans under the Term Loan Facility, the maturity date of such loans. For loans under the Revolving Credit Facility, the applicable margin ranges from 0.5% to 1.25% for base rate loans, and from 1.5% to 2.25% for LIBOR loans. For floating rate loans under the Term Loan Facility, the applicable margin over the index ranges from 0.5% to 1.5% for base rate loans, and from 1.5% to 2.5% for LIBOR loans. For fixed rate loans under the Term Loan Facility, the applicable margin over the farm credit system cost of funds is set at 1.5% to 1.75%, based on the maturity date of each tranche draw. With respect to US$125 million of floating term loans borrowed during the year ended December 31, 2021, the Company and the syndicate of farm lenders agreed to set the applicable margin over the index at 1.725%, subject to the Company entering into an interest rate swap agreement. Details of the interest swap agreement is provided in Note 20, *Financial instruments and management of financial risk.*

The unsecured senior credit facilities are eligible for patronage refunds. Patronage refunds are distributions of profits from lenders in the farm credit system, which are cooperatives that are required to distribute profits to their members. Patronage distributions, in the form of cash, are received in the year after they were earned. Future refunds are dependent on future farm credit lender profits, made at the discretion of each farm credit lender.

In addition to paying interest on outstanding principal under the unsecured senior credit facilities, a fee is payable in respect of unutilized commitments based on the average daily utilization for the prior fiscal quarter ranging from 0.15% to 0.35% per annum under the Revolving Credit Facility and 0.20% for the Term Loan Facility during the delay draw period.

Loans under the Revolving Credit Facility and the Term Loan Facility, other than fixed rate term loans, may be prepaid from time to time at the company's discretion without premium or penalty but subject to breakage costs, if any, in the case of LIBOR loans. If all or any portion of a fixed rate term loan is prepaid, a prepayment premium may apply. Amounts repaid on the Term Loan Facility may not be subsequently re-borrowed. Principal amounts under the Revolving Credit Facility may be drawn, repaid, and redrawn until April 28, 2026.

Pursuant to the U.S. Farm Credit Agreement, the Company is required to maintain (i) a net funded debt-to-EBITDA ratio of no more than 3.50:1; (ii) an interest coverage ratio equal to or greater than 3.00:1 and (iii) a priority debt to equity ratio not more than 15%, which are measured on a quarterly basis. As at December 31, 2021, the Company was in full compliance with these covenants, requirements and ratios.

In addition, the U.S. Farm Credit Agreement contains customary affirmative covenants, including, but not limited to, delivery of financial and other information to the administrative agent, delivery of notice to the administrative agent upon the occurrence of certain material events, preservation of existence and authorizations, maintenance of insurance, compliance with laws, use of proceeds, and payment of taxes and other claims. The unsecured senior credit facilities include customary representations, warranties and events of default subject to customary grace periods and notice requirements.

c) Unsecured Senior Notes

On January 17, 2017, the Company concluded a US$150 private placement with certain U.S. investors. Pursuant to the private placement, the Company entered into a note purchase agreement providing for the issuance by Stella-Jones Inc. of senior notes - series A in the aggregate amount of US$75 bearing interest at 3.54% payable in a single installment at maturity on January 17, 2024 and senior notes – series B in the aggregate amount of US$75 bearing interest at 3.81%, payable in a single installment at maturity on January 17, 2027. Such notes are unsecured and proceeds were used to reimburse a portion of the revolving credit facility then outstanding. The notes were designated as hedges of net investment in foreign operations.

In order to maintain the senior notes in place, the Company is required to comply with affirmative covenants, negative covenants, reporting requirements and financial ratios comprised of a net funded debt-to-EBITDA ratio of not more than 3.50:1, an interest coverage ratio equal to or greater than 2.50:1 and a priority debt to equity ratio not more than 15%, which are measured on a quarterly basis. As at December 31, 2021, the Company was in full compliance with these covenants, requirements and ratios.

d) Unsecured Promissory Notes

Pursuant to two business acquisitions dated June 3, 2016, the Company issued two unsecured promissory notes totaling $18 million (US$14 million) bearing interest at 1.41%. The notes were initially recorded at a fair value totaling $15 million (US$12 million) using an effective interest rate of 5.00%. The difference between the face value and the fair value of the notes was being accreted on an effective yield basis over its term. The remaining promissory notes, including interest, were repaid in full in 2021.

e) Secured Promissory Note

As part of a business acquisition dated June 3, 2016, the Company assumed a promissory note in the amount of $8 million (US$6 million), bearing interest at 5.76% and secured by the land of the Pineville facility. The note was initially recorded at a fair value of $9 million (US$7 million) using an effective interest rate of 4.00%. The difference between the face value and the fair value of the note is being accreted on an effective yield basis over its term. The note is payable in quarterly installments up to July 2028.

f) The repayment requirements on the long-term debt during the next five years and thereafter are as follows:

(Amounts in millions of Canadian dollars)	**Principal**
2022	33
2023	1
2024	96
2025	1
2026	276
Thereafter	327
	734

g) The aggregate fair value of the Company's long-term debt was estimated at $747 million as at December 31, 2021 (2020 – $619 million) based on discounted future cash flows, using interest rates available to the Company for issues with similar terms and average maturities.

