



KP TISSUE INC. AND KRUGER PRODUCTS INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED DECEMBER 31, 2023

DATED MARCH 7, 2024

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The following Management's Discussion and Analysis (MD&A) dated March 7, 2024 for KP Tissue Inc. (KPT) and Kruger Products Inc. (Kruger Products) is intended to assist the readers in understanding the business environment, strategies, performance and risk factors relating to KPT and Kruger Products. It should be read in conjunction with the financial statements of KPT for the years ended December 31, 2023 and December 31, 2022, respectively, and the consolidated financial statements of Kruger Products for the years ended December 31, 2023 (Fiscal 2023) and December 31, 2022 (Fiscal 2022), respectively.

About KP Tissue Inc.

KPT was created to acquire, and its business is limited to holding, an equity interest in Kruger Products, which is accounted for as an investment in an associate using the equity method of accounting. As of December 31, 2023, KPT held 13.1% of the Kruger Products Class B Common Shares (the Kruger Products Common Shares). The following MD&A provides discussion and analysis related to KPT to the extent necessary to understand the equity method of accounting. However, the majority of the discussion and analysis relates to Kruger Products and to KPT's investment in Kruger Products.

On January 1, 2023, Kruger Products L.P. (KPLP) undertook a corporate reorganization (the Reorganization) pursuant to which KPLP sold and assigned to its wholly-owned subsidiary, Kruger Products, and Kruger Products purchased and assumed from KPLP, in exchange for common shares, all of the properties, operations, assets and liabilities of KPLP, and KPLP was subsequently dissolved and wound-up into its partners. As a result of the Reorganization, Kruger Products, as the successor corporate entity to KPLP, now operates the business previously operated by KPLP. Unless the context otherwise requires, references herein to "KPLP" are references to Kruger Products Inc. for the period following the Reorganization. Refer to Business Highlights, Corporate Reorganization for additional details.

CAUTIONARY FORWARD LOOKING STATEMENT

Certain statements in this MD&A about KPT's and Kruger Products' current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, statements regarding the projected capacity of the Sherbrooke Expansion Project (as defined below), the anticipated benefits of the Sherbrooke Expansion Project and the expected cost and dates for commencement of production of the Sherbrooke Expansion Project; Kruger Products' expansion efforts in U.S. premium private label; and Kruger Products' future business strategy and the anticipated benefits of its business strategy. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. The forward-looking statements are based on certain key expectations and assumptions made by KPT or Kruger Products. Although KPT and Kruger Products believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that such expectations and assumptions will prove to be correct.

Many factors could cause Kruger Products' actual results, level of activity, performance or achievements or future events or developments (which could in turn affect the economic benefits derived from KPT's economic interest in Kruger Products) to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the "Risk Factors – Risks Related to Kruger Products' Business" section of the KPT Annual Information Form dated March 7, 2024 available on SEDAR+ at www.sedarplus.ca (the Annual Information Form): Kruger Inc.'s influence over Kruger Products; Kruger Products' reliance on Kruger Inc.; consequences of an event of insolvency relating to Kruger Inc.; risks associated with the ownership of the TAD Sherbrooke Project; risks associated with the operation of the TAD Sherbrooke Project; risks associated with the Sherbrooke Expansion Project; operational risks; significant increases in input costs; reduction in supply of fibre; increased pricing pressure and intense competition; Kruger Products' inability to innovate effectively; adverse economic conditions; dependence on key retail trade customers; damage to the reputation of Kruger Products or Kruger Products' brands; Kruger Products' sales being less than anticipated; Kruger Products' failure to implement its business and operating strategies; Kruger Products' obligation to make regular capital expenditures; Kruger Products entering into unsuccessful acquisitions; Kruger Products' dependence on key personnel; Kruger Products' inability to retain its existing customers or obtain new customers; Kruger Products' loss of key suppliers; Kruger Products' failure to adequately protect its intellectual property rights; Kruger Products' reliance on third party intellectual property licenses; adverse litigation and other claims affecting Kruger Products; material expenditures due to comprehensive environmental regulation affecting Kruger Products' cash

flow; Kruger Products' pension obligations are significant and can be materially higher than predicted if Kruger Products Management's underlying assumptions are incorrect; labour disputes adversely affecting Kruger Products' cost structure and Kruger Products' ability to run its plants; exchange rate and U.S. competitors; Kruger Products' inability to service all of its indebtedness; exposure to potential consumer product liability; covenant compliance; interest rate and refinancing risk; information technology; cyber-security; insurance; internal controls; trade related.

These factors are not intended to represent a complete list of the factors that could affect KPT and/or Kruger Products; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein or in the documents reproduced herein. KPT and Kruger Products cannot guarantee future results, levels of activity, performance, or achievements. Moreover, KPT and Kruger Products do not assume responsibility for the accuracy and completeness of the forward-looking statements. KPT and/or Kruger Products' actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that KPT and/or Kruger Products will derive therefrom.

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlooks within the meaning of securities laws, such information is being provided to demonstrate the potential benefits and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks are, without limitation, based on the assumptions and subject to the risks set out above.

The forward-looking information contained herein is made as of the date of this MD&A and KPT and Kruger Products disclaim any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, unless required by applicable law.

OVERVIEW

Business Overview

Kruger Products is Canada's leading tissue products supplier by overall dollar and volume market share. It produces, distributes, markets and sells a wide range of disposable tissue products, including bathroom tissue, facial tissue, paper towels and napkins, for both the Consumer and the Away-From-Home (AFH) markets (in each case, as defined below). While its principal focus is on the Canadian consumer-branded tissue products market, Kruger Products is also a leader in the Canadian AFH market and has a considerable presence in the U.S. private label tissue market. The Consumer segment consists of well recognized brands such as *Cashmere*, *Purex*, *Scotties*, *SpongeTowels* and *Bonterra* in Canada and *White Cloud* in the United States.