13 Provisions and other long-term liabilities

(Amounts in millions of Canadian dollars)	Provisions			Other long-term liabilities			
	Site remediation	**Others**	**Total**	**Share-based payment plans**	**Non-competes payable**	**Total**	**Grand total**
Balance as at January 1, 2020	9	2	11	5	3	8	19
Additions	6	8	14	5	—	5	19
Provision reversal	—	(1)	(1)	—	—	—	(1)
Payments	(3)	(1)	(4)	—	(2)	(2)	(6)
Balance as at December 31, 2020	12	8	20	10	1	11	31
Business acquisitions	3	—	3	—	—	—	3
Additions	4	—	4	4	—	4	8
Provision reversal	—	—	—	—	—	—	—
Payments	(3)	(2)	(5)	(10)	(1)	(11)	(16)
Balance as at December 31, 2021	16	6	22	4	—	4	26
Current portion	3	6	9	2	—	2	11
Non-current portion	13	—	13	2	—	2	15
	16	6	22	4	—	4	26

The Company's share-based payment plans consist of cash-settled restricted stock unit, performance stock unit and deferred share unit plans.

Restricted stock units (RSUs) and Performance stock units (PSUs)

Under the Stock Unit Plan (SUP) approved by Company's Board of Directors in December 2019, RSUs and PSUs are granted to certain executives and key employees of the Company. Under the SUP, 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 multiplied by a factor which ranges from 0% to 200% based on the attainment of performance criteria and/or market conditions set out pursuant to the plan, provided the individual is still employed by the Company at time of vesting. RSUs vest ratably over a period of three years and PSUs are paid three years after the grant date. The SUP replaces the previous long-term incentive plan.

Changes in outstanding RSUs are as follows:

	2021	**2020**
RSUs outstanding - Beginning of year	266,750	270,238
Granted	64,517	—
Vested	(213,855)	—
Forfeited	(13,449)	(3,488)
RSUs outstanding - End of year	103,963	266,750

As at December 31, 2021, the outstanding RSUs included 44,789 RSUs (December 31, 2020 - 52,894 RSUs) granted under the previous plan.

Changes in outstanding PSUs are as follows:

	2021	**2020**
PSUs outstanding - Beginning of year	—	—
Granted	32,258	—
Forfeited	(2,860)	—
PSUs outstanding - End of year	29,398	—

Deferred share units (DSUs)

DSUs entitle non-executive directors of the Company to receive a minimum participation amount in the form of DSUs and may elect to participate in the DSU plan for 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-employee director. All DSUs vest and are settled for cash when a non-employee director ceases to act as a director.

Changes in outstanding DSUs are as follows:

	2021	**2020**
DSUs outstanding - Beginning of year	6,375	2,126
Granted	13,756	4,249
DSUs outstanding - End of year	20,131	6,375

14 Cash flow information

The following table presents the movements in the liabilities from financing activities for the years ended December 31, 2021 and 2020:

(Amounts in millions of Canadian dollars)	Short-term debt	Long-term debt	Revolving credit facilities	Lease liabilities	Total
	Liabilities from financing activities				
Balance as at January 1, 2020	—	(350)	(254)	(118)	(722)
Cash flows, net	—	8	(20)	35	23
Foreign exchange adjustments	—	7	3	3	13
Lease additions	—	—	—	(51)	(51)
Other non-cash movements	—	—	—	(8)	(8)
Balance as at December 31, 2020	—	(335)	(271)	(139)	(745)
Cash flows, net	(2)	(142)	13	35	(96)
Foreign exchange adjustments	2	(5)	6	1	4
Lease additions	—	—	—	(41)	(41)
Balance as at December 31, 2021	—	(482)	(252)	(144)	(878)

15 Capital stock, earnings per share and dividends

The following table provides the number of common shares outstanding for the years ended December 31:

	2021	**2020**
Number of common shares outstanding – Beginning of year	66,187,404	67,466,709
Common shares repurchased	(2,447,419)	(1,331,455)
Stock option exercised	—	15,000
Employee share purchase plans	33,267	37,150
Number of common shares outstanding – End of year	63,773,252	66,187,404

a) Capital stock:

The Company is authorized to issue an unlimited number of common shares and an unlimited number of referred 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.

b) Normal Course Issuer Bid

On March 9, 2021, the Company received approval from the TSX to amend the Normal Course Issuer Bid ("NCIB") accepted by the TSX on August 4, 2020 in order to increase the maximum number of common shares that may be repurchased for cancellation from 2,500,000 to 3,500,000 common shares during the 12-month period commencing August 10, 2020 and ending August 9, 2021 (the "2020-2021 NCIB"). The amendment to the 2020-2021 NCIB was effective on March 15, 2021.

On November 8, 2021, the TSX accepted Stella-Jones' Notice of Intention to Make a NCIB to purchase for cancellation up to 4,000,000 common shares during the 12-month period commencing November 12, 2021 and ending November 11, 2022, representing approximately 8% of the public float of its common shares ("2021-2022" NCIB).

During the year ended December 31, 2021, the Company repurchased for cancellation 1,725,871 common shares under the 2020-2021 NCIB (December 31, 2020 - 1,331,455 common shares) and 721,548 common shares under the 2021-2022 NCIB for a total cash consideration of $108 million (December 31, 2020 - $60 million), representing an average price of $44.14 per common share. For the year ended December 31, 2021, the Company's capital stock was reduced by eight million dollars (December 31, 2020 – four million dollars) and the remaining $100 million (December 31, 2020 – $56 million) was accounted for as a decrease in retained earnings.

c) Stock option plan

The Company has a stock option plan (the "Plan") for directors, officers and employees whereby the Board of Directors or a committee appointed for such purpose ("Committee") may, from time to time, grant to directors, officers or employees of the Company options to acquire common shares in such numbers, for such terms and at such exercise prices as are determined by the Board of Directors or such Committee.

The aggregate number of common shares in respect of which options may be granted is 4,800,000. Each option shall be exercisable during a period established by the Board of Directors or Committee, and the term of the option may not exceed 10 years. The Company has not granted any stock options since 2015 and all outstanding options expire in 2025.

Changes in the number of options outstanding under the Plan were as follows:

	2021		2020	
	Number of options	**Weighted average exercise price***	**Number of options**	**Weighted average exercise price***
		$		**$**
Outstanding – Beginning of year	30,000	49.01	45,000	40.05
Exercised	—	—	(15,000)	22.13
Outstanding and exercisable – End of year	30,000	49.01	30,000	49.01

* Exercise price is presented in dollars per option.

The options outstanding under the Plan as at December 31, 2021 were granted in November 2015.

d) Employee share purchase plans

The aggregate number of common shares reserved for issuance under the Company's employee share purchase plans is 1,300,000.

Company employees who are Canadian residents are eligible to purchase common shares from the Company at an amount equal to 90.00% of the market price. Employees who hold common shares in the employee share purchase plan for 18 months following the date of acquisition of such shares receive additional common shares of the Company equivalent to 10% of the amount of their contributions made on the date of acquisition. In 2021, 20,118 common shares (2020 – 21,562) were issued to Canadian resident employees at an average price of $37.95 per share (2020 – $33.00).

Company employees who are U.S. residents are eligible to purchase common shares from the Company at market price. Employees who hold common shares in the employee share purchase plan for 18 months following the date of acquisition of such shares receive additional common shares of the Company equivalent to 10% of the amount of their contributions made on the date of acquisition. In 2021, 13,149 common shares (2020 – 15,588) were issued to U.S. resident employees at an average price of $40.73 per share (2020 – $35.87).

e) Earnings per share

The following table provides the reconciliation between basic earnings per common share and diluted earnings per common share:

(Amounts in millions of Canadian dollars, except per share amounts)	**2021**	**2020**
Net income applicable to common shares	$227	$210
Weighted average number of common shares outstanding*	65.0	67.3
Effect of dilutive stock options*	—	—
Weighted average number of diluted common shares outstanding*	65.0	67.3
Basic and diluted earnings per common share	$3.49	$3.12

* Number of shares is presented in millions.

f) Dividends

In 2021, the Company paid dividends of $47 million (2020 - $40 million), representing dividends declared per common share of $0.72 (2020 - $0.60).

16 Expenses by nature

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Raw materials and consumables	1,936	1,759
Employee benefit expenses	173	162
Depreciation and amortization	74	76
Other expenses incurred in manufacturing process	52	47
Freight	139	143
Other expenses	50	55
	2,424	2,242

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Employee benefit expenses		
Salaries, wages and benefits	158	148
RSUs/PSUs	4	5
Pension costs	3	2
Group registered retirement savings plans	8	7
	173	162

Employee benefit expenses are included in cost of sales and selling and administrative expenses.

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Financial expenses		
Interest expense on long-term debt and accretion of deferred financing fees	19	21
Interest on lease liabilities	4	4
	23	25

17 Income taxes

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Current income tax		
Current tax on income for the year	63	68
Adjustments in respect of prior years	1	(2)
Total current income tax	64	66
Deferred income tax		
Origination and reversal of temporary differences	14	5
Adjustments in respect of prior years	(2)	3
Total deferred income tax	12	8
Income tax expense	76	74

Reconciliation of effective income tax rate

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Income before income tax	303	284
Canadian statutory rate (combined federal and provincial)	25.91 %	25.98 %
Income tax expense at that statutory rate	79	74
Tax effects of:		
Rate differential between jurisdictions	(1)	(1)
Remeasurement of deferred income tax - change in tax rate	(1)	1
Adjustments in respect of prior years' tax expense	(1)	1
Others	—	(1)
Effective income tax expense	76	74

Deferred tax assets and liabilities

During the years ended December 31, 2021 and 2020, movements in temporary differences are as follows:

(Amounts in millions of Canadian dollars)	**As at December 31, 2020**	**Recognized in statement of income**	**Recognized in other comprehensive income**	**Acquired in business acquisitions**	**As at December 31, 2021**
Property, plant and equipment	(94)	(1)	—	(9)	(104)
Intangible assets	(27)	(8)	—	(10)	(45)
Reserves	11	(3)	—	—	8
Deferred pension benefit	4	—	(1)	—	3
Others	2	—	(1)	—	1
Net deferred tax liabilities	(104)	(12)	(2)	(19)	(137)

	As at December 31, 2019	**Recognized in statement of income**	**Recognized in other comprehensive income**	**Recognized in translation adjustment**	**As at December 31, 2020**
Property, plant and equipment	(88)	(8)	—	2	(94)
Intangible assets	(25)	(2)	—	—	(27)
Reserves	8	3	—	—	11
Deferred pension benefit	3	—	1	—	4
Others	1	—	1	—	2
Net deferred tax (liabilities) assets	(101)	(7)	2	2	(104)

As of December 31, 2021, the Company did not recognize deferred income tax assets of $6 million (2020 – $6 million) in respect of capital losses amounting to $44 million (2020 – $44 million) that can be carried forward indefinitely against future taxable capital gains.

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totaled $775 million as at December 31, 2021 (2020 – $635 million).

18 Employee future benefits

The Company recognizes costs for several types of employee future benefits. For its Canadian operations, the Company contributes to three defined benefit pension plans covering some salaried and non-union hourly wage employees and to a multi-employer plan for certain hourly employees. Other post-employment benefits are offered to a portion of retired employees and consist of group health and dental care, life insurance and complementary retirement benefits. The defined benefit pension plans and other post-employment benefits plan are closed to new participants.

For its U.S. operations, the Company's wholly-owned subsidiary, Stella-Jones Corporation, contributes to two defined benefit pension plans. Only one of these pension plans remains open to new participants.