Kruger Products is headquartered in Mississauga, Ontario and has approximately 2,800 employees across Canada and the United States. Kruger Products' Canadian paper manufacturing facilities, consisting of four tissue plants in Québec and one plant in British Columbia, have a combined annual tissue production capacity of approximately 350,000 metric tonnes. In the U.S., Kruger Products operates a manufacturing facility in Memphis, Tennessee held in its wholly owned subsidiary K.T.G. (USA) Inc. (KTG), which currently has an aggregate production capacity of 85,000 metric tonnes.

Pursuant to its Articles, KPT's business is limited to (i) the investment in, holding of and disposition of limited partnership interests, units, shares or other securities of Kruger Products, (ii) the acquisition of, holding, operation and disposition of any assets, liabilities, operations or business of such entities, and (iii) all activities related, incidental or ancillary to any of the foregoing.

As of the date of the MD&A and following the Reorganization and participation by Kruger Products' shareholders in the Kruger Products DRIP on January 15, 2024, KPT held 12.9% of the Kruger Products Common Shares. Refer to Business Highlights, Corporate Reorganization for additional details.

Basis of Presentation

The consolidated financial statements of Kruger Products presented for Fiscal 2023 and Fiscal 2022 and the financial statements of KPT presented for the years ended December 31, 2023 and 2022, respectively, have each been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Accounting Periods

This MD&A includes financial information for the 3-month periods ended December 31, 2023 (Q4 2023) and December 31, 2022 (Q4 2022), respectively, and Fiscal 2023 and Fiscal 2022.

Non-GAAP Financial Measures

This MD&A refers to “Adjusted EBITDA”, a measure which does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other companies. Kruger Products believes that this measure provides useful information to management of Kruger Products and the readers of the financial information in measuring the financial performance and financial condition of Kruger Products.

“Adjusted EBITDA” is calculated by Kruger Products as net income (loss) before (i) interest expense and other finance costs, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) loss (gain) on disposal of property, plant and equipment, (vi) foreign exchange loss (gain), (vii) costs related to restructuring activities, (viii) changes in amortized cost of Partnership units liability, (ix) consulting costs related to operational transformation initiatives and (x) corporate development related costs. We use “Adjusted EBITDA” to evaluate the performance of our business as it reflects its ongoing profitability. This MD&A contains a reconciliation of Adjusted EBITDA to net income (loss), the most comparable GAAP measure, on page 7.

Outlook

Kruger Products is committed to building its consumer brands and developing innovative products for its retail and commercial customers. Kruger Products’ strategy is to maintain its leadership position in the Canadian market. Though the Canadian tissue market is expected to remain competitive, Kruger Products believes that its brands and products are well positioned for continued growth. Kruger Products will aim to sustain its consumer and AFH leadership position in the Canadian tissue industry by driving marketing and sales excellence, extending product lines, continuing to leverage product development and manufacturing technology to drive product superiority and cost savings, and emphasizing manufacturing quality and efficiency.

Kruger Products also expects to continue to grow by leveraging its Through Air Dry (TAD) product capabilities in Canada and the United States and focusing on the high-end private label business in the U.S. market. Kruger Products’ U.S. strategy also includes the expansion of the White Cloud brand to additional U.S. retailers.

Refer to Business Highlights, Sherbrooke Expansion Project for additional details.

Factors Affecting the Results of Operations

Revenue

Kruger Products generates revenue on the sale of branded, private label and AFH tissue products in Canada and the United States. Revenue is reported on a net basis, after deducting rebates and allowances. Kruger Products’ revenue is impacted by advertising, discounts and promotions, merchandising, packaging, the availability of shelf and display space at retail customers, the timing of new product launches and line extensions and competitive pricing, all of which have a significant impact on consumer buying decisions. Continued growth of our revenue will depend substantially on the continued strength of our brands, retail support and our ability to effectively maintain sufficient product supply to meet customer demand.

Kruger Products has two reportable business segments: (i) consumer products sold through traditional retail channels such as grocery stores, mass merchandisers, club stores, drug stores and convenience stores (Consumer) and (ii) AFH. The Consumer segment includes sales of branded tissue products such as *Cashmere*, *Purex*, *Scotties*, *SpongeTowels*, *Bonterra* and *White Cloud*. AFH sells commercial tissue products primarily through distributors to businesses involved in property management, health care, food service, manufacturing and lodging, and to other public facilities. Certain management overhead costs not directly attributable to the business segments are reported as Corporate and other costs.

Kruger Products' current sales focus includes all regions of Canada and the United States. Kruger Products is partially exposed to fluctuations in the U.S. dollar against the Canadian dollar, as sales made to U.S. customers are made in U.S. dollars. To manage this foreign exchange risk, Kruger Products may enter into foreign exchange swaps and foreign exchange forwards.

Cost of Sales

Cost of sales includes fixed and variable costs to manufacture Kruger Products' products, freight, and warehousing and handling costs. Input costs associated with the manufacturing of tissue paper are primarily variable. Fibre, labour, and energy costs are the largest components, representing 50% to 80% of total cost of sales, depending on the type of fibre and paper making technology being used. Pulp is a world-wide commodity. Though underlying pulp costs can fluctuate based on worldwide shifts in supply and demand, there has historically been an ability to pass along fluctuations to end customers and consumers. However, the ability to pass through the full amount of pulp cost increases may be affected by the competitive market situation at the time of the fluctuation. Kruger Products has historically entered into fibre commodity contracts to reduce exposure to fluctuations in this key input cost and may continue to do so going forward. Kruger Products has historically targeted commodity contracts to cover almost all total fibre purchases. Kruger Products is exposed to fluctuations in the U.S. dollar against the Canadian dollar on production inputs, U.S. dollar denominated debt and other operating costs denominated in U.S. dollars. To manage this foreign exchange risk, Kruger Products may enter into foreign exchange swaps and foreign exchange forwards. Fixed costs at the plants include plant maintenance, overhead, insurance, property taxes, information technology, as well as depreciation and amortization (substantially all depreciation and amortization is included in Cost of sales).

Freight and handling costs vary based on sales volume, the geographical mix of the product shipped, and the cost of fuel used by freight carriers. Freight costs can also be subject to fluctuations based on North American shifts in supply and demand. Freight rates and the availability of transportation assets have been favourably impacted as supply constraints and inflation have moderated.

Selling, General and Administrative Expenses

Kruger Products' selling, general and administrative expenses include marketing, selling, general and administrative costs, which include a very small portion of the overall depreciation and amortization.

Selling costs include the costs related to sales including selling expenses, commissions and other related costs. Marketing costs include the costs related to marketing activities including advertising and promotion and market research. General and administrative expenses consist of costs related to operations oversight, logistics and customer service, finance, information technology, product development, legal, human resources, executive administration and other corporate expenses. It also includes foreign exchange gains and losses realized during the period.

Interest Expense and Other Finance Costs

Interest expense and other finance costs are derived from the financing activities of Kruger Products. Kruger Products is a borrower under certain credit facilities. Kruger Products also records amortization related to deferred financing fees, interest expense on lease liabilities and interest costs related to pensions and post-retirement benefits in interest expense and other finance costs.

Other Income (Expense)

Other income (expense) includes foreign exchange gains and losses related to U.S. dollar denominated debt, the change in amortized cost of Partnership units liability (for 2022) and other items deemed to be non-operational in nature.

Income Taxes

As a result of the Reorganization (refer to Business Highlights, Corporate Reorganization for additional details), Kruger Products' tax status changed from a limited partnership to a corporation. Kruger Products is, as of January 1, 2023 therefore, a tax paying entity and recognizes income tax provisions directly. The income taxes recorded in the consolidated financial statements of Kruger Products for Fiscal 2023 relate to the income taxes for its incorporated subsidiaries in the U.S. and Canada. Prior to the Reorganization, KPLP was not a tax paying entity. For Fiscal 2022, the income (loss) from KPLP flowed to the partners, Kruger Inc., KPGP and KPT. The income taxes recorded in the consolidated financial statements of KPLP for Fiscal 2022 relate to the income taxes for its incorporated subsidiaries in the U.S., Canada and Luxembourg. Effective December 15, 2022, TAD Luxembourg S.A.R.L., a principal subsidiary of KPLP, filed a certificate of conversion to continue out of a Luxembourg limited liability company to a Delaware corporation. On December 15, 2022, the name of the company was changed from TAD Luxembourg S.A.R.L. to K.T.G. US Holdco Inc.

BUSINESS HIGHLIGHTS

Sherbrooke Expansion Project

In 2021, Kruger Products announced an investment totaling \$351.5 million to expand the Sherbrooke operations with a Light Dry Crepe (LDC) tissue machine and two new production lines as well as the construction of a new tissue manufacturing facility (the Sherbrooke Expansion Project) over the following three years. The first stage of this project, a new bathroom tissue converting line, successfully started-up in February 2023. The second stage, the construction of a new tissue manufacturing facility, is well underway and includes a new facial tissue converting line, successfully started-up in February 2024. The final stage of the project is the LDC paper machine, expected to start-up in Q4 2024 and at maturity increase Kruger Products' annual output by at least 60,000 metric tonnes. In Q3 2023, as a result of significant inflation across the supply chain and also interest rate increases during construction, the cost of the project was forecast to increase to \$377.5 million, excluding start-up expenses and working capital. The additional costs are being financed by investments from Kruger Products into Kruger Products SB Inc. (KPSB) (of which \$8.2 million was made on October 3, 2023) and an \$8.2 million increase in the KPSB Construction Facility (refer to Liquidity and Capital Resources, Indebtedness, KPSB Senior Credit Agreement for additional details). Management continues to monitor the project closely to minimize the impact of any further inflation.

The additional capacity will allow Kruger Products to expand its product offering and is expected to enable it to grow its market share across its different categories, including bathroom tissue, paper towels and facial tissue for household and away-from-home use under such brands as Cashmere®, SpongeTowels®, Scotties®, Purex® and Bonterra™ in Canada, and White Cloud® in the U.S.

Corporate Reorganization

On January 1, 2023, KPLP undertook a corporate reorganization (the Reorganization) pursuant to which KPLP, a limited partnership, was essentially replaced by a corporate entity without adversely affecting KPT. More specifically, KPLP sold and assigned to its wholly-owned subsidiary, Kruger Products, and Kruger Products purchased and assumed from KPLP, in exchange for common shares, all of the properties, operations, assets and liabilities of KPLP, and KPLP was subsequently dissolved and wound-up into its partners. As a result of the Reorganization, Kruger Products, as the successor corporate entity to KPLP, now operates the business previously operated by KPLP.

The interest that KPT previously held in KPLP is now held in Kruger Products, and, through a shareholders' agreement dated January 1, 2023 entered into with Kruger Inc. (the Shareholders' Agreement), KPT has substantially equivalent rights in respect of the operation of, and its investment in, Kruger Products, as it had in respect of KPLP. The Reorganization was

undertaken to realize certain tax efficiencies for Kruger Products and to simplify Kruger Products' corporate structure and financial reporting. The Reorganization was approved by the independent directors of KPT.

The Shareholders' Agreement, and certain other agreements with Kruger Inc. that were amended and restated to reflect the Reorganization, are described in the Annual Information Form, and copies of those agreements are available on SEDAR+ at www.sedarplus.ca.

Pursuant to the Shareholders' Agreement, the board of directors of Kruger Products shall determine the amount and date of any distribution by way of dividend. The holders of the issued and outstanding Kruger Products Common Shares are entitled to receive dividends if, as and when declared by the board of directors of Kruger Products.

Pursuant to the Shareholders' Agreement, Kruger Products adopted a dividend reinvestment plan (the Kruger Products DRIP), which permits shareholders that elect to participate in the Kruger Products DRIP to automatically reinvest all cash dividends in additional common shares at a price per common share equal to 100% of the five-day weighted average trading price of the common shares prior to the date of payment of the dividend.