All other active employees are entitled to a group registered retirement savings plan to which the Company matches one and a half times the employee contribution. The Company's contribution cannot exceed 6.0% of the employee's annual base salary.

The recognized costs for employee future benefits are as follows:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Contributions to group registered retirement savings plans	8	7
Defined benefit pension plans	2	1
Contributions to multi-employer plan	1	1
	11	9

The net amount recognized on the consolidated statement of financial position is detailed as follows:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Employee future benefits		
Non-current liabilities:		
Net defined benefit pension liability	(10)	(12)
Other post-employment benefits liability	(3)	(3)
	(13)	(15)

The Company's Canadian defined benefit pension plans benefits are based on years of service and final average earnings. The Stella-Jones Corporation defined benefit pension plans benefits consist of a flat dollar amount payable monthly based on years of service. The other post-employment benefits plan is not funded.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year.

The change in the accrued benefit obligation for the other post-employment benefits plan for the year ended December 31, 2021 was less than one million dollars (2020 - one million dollars). The following table presents financial information related to the Company's defined benefit pension plans, other than the multi-employer defined benefit plan:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Accrued benefit obligation		
Balance – Beginning of year	39	34
Current service cost	1	1
Interest cost	1	1
Benefits payments	(1)	(1)
Remeasurement adjustments		
Changes in demographic assumptions	1	1
Changes in financial assumptions	(3)	3
Balance – End of year	38	39
Plan assets		
Fair value – Beginning of year	27	26
Interest income on plan assets	—	1
Return on plan asset excluding interest income	1	—
Employer's contributions	1	1
Benefits paid	(1)	(1)
Fair value – End of year	28	27
Net benefit liability	(10)	(12)

Risks associated with the Company's defined benefit plans are similar to those of typical benefit plans, including market risk, interest rate risk, liquidity risk, credit risk, currency risk and longevity risk. The most significant risks are the exposure to asset volatility and changes in bond yields. Weaker than expected investment returns and a decrease in corporate bond yields will increase the net benefit liability and worsen the plans' funded position.

A 0.25% decrease in the discount rate would increase the defined benefit obligation as at December 31, 2021 by two million dollars.

Expected contributions to the defined benefit pension plans for the year ending December 31, 2022 are one million dollars.

The items of the Company's defined benefit plans costs recognized during the year are as follows:

Consolidated statement of income (Amounts in millions of Canadian dollars)	**2021**	**2020**
	$	**$**
Current service cost	1	1
Interest cost	1	1
Interest income on plan assets	—	(1)
Total cost recognized	2	1
Consolidated statement of comprehensive income		
Actuarial gains (losses)	3	(4)
Total recognized in other comprehensive income (loss) before income tax	3	(4)
Accumulated actuarial losses recognized in other comprehensive income		
Balance of actuarial losses as at January 1	(8)	(5)
Net actuarial gains (losses) recognized in the year, net of tax	2	(3)
Balance of actuarial losses as at December 31	(6)	(8)

The significant weighted average assumptions used are as follows:

	Defined benefit pension plans		**Other post-employment plan**	
	2021	**2020**	**2021**	**2020**
	%	**%**	**%**	**%**
Accrued benefit obligation as at December 31				
Discount rate	3.00	2.50	3.10	2.50
Rate of compensation increase	3.00	3.00	n/a	n/a
Benefit costs for the year ended December 31				
Discount rate	2.50	3.10	2.50	3.10

The percentage of plan assets held by the defined benefit plans consists of the following as at December 31:

	2021	**2020**
	%	**%**
Listed equity securities	25	29
Listed debt securities	45	43
Guaranteed insurance contracts	29	27
Short-term investments and cash	1	1
	100 %	100 %

19 Commitments and contingencies

a) The Company has issued guarantees amounting to $30 million (2020 – $27 million) under letters of credit and various bid and performance bonds. The Company's management does not believe these guarantees are likely to be called on. As a result, no provisions have been recorded in the consolidated financial statements.

b) 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 and wastewater effluent discharges. 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.

20 Financial instruments and management of financial risk

Carrying values and fair values

The Company has determined that the fair value of its current financial assets and financial liabilities approximates their carrying amounts as at the consolidated statement of financial position dates because of the short-term maturity of those instruments. The fair values of the non-current receivables and interest-bearing financial liabilities also approximate their carrying amounts unless otherwise disclosed elsewhere in these consolidated financial statements.

The fair values of interest rate swap agreements have been determined and recorded using mark-to-market values as at December 31, 2021 and 2020 from different third parties. These types of measurement fall under Level 2 in the fair value hierarchy as per IFRS 7, *Financial Instruments: Disclosures.* 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).

The following table provides a summary of the fair values:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Non-current assets		
Interest rate swap agreements	3	—
	3	—
Current liabilities		
Interest rate swap agreements	—	2
	—	2

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at December 31, 2021, the Company's credit exposure consists primarily of the carrying amount of accounts receivable and derivative financial instruments.

Credit risk associated with derivative financial instruments is minimized by dealing with creditworthy financial institutions.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management believes that the credit risk of accounts receivable is limited because the Company deals primarily large-scale utility providers, Class 1 railroad operators and large retailers as well as other major corporations.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and credit references from other suppliers. Purchase limits are established for each customer, which represent the maximum open amount not requiring additional approval from Management. A monthly review of the accounts receivable aging is performed by Management for each selling location. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Note 5 provides details on the receivable aging as well as on the credit loss provision for the years ended December 31, 2021 and 2020. The Company's largest customer had sales representing 19% of the total sales for the year ended December 31, 2021 (2020 – 19%) and an account receivable balance of $10 million as at December 31, 2021 (2020 – $11 million). The sales for this customer are included in the residential lumber product category.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, on a long-term basis, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring losses or risking damage to its reputation.

The Company ensures that it has sufficient credit facilities to support working capital, meet expected operational expenditures and service financial obligations. Inventories are a significant component of working capital because of the long periods required to air-season wood, which can occasionally exceed nine months before a sale is made.

The operating activities of the Company are the primary source of cash flows. The Company also has credit facilities (Note 12(a)(b)) which can be used for working capital and general corporate requirements. As at December 31, 2021, an amount of $266 million (US$210 million) (2020 - $126 million (US$99 million)) was available under the Company's revolving credit facilities and $63 million (US$50 million) under the U.S. farm credit term facility.

The following table details the maturities of the financial liabilities as at December 31:

(Amounts in millions of Canadian dollars)						**2021**
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Years 2 and 3**	**Years 4 and 5**	**More than 5 years**
Accounts payable and accrued liabilities	162	162	162	—	—	—
Long-term debt obligations*	734	828	52	133	306	337
Minimum payment under lease liabilities	144	157	39	55	32	31
	1,040	1,147	253	188	338	368

						2020
	Carrying amount	**Contractual cash flows**	**Less than 1 year**	**Years 2 and 3**	**Years 4 and 5**	**More than 5 years**
Accounts payable and accrued liabilities	137	137	137	—	—	—
Long-term debt obligations*	606	664	25	28	509	102
Minimum payment under lease liabilities	139	153	37	55	28	33
Derivative financial instruments	2	2	2	—	—	—
Non-competes payable	1	1	1	—	—	—
	885	957	202	83	537	135

*Includes interest payments. Interest on variable interest debt is assumed to remain unchanged from the rates in effect as at December 31, 2021 and 2020.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs"), including the London Interbank Offered Rate ("LIBOR"), with alternative benchmark rates. One of these alternative reference rates is the Secured Overnight Financing Rate ("SOFR"). The administrator of US Dollar ("USD") LIBOR has ceased the publication of one week and two month USD LIBOR rates and most other non-USD IBOR rates on January 1, 2022, intends to discontinue the remaining USD LIBOR rates on June 30, 2023 and has recommended the use of SOFR as a replacement benchmark. The Company has exposures to the USD LIBOR on certain financial instruments that will be replaced or reformed as part of these market-wide initiatives as described below.

Non-derivative financial liabilities

The Company's IBOR exposures as at 31 December 2021 to non-derivative financial liabilities are floating-rate bank loans indexed to USD LIBOR, which continues to be provided for one, three and six month tenors until June 30, 2023. The Company currently has outstanding loans referencing LIBOR, totaling $US249 million under the Syndicated Credit Agreement and the U.S. Farm Credit Agreement. Both agreements contain language regarding the discontinuation of LIBOR and provide a mechanism for the introduction of a benchmark replacement. Further details of these outstanding loans as at December 31, 2021 are provided in Note 12, *Long-term debt*.

Hedge accounting

The Company's holds interest rate swaps for risk management purposes regarding cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to the one month USD LIBOR, which continues to be provided. The Company and its counterparties under these interest rate swap agreements are expected to negotiate the substitution of reference rates in such agreements in line with the underlying instruments.

Currency risk

The Company's exposure to foreign exchange gains or losses from currency fluctuations is related to sales and purchases in U.S. dollars by its Canadian-based operations and to U.S. dollar-denominated long-term debt held by its Canadian company. The Company monitors its transactions in U.S. dollars generated by Canadian-based operations and enters into hedging transactions when required to mitigate its currency risk. The Company's basic hedging activity consists of the purchase of certain goods and services in U.S. dollars. The Company also considers foreign exchange forward contracts for the sale and purchase of U.S. dollars that were not covered by natural hedges.

The following table provides information on the impact of a 10.00% strengthening of the U.S. dollar against the Canadian dollar on net income and other comprehensive income (loss) for the years ended December 31, 2021 and 2020. For a 10.00% weakening of the U.S. dollar against the Canadian dollar, there would be an equal and opposite impact on net income and other comprehensive income (loss).

This analysis considers the impact of foreign exchange variance on current financial assets and current financial liabilities denominated in U.S. dollars which are on the consolidated statement of financial position of the Canadian entities totaling five million dollars ($10 million as at December 31, 2020) and $11 million ($11 million as at December 31, 2020), respectively. The foreign exchange impact for the U.S. dollar-denominated long-term debt, in the Canadian entities, has been included in the sensitivity analysis for other comprehensive income (loss), as the long-term debt is designated as a hedge of net investment in foreign operations (Note 12).

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Decrease of net income	1	—
Decrease of other comprehensive income	25	19

Interest rate risk

The Company enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its short- and long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. As at December 31, 2021, the Company has mitigated its exposure to interest rate risk on long-term debt after giving effect to its interest rate swap agreements; 70% (2020 – 73%) of the Company's long-term debt is at fixed rates.

The Company designates its interest rate swap 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. The cash flow hedge documentation allows the Company to substitute the underlying debt as long as the hedge effectiveness is demonstrated. As at December 31, 2021, all cash flow hedges were effective.

The following table summarizes the Company's interest rate swap agreements as at December 31:

					2021	**2020**
Notional amount	**Related debt instrument**	**Fixed rate**	**Effective date**	**Maturity date**	**Notional equivalent**	**Notional equivalent**
		%			**CA$**	**CA$**
US$50	Revolving credit facilities	0.8720**	December 2021	December 2026	63	—
US$125	Term loan facility	1.1250*	July 2021	June 2028	158	—
US$100	Revolving credit facilities	1.0600**	December 2017	December 2021	—	127
US$85	Revolving credit facilities	1.6800**	December 2015	April 2021	—	108

* Plus set margin of 1.725%.
** Plus applicable margin of 1.00% to 2.25% based on pricing grid included in the revolving credit agreements.