Shutdown of Certain Memphis Plant Production Assets

On November 14, 2022, Kruger Products announced that certain older and inefficient production assets would be shut down at its plant in Memphis, Tennessee in January 2023. The plant, operated by Kruger Products' subsidiary KTG, announced the shutdown of production assets including a LDC paper machine and six converting lines. The shutdown of these assets was determined to be in the best interests of operating efficiencies and profitability of the Memphis plant, and high quality facial tissue and premium TAD products will continue to be produced at the plant. Total restructuring costs were \$3.7 million. Following the shutdown, the Memphis manufacturing facility consists of one TAD paper machine (the Memphis TAD Machine) with an aggregate annual capacity of 55,000 metric tonnes and one adjacent LDC paper machine with an aggregate annual capacity of 30,000 metric tonnes.

RESULTS OF OPERATIONS

Results of Operations of Kruger Products

(C\$ millions, unless otherwise noted)	\$ Change				
	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023 vs. Fiscal 2022	Fiscal 2022 vs. Fiscal 2021
Statement of Operations Data:					
Revenue	1,873.0	1,681.4	1,465.2	191.6	216.2
Cost of sales	(1,571.6)	(1,547.3)	(1,279.9)	(24.3)	(267.4)
Selling, general and administrative expenses	(167.2)	(124.6)	(118.1)	(42.6)	(6.5)
Restructuring costs, net	(1.6)	(4.6)	(0.6)	3.0	(4.0)
Operating income	132.6	4.9	66.6	127.7	(61.7)
Interest expense and other finance costs	(70.3)	(74.5)	(70.7)	4.2	(3.8)
Other income (expense)	9.4	(3.4)	(4.9)	12.8	1.5
Income (loss) before income taxes	71.7	(73.0)	(9.0)	144.7	(64.0)
Income taxes:					
Income tax recovery (expense)					
at statutory rate	(18.6)	19.0	2.3	(37.6)	16.7
Income tax in partners' hands	-	1.2	11.1	(1.2)	(9.9)
Other	(54.8)	(4.1)	37.6	(50.7)	(41.7)
Income tax recovery (expense)	(73.4)	16.1	51.0	(89.5)	(34.9)
Net income (loss) including non-controlling interest	(1.7)	(56.9)	42.0	55.2	(98.9)
Net income attributable to non-controlling interest	3.6	-	-	3.6	-
Net income (loss) attributable to Kruger Products	(5.3)	(56.9)	42.0	51.6	(98.9)

(C\$ millions, unless otherwise noted)	\$ Change				
	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023 vs. Fiscal 2022	Fiscal 2022 vs. Fiscal 2021
Reconciliation of Adjusted EBITDA¹ to net income (loss):					
Net income (loss) including non-controlling interest	(1.7)	(56.9)	42.0	55.2	(98.9)
Interest expense and other finance costs	70.3	74.5	70.7	(4.2)	3.8
Income tax expense (recovery)	73.4	(16.1)	(51.0)	89.5	34.9
Depreciation and amortization	101.4	102.9	85.7	(1.5)	17.2
Foreign exchange loss (gain)	(9.4)	28.9	(0.8)	(38.3)	29.7
Change in amortized cost of Partnership unit liability	-	(25.6)	5.3	25.6	(30.9)
Other expense	-	0.1	0.4	(0.1)	(0.3)
Loss on sale of property, plant and equipment	3.0	0.1	0.4	2.9	(0.3)
Restructuring costs, net	1.6	4.6	0.6	(3.0)	4.0
Consulting costs related to operational transformation initiatives	-	3.5	-	(3.5)	3.5
Corporate development related costs	-	-	0.1	-	(0.1)
Adjusted EBITDA¹	238.6	116.0	153.4	122.6	(37.4)

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

Results of Operations Fiscal 2023 compared to Fiscal 2022

Revenue

Revenue was \$1,873.0 million in Fiscal 2023 compared to \$1,681.4 million in Fiscal 2022, an increase of \$191.6 million or 11.4%. The increase in revenue was primarily due to higher sales volume along with the favourable impact of selling price increases implemented across all segments and regions during Fiscal 2022. Revenue was also favourably impacted by foreign exchange fluctuations on U.S. dollar sales (USD average 1.35 in Fiscal 2023 compared to 1.30 in Fiscal 2022). From a geographic perspective, revenue in Canada increased \$74.0 million or 7.4%, while revenue in the U.S. increased \$117.6 million, or 17.1%.

Cost of Sales

Cost of sales was \$1,571.6 million in Fiscal 2023 compared to \$1,547.3 million in Fiscal 2022, an increase of \$24.3 million or 1.6%. The increase in cost of sales was primarily due to higher sales volume, higher manufacturing cost input prices resulting from the significant inflation experienced during 2022 that carried into 2023 and the unfavourable impact of foreign exchange fluctuations on U.S. dollar costs. These increases were partially offset by lower pulp prices primarily in the fourth quarter of 2023 and improvements in Memphis operations. Freight costs were lower compared to Fiscal 2022 as supply constraints and inflation moderated, while warehousing costs increased as a result of additional logistics network costs. As a percentage of revenue, cost of sales was 83.9% in Fiscal 2023 compared to 92.0% in Fiscal 2022.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses were \$167.2 million in Fiscal 2023 compared to \$124.6 million in Fiscal 2022, an increase of \$42.6 million or 34.1%. The increase was primarily due to additional investment in advertising and promotion, higher selling expense to support additional sales volume, and higher personnel and IT costs. In addition, Fiscal 2023 included higher foreign exchange losses related to foreign denominated working capital, higher consulting costs and a loss on disposal of fixed assets. As a percentage of revenue, SG&A expenses were 8.9% in Fiscal 2023 compared to 7.4% in Fiscal 2022.

Restructuring Costs

Restructuring costs were \$1.6 million in Fiscal 2023 compared to \$4.6 million in Fiscal 2022 due primarily to the shutdown of certain Memphis plant production assets as described in the *Business Highlights* section above.

Adjusted EBITDA

Adjusted EBITDA¹ was \$238.6 million in Fiscal 2023 compared to \$116.0 million in Fiscal 2022, an increase of \$122.6 million or 105.7%. The significant increase was primarily due to the favourable impact of selling price increases implemented in Fiscal 2022 along with higher sales volume, lower pulp prices, improvements in Memphis operations and lower freight costs, partially offset by other input cost inflation compared to Fiscal 2022, higher manufacturing overhead spending, and higher warehousing and SG&A expenses along with the unfavourable impact of foreign exchange fluctuations.

Interest Expense and Other Finance Costs

Interest expense and other finance costs were \$70.3 million in Fiscal 2023 compared to \$74.5 million in Fiscal 2022, a decrease of \$4.2 million. The decrease was primarily due to lower pension expense, higher interest income and the loss on extinguishment of debt recorded in Fiscal 2022, partially offset by higher debt levels compared to Fiscal 2022 and higher interest rates on variable rate operating debt.

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

Foreign Exchange Loss (Gain)

Foreign exchange gain was \$9.4 million in Fiscal 2023 compared to a loss of \$28.9 million in Fiscal 2022 due to the favourable impact of foreign exchange fluctuations on USD denominated debt. The foreign exchange gains and losses were recorded in Other expense (income) in the consolidated statements of loss during Fiscal 2023 and Fiscal 2022.

Change in Amortized Cost of Partnership Units Liability

Fiscal 2022 included a gain of \$25.6 million resulting from the annual revaluation. The Partnership units liability was extinguished on January 1, 2023, in connection with the Reorganization and as a result there was no annual revaluation required during Fiscal 2023. The change in the amortized cost of Partnership units liability was recorded in Other expense (income) in the consolidated statement of loss during Fiscal 2022.

Income Taxes

An income tax expense of \$73.4 million was recorded in Fiscal 2023 compared to an income tax recovery of \$16.1 million in Fiscal 2022. Kruger Products Inc. is now directly taxable on its Canadian business as a result of the Reorganization on January 1, 2023 while it was operating as a limited partnership during Fiscal 2022 and not directly taxable on its Canadian business. The income tax expense in Fiscal 2023 was primarily due to a deferred tax expense of \$70.8 million, which related primarily to the recognition of the deferred tax liability resulting from all temporary differences between the tax value and carrying value of Kruger Product's assets and liabilities transferred in the Reorganization on January 1, 2023. Income tax in partner's hands was a recovery of \$1.2 million in Fiscal 2022.

Net Loss attributable to Kruger Products

Net loss was \$5.3 million in Fiscal 2023 compared to \$56.9 million in Fiscal 2022, a decrease in the loss of \$51.6 million. The decrease in the loss was primarily due to higher Adjusted EBITDA¹ of \$122.6 million, lower foreign exchange loss of \$38.3 million, lower interest expense of \$4.2 million, lower consulting costs of \$3.5 million, lower restructuring costs of \$3.0 million and lower depreciation and amortization expense of \$1.5 million, partially offset by higher income tax expense of \$89.5 million, the change in the amortized cost of Partnership units liability of \$25.6 million in Fiscal 2022, a loss on sale of fixed assets of \$3.0 million and a loss from non-controlling interest of \$3.6 million resulting from the parent company, Kruger Inc., assuming the monthly redemption payments under the KPSI IQ Debenture in Fiscal 2023.

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

Results of Operations of KPT

(C\$ millions, unless otherwise noted)	Fiscal 2023	Fiscal 2022
Statement of Operations Data:		
Share of loss	(0.7)	(8.1)
Depreciation of fair value increments	(1.2)	(5.2)
Equity loss	(1.9)	(13.3)
Dilution gain	1.1	0.8
Loss before income taxes	(0.8)	(12.5)
Income taxes:		
Current tax recovery (expense)	(0.2)	0.4
Deferred tax recovery (expense)	(3.9)	1.9
Income tax recovery (expense)	(4.1)	2.3
Net loss	(4.9)	(10.2)
Basic loss per share (dollars)	(0.50)	(1.03)

The financial information presented above is based on KPT's interest in Kruger Products for Fiscal 2023 and Fiscal 2022. The share of income (loss) relates to KPT's share of income (loss) of Kruger Products. Refer to Results of Operations of Kruger Products above for an explanation of the results. The depreciation of fair value increments relates to adjustments to the carrying amount of certain assets of Kruger Products on its acquisition by KPT. Refer to note 5 in KPT's financial statements for additional details.

The deferred tax recovery is a result of changes in the temporary differences of Kruger Products' assets and liabilities since acquisition and the difference between the accounting and tax basis for KPT's investment in Kruger Products. Refer to note 6 in KPT's financial statements for additional details.

SEGMENT INFORMATION

Segment Operating Income

Segment operating income is the earnings (loss) for each such segment before (i) interest expense and other finance costs, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) loss (gain) on disposal of property, plant and equipment, (vi) foreign exchange loss (gain), (vii) costs related to restructuring activities, (viii) changes in amortized cost of Partnership units liability, (ix) consulting costs related to operational transformation initiatives and (x) corporate development related costs. "Consumer Segment Adjusted EBITDA" and "AFH Segment Adjusted EBITDA" means in each case the Segment operating income for the referring respective segment of Kruger Products.