During the year ended December 31, 2021, a 1% increase in interest rates would have increased interest expense by two million dollars and increased the net income recognized in other comprehensive income (loss) by approximately $9 million. For a 1% decrease in the interest rates, there would be an opposite impact on interest expense and other comprehensive income (loss).

21 Capital disclosures

The Company's objective in managing capital is to ensure sufficient liquidity and financial flexibility to pursue its organic growth strategy and undertake accretive acquisitions, while at the same time maintaining a disciplined approach to financial leverage and management of financial risk. The Company manages its capital structure and makes corresponding adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or debt, acquire or sell assets, reduce the amount of existing debt or repurchase shares.

The Company's capital is composed of total debt, which includes lease liabilities, and shareholders' equity, which includes capital stock. The primary measure used by the Company to monitor its capital is the leverage ratio, which it aims to maintain within a range of 2.0 to 2.5x. The leverage ratio is defined as net debt divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Net debt is the sum of total long-term debt and lease liabilities (including the current portion).

The Company uses its capital to finance working capital requirements, capital expenditures and acquisitions. The Company currently funds these requirements out of its internally generated cash flows and its credit facilities. However, future acquisitions and growth opportunities may require new sources of financing.

22 Related party transactions

Key management compensation

Key management includes certain directors (executive and non-executive), and certain senior management. The compensation paid or payable to key management for employee services is as follows:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Salaries, compensation and benefits	6	5
Share-based compensation	2	2
	8	7

Under their respective employment agreements and assuming their termination for reasons other than cause, illness, permanent incapacity, death or resignation occurred on December 31, 2021, the members of key management would be entitled to receive potential incremental payouts representing approximately four million dollars.

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

The logs and lumber segment comprises of 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 19 American states. The Company also operates a large distribution network across North America.

Sales attributed to countries based on location of customer are as follows:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Canada	994	810
U.S.	1,756	1,741
	2,750	2,551

Sales by product are as follows:

(Amounts in millions of Canadian dollars)	**2021**	**2020**
Utility poles	925	888
Railway ties	700	733
Residential lumber	773	665
Industrial products	121	119
Pressure-treated wood	2,519	2,405
Logs and lumber	231	146
	2,750	2,551

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)	**2021**	**2020**
Property, plant and equipment		
Canada	175	160
U.S.	454	414
	629	574
Right-of-use assets		
Canada	20	18
U.S.	118	117
	138	135
Intangible assets		
Canada	50	40
U.S.	108	75
	158	115
Goodwill		
Canada	19	19
U.S.	322	261
	341	280

24 Subsequent events

a) On March 8, 2022, the Board of Directors declared a quarterly dividend of $0.20 per common share payable on April 22, 2022 to shareholders of record at the close of business on April 4, 2022.

b) On March 8, 2022, the Company received approval from the TSX to amend its NCIB in order to increase the maximum number of common shares that may be repurchased for cancellation by the Company during the 12-month period ending November 11, 2022 from 4,000,000 to 5,000,000 common shares, representing approximately 10% of the public float of its common shares as at October 31, 2021. The amendment to the NCIB will be effective on March 14, 2022 and will continue until November 11, 2022 or such earlier date as the Company has acquired the maximum number of common shares permitted under NCIB. All other terms and conditions of the NCIB remained unchanged.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Katherine A. Lehman (1) (3)
Chair of the Board,
Stella-Jones Inc.
Partner, Palladium Heritage
(Private equity firm)
New York, NY, USA
Director since October 2016

Robert Coallier (1) (3)
Corporate Director
Montréal, Québec
Director since January 2020

Anne E. Giardini (2) (3)
Corporate Director
Rome, Italy
Director since January 2021

Rhodri J. Harries (1) (2)
Executive Vice-President,
Chief Financial and
Administration Officer,
Gildan Activewear Inc.
(producer of basic apparel)
Westmount, Québec
Director since May 2020

Karen Laflamme,
FCPA, FCA, ASC (1) (3)
Corporate Director
Boucherville, Québec
Director since December 2018

James A. Manzi, Jr. (2) (3)
Corporate Director
Tampa, FL, USA
Director since April 2015

Douglas Muzyka (2) (4)
Corporate Director
Philadelphia, PA, USA
Director since December 2019

Simon Pelletier (1) (4)
President and CEO,
H-E Parts International
(Solution provider-surface
mining and mobile construction
equipment fleets, crushing and
materials processing)
Atlanta, GA, USA
Director since May 2012

Éric Vachon, CPA, CA
President and
Chief Executive Officer,
Stella-Jones Inc.
Montréal, Québec
Director since October 2019

Mary Webster (2) (4)
Corporate Director
Wayzata, MN, USA
Director since May 2007 (5)

(1) Member of the Audit Committee
(2) Member of the Environmental, Health and Safety Committee
(3) Member of the Remuneration Committee
(4) Member of the Governance and Nomination Committee
(5) Not standing for nomination at the May 11, 2022 Annual Meeting of Shareholders ("AGM") due to tenure limitations

A full report of Stella-Jones' corporate governance practices is set out in the Management Proxy Circular for the AGM.

SENIOR MANAGEMENT

Éric Vachon, CPA, CA
President and
Chief Executive Officer
Stella-Jones Inc.

Silvana Travaglini, CPA, CA
Senior Vice-President and
Chief Financial Officer
Stella-Jones Inc.