Segment Results

(C\$ millions, unless otherwise noted)	Fiscal 2023	Fiscal 2022	Fiscal 2021	Fiscal 2023 vs. Fiscal 2022		Fiscal 2022 vs. Fiscal 2021	
				\$ Change	% Change	\$ Change	% Change
Segment Revenue							
Consumer	1,551.2	1,394.1	1,260.1	157.1	11.3%	134.0	10.6%
AFH	321.8	287.3	205.1	34.5	12.0%	82.2	40.1%
Total segment revenue	1,873.0	1,681.4	1,465.2	191.6	11.4%	216.2	14.8%
Adjusted EBITDA¹							
Consumer	230.3	117.4	167.3	112.9		(49.9)	
AFH	20.8	7.4	(4.9)	13.4		12.3	
Corporate and other costs	(12.5)	(8.8)	(9.0)	(3.7)		0.2	
Total Adjusted EBITDA ¹	238.6	116.0	153.4	122.6		(37.4)	

Consumer Segment

Fiscal 2023 compared to Fiscal 2022

Consumer segment revenue was \$1,551.2 million in Fiscal 2023 compared to \$1,394.1 million in Fiscal 2022, an increase of \$157.1 million or 11.3%. The increase in revenue was due to higher sales volume along with selling price increases implemented in Canada and the U.S. during Fiscal 2022 and the favourable impact of foreign exchange fluctuations on U.S. dollar sales. Consumer segment revenue increased in both Canada and the U.S.

Consumer Segment Adjusted EBITDA¹ was \$230.3 million in Fiscal 2023 compared to \$117.4 million in Fiscal 2022, an increase of \$112.9 million. The significant increase in Adjusted EBITDA¹ was primarily due to the increase in Consumer segment revenue along with lower freight costs, partially offset by higher cost of sales, warehousing expenses and SG&A costs.

AFH Segment

Fiscal 2023 compared to Fiscal 2022

AFH segment revenue was \$321.8 million in Fiscal 2023 compared to \$287.3 million in Fiscal 2022, an increase of \$34.5 million or 12.0%. The increase was primarily due to higher sales volume in both the U.S. and Canada, selling price increases implemented during 2022 and the favourable impact of foreign exchange fluctuations on U.S. dollar sales. AFH segment revenue increased in both the U.S. and Canada.

AFH Segment Adjusted EBITDA¹ was \$20.8 million in Fiscal 2023 compared to \$7.4 million in Fiscal 2022, an increase of \$13.4 million. The increase was primarily due to the favourable revenue impact and lower freight costs, partially offset by higher cost of sales, warehousing expenses and SG&A costs.

Corporate and Other Costs

Corporate and other costs include certain management overhead costs not directly attributable to the business segments.

Fiscal 2023 compared to Fiscal 2022

Corporate and other costs were \$12.5 million in Fiscal 2023 compared to \$8.8 million in Fiscal 2022, an increase of \$3.7 million resulting primarily from lower foreign exchange gains related to working capital compared to Fiscal 2022.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Kruger Products' principal uses of funds are for operating costs, working capital, capital expenditures, pension contributions and dividends (together, the Funding Requirements). To date, Kruger Products has met the Funding Requirements by using cash generated from operating activities and the Dividend Reinvestment Plan and borrowings under its various debt facilities. Kruger Products is required to make funding contributions to the sponsored, registered defined benefit pension plans (RDBPP) over the next ten years. Kruger Products Management believes that cash generated from operations and the Dividend Reinvestment Plan, together with amounts available under the various debt facilities will be sufficient to meet its future Funding Requirements. However, Kruger Products' ability to meet future Funding Requirements and its ability to make scheduled payments of interest and principal on its debt facilities and to satisfy any of its other present or future debt obligations will depend on its future operating performance, which will be affected by general economic, financial, and other factors including factors beyond its control. Kruger Products Management reviews investment opportunities in the normal course of its business and may, if suitable opportunities arise, make selected investments to

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

implement Kruger Products' business strategy. Historically, the funding for any such investments has come from cash flows from operations and/or additional debt.

As of December 31, 2023, Kruger Products was in compliance with all of its financial covenants under all of its outstanding credit facilities. As of December 31, 2023, Kruger Products had no draws on the \$200 million committed amount under the Kruger Products Senior Credit Facility and had \$11.5 million of letters of credit outstanding, resulting in \$188.5 million available from the Kruger Products Senior Credit Facility, subject to covenant limitations. As of December 31, 2023, Kruger Products had two revolving loans available under the TAD Sherbrooke Project Facility. The US\$10 million (\$13.2 million) revolving loan had no draws and the \$12.5 million revolving loan had no draws and outstanding letters of credit of \$8.3 million, resulting in \$17.4 million available from the revolving loans. As of December 31, 2023, KPSB had drawn \$0.6 million on the \$5 million committed amount under the KPSB Revolving Facility and had \$4.4 million of letters of credit outstanding, resulting in the KPSB Revolving Facility being fully drawn. As of December 31, 2023, Kruger Products had total liquidity of \$326.7 million (December 31, 2022 - \$133.4 million) representing cash and cash equivalents and availability under the Kruger Products Senior Credit Facility and the revolving loans available under the TAD Sherbrooke Project Facility within the covenant limitations. In addition, \$14.9 million (December 31, 2022 - \$29.7 million) of cash and cash equivalents were held by Kruger Products for the Sherbrooke Expansion Project.

As it pertains to capital expenditures, approximately \$25 million annually relates to maintenance projects and the remaining expenditures are focused on strategic and growth projects aimed at reducing costs and offsetting annual inflation or increasing production capacity. Regular growth projects focused on performance improvement generally have a 3 to 4 year payback. Capital expenditures were \$185.4 million in Fiscal 2023, including \$148.4 million related to the Sherbrooke Expansion Project (including interest capitalized during construction) and government assistance received of \$1.3 million. Capital expenditures are expected to be approximately \$200 million to \$220 million in fiscal 2024, including the Sherbrooke Expansion Project.

The tissue industry is generally characterized by high sales volume and rapid turnover of inventories and accounts receivable. In general, accounts receivable and inventories are readily convertible into cash. Investment in working capital may be affected by fluctuations in the prices of pulp and other supply costs, vendor terms and timing of collection of accounts receivable. Kruger Products participates in a factoring program to assist in managing working capital. Under the program, Kruger Products derecognizes certain receivables upon sale.

Cash Flows

(C\$ millions, unless otherwise stated)	Fiscal 2023	Fiscal 2022	Fiscal 2021	\$ Change	
				Fiscal 2023 vs. Fiscal 2022	Fiscal 2022 vs. Fiscal 2021
Net cash flows from operating activities	344.3	38.7	81.4	305.6	(42.7)
Net cash flows used in investing activities	(182.8)	(115.6)	(145.7)	(67.2)	30.1
Net cash flows from (used in) financing activities	(95.9)	(2.5)	84.9	(93.4)	(87.4)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(1.2)	2.2	(0.8)	(3.4)	3.0
Increase (decrease) in cash and cash equivalents	64.4	(77.2)	19.8	141.6	(97.0)
Beginning cash and cash equivalents, net	71.3	148.5	128.7	(77.2)	19.8
Ending cash and cash equivalents, net	135.7	71.3	148.5	64.4	(77.2)

Net Cash Flows from Operating Activities

Net cash from operating activities was \$344.3 million in Fiscal 2023 compared to \$38.7 million in Fiscal 2022. Cash from operating activities in Fiscal 2023 was primarily driven by Adjusted EBITDA¹ of \$238.6 million (Fiscal 2022 - \$116.0 million), a decrease in working capital of \$110.2 million (Fiscal 2022 – increase of \$65.2 million), partially offset by

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

provisions paid of \$4.3 million (Fiscal 2022 - \$4.2 million) and income tax payments of \$1.8 million (Fiscal 2022 - \$1.8 million).

Net Cash Flows used in Investing Activities

Net cash used in investing activities was \$182.8 million in Fiscal 2023 compared to \$115.6 million in Fiscal 2022. Cash used in investing activities related primarily to capital expenditures of \$185.4 million (including \$148.4 million for the Sherbrooke Expansion Project) in Fiscal 2023 compared to \$115.6 million (including \$53.4 million for the Sherbrooke Expansion Project and \$20.7 million for the TAD Sherbrooke Project) in Fiscal 2022.

Net Cash Flows from (used in) Financing Activities

Net cash used in financing activities was \$95.9 million in Fiscal 2023 compared to \$2.5 million in Fiscal 2022. Net cash used in financing activities in Fiscal 2023 was primarily due to interest paid of \$49.4 million (Fiscal 2022 – \$51.9 million), lease payments of \$30.8 million (Fiscal 2022 – \$28.1 million), net dividends paid of \$7.0 million (Fiscal 2022 – net distributions of \$17.5 million), payment to related party of \$5.7 million (Fiscal 2022 – nil), the change in Restricted cash of \$5.3 million (Fiscal 2022 - \$4.6 million) and deferred financing fees paid of \$0.9 million (Fiscal 2022 - \$3.0 million), partially offset by proceeds from debt net of repayments of \$3.2 million (Fiscal 2022 – \$102.7 million).

Contractual Obligations

(C\$ millions, unless otherwise stated)	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Thereafter	Total
Contractual obligations:							
Senior Unsecured Notes due April 24, 2025, principal repayments	-	125.0	-	-	-	-	125.0
Senior Unsecured Notes due April 9, 2029, principal repayments	-	-	-	-	-	135.0	135.0
AgCredit Term A Credit Facility, principal repayments	5.5	4.4	12.5	13.2	13.8	138.4	187.8
AgCredit Term B Credit Facility, principal repayments	-	-	14.0	17.7	18.5	188.6	238.8
AgCredit Term D Credit Facility, principal repayments	-	-	5.6	7.9	8.4	93.2	115.1
KPSI IQ Debenture, principal repayments	16.7	16.7	16.7	16.7	14.7	-	81.5
KPSB IQ Debenture, principal repayments	-	-	2.5	9.9	9.9	52.7	75.0
Nordea2 Credit Facility, principal repayments	7.6	7.6	7.6	7.6	7.6	7.5	45.5
IQ Bathroom Tissue Loan, principal repayments	-	1.1	6.9	6.9	6.9	19.1	40.9
KPSB Senior Credit Facility, principal repayments	-	-	-	-	35.2	-	35.2
IQ Facial Tissue Loan, principal repayments	-	2.8	5.6	5.6	5.6	14.6	34.2
Quebec PM Loan, principal repayments	4.9	0.3	-	-	-	-	5.2
Ontario Loan, principal repayments	0.5	0.5	0.5	-	-	-	1.5
KPSB Revolver, principal repayments	-	-	0.6	-	-	-	0.6
Interest payments	50.4	46.1	38.1	35.9	32.8	93.5	296.8
Right-of-use lease payments	27.2	16.8	13.3	12.3	8.5	48.8	126.9
Contribution Undertaking Agreement, Contributions	5.8	5.8	5.8	5.8	5.8	23.2	52.2
Service contract payments	13.3	3.8	2.4	1.1	1.1	15.0	36.7
Total contractual obligations	131.9	230.9	132.1	140.6	168.8	829.6	1,633.9

Kruger Products' contractual obligations consist of long-term debt (principal repayments and interest payments), pensions and right-of-use leases for the rental of property, equipment and motor vehicles.

As of December 31, 2023, Kruger Products had \$50.1 million (December 31, 2022 – \$121.7 million) of commitments related to the Sherbrooke Expansion Project.

Kruger Products' cash pension contribution for defined benefit pension arrangements in Fiscal 2023 was \$6.2 million, while its post-retirement benefits contribution was \$2.3 million. In addition, as of December 31, 2023, Kruger Products had \$9.6 million of letters of credit related to pensions outstanding. Pension contributions for fiscal 2024 are expected to be \$2.5 million and post-retirement contributions for fiscal 2024 are expected to be \$2.1 million.

As a result of the Reorganization, the Partnership unit liability was extinguished as the Limited Partnership Agreement was dissolved and the corresponding requirement to make the Tax Distribution was eliminated. The outstanding liability of \$133.6 million as of January 1, 2023 was reclassified to Equity in the consolidated statements of financial position. Refer to Business Highlights, Corporate Reorganization for additional details.