Jeff Brandt
Vice-President,
Transportation and Logistics
Stella-Jones Corporation

George Caric
Vice-President,
Railway Tie Marketing
Stella-Jones Corporation

Kevin Comerford
Vice-President,
Utility Pole and U.S.
Residential Lumber Sales
Stella-Jones Corporation

Sylvain Couture
Vice-President,
Utility Pole and Residential
Lumber Operations, Eastern
Canada
Stella-Jones Inc.

Jason Dallas
Vice-President,
Railway Tie Procurement
Stella-Jones Corporation

Marcell Driessen
Vice-President,
Human Resources
Stella-Jones Corporation

Marla Eichenbaum
Vice-President,
General Counsel and Secretary
Stella-Jones Inc.

Michael Goeller
Vice-President,
Arbor Preservative Systems, LLC

Ian Jones
Senior Vice-President,
Utility Poles and
U.S. Residential Lumber
Stella-Jones Corporation
Senior Vice-President,
Stella-Jones Inc.

James Kenner
Vice-President, Risk Management
and General Counsel,
U.S. Operations
Stella-Jones Corporation

Patrick Kirkham
Senior Vice-President,
Railway Ties
Stella-Jones Corporation

Steve Larocque
Vice-President,
Information Technology
Stella-Jones Inc.

Andy Morgan
Vice-President, Utility Pole
Operations (Western Species)
Stella-Jones Corporation

Gordon Murray
Vice-President,
Research and Development
Stella-Jones Inc.

Glynn Pitmann
Vice-President,
Utility Pole Operations
(Southern Yellow Pine)
Stella-Jones Corporation

Jim Raines
Vice-President,
Global Railway Tie Sales
Stella-Jones Corporation

Patrick Stark
Vice-President, Environment,
Health and Safety
Stella-Jones Corporation

David Whitted
Vice-President,
Railway Tie Operations and
Production Planning
Stella-Jones Corporation

Jon Younce
Vice-President, Utility Pole
and U.S. Residential Lumber
Procurement
Stella-Jones Corporation

OPERATING LOCATIONS – CANADA

CORPORATE HEAD OFFICE

Stella Jones Inc.
3100 de la Côte-Vertu Blvd.
Suite 300
Saint-Laurent, Québec
H4R 2J8
T: (514) 934-8666
F: (514) 934-5327

ALBERTA

Plant
262060 Highway 24
Carseland, Alberta
T0J 0M0
T: (403) 934-4600
F: (403) 934-5880

BRITISH COLUMBIA

Plant and Sales Office
25 Braid Street
New Westminster
British Columbia
V3L 3P2
T: (604) 521-4385
F: (604) 526-8597

BRITISH COLUMBIA

Plant
7400 Galloway Mill Road
Galloway
British Columbia
V0B 1T2
T: (250) 429-3493
F: (250) 429-3931

Plant and Sales Office
7177 Pacific Street
Prince George
British Columbia
V2N 5S4
T: (250) 561-1161
F: (250) 561-0903

Fibre & Woodlands Dept.
4661 60th Street SE
Salmon Arm
British Columbia
V1E 1X2
T: (250) 832-1180
F: (250) 832-7933

MANITOBA

Plant
205 Hwy. 16 West
Neepawa, Manitoba
R0J 1H0
T: (204) 201-1001
F: (204) 201-2310

NOVA SCOTIA

Plant and Sales Office
278 Park Street
Truro, Nova Scotia
B2N 5C1
T: (902) 893-9456
F: (902) 893-3874

ONTARIO

Plant and Sales Office
Guelph Utility Pole
7818 Wellington Road 22
R.R. #5
Guelph, Ontario
N1H 6J2
T: (519) 822-3901

Plant
100 Highway 672
Kirkland Lake, Ontario
P2N 3H7
T: (705) 567-2113

Plant and Sales Office
321 Lansdowne Street East
Peterborough, Ontario
K9L 2A3
T: (705) 745-3223
F: (705) 745-3793

ONTARIO

Plant and Sales Office
309 Main Street West
Shelburne, Ontario
L9V 2X8
T: (519) 925-5915
F: (519) 925-3061

Plant
11045 Hwy. 124
South River, Ontario
P0A 1X0
T: (705) 386-2371
F: (705) 386-2335

Plant and Sales Office
1 Ram Forest Road
Stouffville, Ontario
L4A 2G7
T: (905) 727-1164
F: (905) 727-7758

QUÉBEC

Plant and Sales Office
41 Rodier Street
Delson, Québec
J5B 2H8
T: (450) 632-2011
T: 1 (800) 387-5027

QUÉBEC

Plant and Sales Office
426 chemin de
Montréal East
Gatineau, Québec
J8M 1V6
T: (819) 986-8998
F: (819) 986-9875

Plant
2210 chemin St-Roch
Sorel-Tracy, Québec
J3R 3L2
T: (450) 742-5977
F: (450) 742-8832

Plant
2549 Chemin Francisco
Rivière-Rouge, Québec
J0T 1T0
T: (819) 275-3353
F: (819) 275-1002

OPERATING LOCATIONS – UNITED STATES

CORPORATE OFFICE

Stella-Jones Corporation
Park West One
1000 Cliff Mine Road
Suite 500
Pittsburgh, PA
15275 U.S.A
T: (412) 325-0202
F: (412) 774-1689

LEGAL & COMPLIANCE

Stella-Jones Corporation
15700 College Blvd.,
Suite 300
Lenexa, KS
66219 U.S.A.
T: (913) 948-9478
F: (913) 538-2226

ALABAMA

Plant
Cahaba
12755 Montevallo Road
Brierfield, AL
35035 U.S.A.
T: (205) 926-9888
F: (205) 926-7625

Plant
Stella-Jones Corporation
1051 Highway 25 South
Brierfield, AL
35035 U.S.A.
T: (205) 679-4005
F: (205) 665-2545

ALABAMA

Plant
Stella-Jones Corporation
100 McKinney Drive
Clanton, AL
35045 U.S.A.
T: (205) 280-3950

ARIZONA

Plant
Stella-Jones Corporation
850 West Chambers St.
Eloy, AZ
85131 U.S.A.
T: (520) 466-7801

ARKANSAS

Plant
Stella-Jones Corporation
6040 Highway 79N
Rison, AR
71665 U.S.A.
T: (870) 325-7070
F: (870) 325-7050

Plant
Stella-Jones Corporation
4260 South
Arkansas Ave.
Russellville, AR
72802 U.S.A.
T: (479) 968-5085
F: (479) 968-2845

GEORGIA

Plant
Stella-Jones Corporation
3500 Pateville Road
Cordele, GA
31015 U.S.A.
T: (229) 273-8012
F: (229) 273-8220

INDIANA

Plant
Stella-Jones Corporation
3818 S. County Road
50 E
Winslow, IN
47598 U.S.A.
T: (812) 789-5331
F: (812) 789-5335

KENTUCKY

Plant
Stella-Jones Corporation
3855 Highway 51 North
Fulton, KY
42041 U.S.A.
T: (270) 472-5557

LOUISIANA

Plant
Stella-Jones Corporation
3600 Koppers Road
Alexandria, LA
71302 U.S.A.
T: (318) 442-5733
F: (888) 959-3131

Plant
Stella-Jones Corporation
10020 Highway 483
Converse, LA
71419 U.S.A.
T: (318) 645-7525
F: (318) 887-5020

Plant
Stella-Jones Corporation
74 Wadley Street
Pineville, LA
71360 U.S.A.
T: (318) 442-2468
F: (318) 445-9144

MISSISSIPPI

Plant
Stella-Jones Corporation
13539 Highway 45
Scooba, MS
39358-7611 U.S.A.
T: (662) 476-8000
F: (601) 476-8005

NEVADA

Plant
Stella-Jones Corporation
1680 E Spruce Avenue
Silver Springs, NV
89429 U.S.A.
T: (775) 577-2000

OREGON

Plant and Office
Stella-Jones Corporation
90049 Highway 99N
Eugene, OR
97402 U.S.A.
T: (541) 689-1278

Plant
Stella-Jones Corporation
22125 SW
Rock Creek Road
Sheridan, OR
97378 U.S.A.
T: (503) 843-2122
F: (503) 843-7058

PENNSYLVANIA

Plant
Stella-Jones Corporation
392 Larkeytown Road
Dubois, PA
15801 U.S.A.
T: (814) 371-7331
F: (814) 375-0946

PENNSYLVANIA

Plant
Stella-Jones Corporation
5865 State Route 235
McAlisterville, PA
17049 U.S.A.
T: (717) 463-2131
F: (717) 463-3998

OPERATING LOCATIONS – UNITED STATES

SOUTH CAROLINA

Plant
Stella-Jones Corporation
1121 Delta Road
Whitmire, SC
29178 U.S.A.
T: (803) 694-3668
F: (803) 994-8359

TENNESSEE

Coal Tar Distillation Facility
Arbor Preservative Systems, LLC
1471 Channel Avenue
Memphis, TN
38106 U.S.A.
T: (901) 942-3326
F: (901) 942-3128

TEXAS

Plant
Stella-Jones Corporation
5865 US Highway 69
Lufkin, TX
75901 U.S.A.
T: (936) 634-4923
F: (936) 634-2100

VIRGINIA

Plant
Stella-Jones Corporation
9223 Maury River Road
Goshen, VA
24439 U.S.A.
T: (540) 997-9251
F: (540) 997-0047

Plant
Stella-Jones Corporation
15939 Historyland Highway
Warsaw, VA
22572 U.S.A.
T: (804) 333-4022
F: (804) 333-9269

WASHINGTON

Plant
Stella-Jones Corporation
6520 - 188 Street NE
Arlington, WA
98223 U.S.A.
T: (360) 435-2146
F: (360) 435-3035

Plant and Corporate Office
Stella-Jones Corporation
1640 Marc Avenue
Tacoma, WA
98421 U.S.A.
T: (253) 572-3033
F: (253) 382-3000

WISCONSIN

Plant
Stella-Jones Corporation
W1038 County Road U
Bangor, WI
54614 U.S.A.
T: (608) 486-2700
F: (608) 486-4538

Plant
Stella-Jones Corporation
1014 S. 1st Street
Cameron, WI
54822 U.S.A.
T: (715) 458-2018
F: (715) 629-1306

CORPORATE
INFORMATION

Annual Meeting of Shareholders
May 11, 2022
10:00 AM Eastern Time
Via live audio webcast at https://web.lumiagm.com/457484504

Stock Information
Shares listed: Toronto Stock Exchange
Ticker symbol: SJ
Initial public offering: 1994
52-week high/low (Jan. 1 – Dec. 31, 2021): $54.09 / $38.58
Share price at March 8, 2022: $37.79
Common shares outstanding as at December 31, 2021: 63,773,252

Dividend Policy
The Board of Directors considers a dividend on a quarterly basis, based on the Company's capital allocation strategy.

On March 8, 2022, the Board of Directors declared a quarterly dividend of $0.20 per common share.

Transfer Agent and Registrar
Computershare Investor Services Inc.

Auditors
PricewaterhouseCoopers LLP

Legal Counsel
Fasken Martineau DuMoulin LLP
Dentons Cohen & Grigsby P.C.
Foley & Lardner LLP

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