The Exchange Agreement was amended and restated on January 1, 2023 to reflect the Reorganization. Pursuant to the Exchange Agreement, KPT has granted Kruger Inc. the right to exchange Kruger Products Common Shares it holds from time to time for common shares of KPT (the KPT Common Shares) issued by KPT on the basis of one Kruger Products common share for one KPT Common Share, subject to adjustment upon the occurrence of certain events that would result in the indirect economic interest in Kruger Products represented by a KPT Common Share diverging from the direct economic interest in Kruger Products represented by a Kruger Products Common Share, including splits or consolidations of the KPT Common Shares without a corresponding split or consolidation of the Kruger Products Common Shares, issuances or repurchases of the KPT Common Shares without corresponding issuances or repurchases of Kruger Products Common Shares, acquisition of assets by KPT other than Kruger Products Common Shares or incurrence of liabilities other than ordinary course liabilities, or special distributions by KPT, certain other securities, debt or assets to all shareholders. If at any time the Kruger Inc. aggregate ownership interest is less than 20% in Kruger Products, KPT may require the exchange of all outstanding Kruger Products Common Shares held by Kruger Inc. or its affiliates in return for KPT Common Shares on the basis of one Kruger Products Common Share for one KPT Common Share subject to adjustment as set forth above. As of December 31, 2023, no Kruger Products Common Shares had been exchanged for KPT Common Shares.

The Administration Agreement was amended and restated on January 1, 2023 to reflect the Reorganization. Pursuant to the Administration Agreement, Kruger Products, as administrator (the Administrator) has full power and authority to administer, subject to the general supervision and any specific instructions of the KPT Board, all of the ongoing operations and affairs of KPT in order for KPT to carry on its activities as a public company. The Administrator shall directly bear and pay for all KPT's normal operating expenses incurred in connection with the ordinary course operation of a company that is a reporting issuer. The Administrator may also advance funds to KPT in an amount equal to pay for any expenses of KPT that are outside of such ordinary course expenses, by way of non-recourse, interest-free loans, repayable upon payment by the Administrator of distributions to KPT. As KPT's agent, the Administrator will also bear and pay all outlays and expenses to third parties incurred by the Administrator in the administration of the affairs of KPT and the performance by the Administrator of its duties under the Administration Agreement.

Indebtedness

Certain of Kruger Products' debt agreements were amended effective as of January 1, 2023 in connection with the Reorganization, to stipulate that Kruger Products assumed the obligations and liabilities of KPLP as principal debtor, and KPLP was released and discharged from its obligations and liabilities under the respective debt agreements.

AgCredit Agreement

On March 30, 2022, the borrowers entered into the fourth amendment to the AgCredit Agreement (the Fourth Amendment) to make available through the TAD Sherbrooke Project Facility a new US\$87 million term loan facility (the Term D Credit Facility) for the purpose of refinancing the borrowings outstanding under the \$111 million term loan facility (the Term C Credit Facility) and to extend the maturity dates of the revolving loans of US\$10 million and \$12.5 million from December 31, 2023 to December 31, 2026. The Term D Credit Facility was drawn in full on March 30, 2022 and was used to repay in full the \$107.0 million of principal, accrued interest and fees outstanding under the Term C Credit Facility on March 30, 2022. The prepayment of the Term C Credit Facility was accounted for as a debt extinguishment and resulted in a loss on extinguishment of debt of \$1.5 million (including \$1.3 million for the unamortized portion of transaction costs originally deducted from the Term C Credit Facility), recorded in Interest expense and other finance costs in the consolidated statement of loss during Fiscal 2022.

Pursuant to the Fourth Amendment, within 120 days after the end of each fiscal year, commencing with the fiscal year ending on or about December 31, 2022 through and including the fiscal year ending on or about December 31, 2025, KPSI agreed to deposit an aggregate amount equal to 75% of the Canadian Borrower Excess Cash Flow (as defined in the Fourth Amendment) for such fiscal year in a designated bank account (the KPSI Dedicated Account) to be used only for the purpose

of prepaying the Term D Credit Facility, subject to certain conditions specified in the Fourth Amendment. No amounts were deposited in the KPSI Dedicated Account during Fiscal 2023 and Fiscal 2022.

On September 15, 2022, the borrowers entered into the fifth amendment to the AgCredit Agreement (the Fifth Amendment) to amend the definition of the Combined Fixed Charge Coverage Ratio (as defined in the AgCredit Agreement). The Fifth Amendment also changed the starting date of the Combined Fixed Charge Coverage Ratio from the fiscal quarter ending September 30, 2022 to the fiscal quarter ending December 31, 2022.

KPSI IQ Debenture

The KPSI IQ Debenture repayment agreement was amended effective as of November 15, 2023 to reflect the authorization of a new class of KPSI non-voting common shares on October 13, 2023. The amendment stipulates that the party that makes the redemption payment (the Payor) will receive either voting or non-voting common shares of KPSI (at the discretion of the Payor) as consideration of such payment.

The first twelve monthly redemption payments under the KPSI IQ Debenture were made by KPLP during Fiscal 2022, in exchange for voting common shares of KPSI. The next twelve monthly redemption payments under the KPSI IQ Debenture were made by Kruger Inc. during Fiscal 2023. Kruger Inc. received a combination of voting and non-voting common shares of KPSI with a value of \$19.4 million as consideration, resulting in Kruger Inc. holding an 11.8% non-controlling interest directly in KPSI as of December 31, 2023. As a result, a non-controlling interest of \$23.0 million has been recorded in the consolidated statement of financial position as of December 31, 2023. Net loss in the consolidated statement of loss for Fiscal 2023 includes a loss of \$3.6 million directly attributable to Kruger Inc.'s share of loss in KPSI. Two monthly redemption payments by Kruger Inc. occurred subsequent to December 31, 2023.

KPSB IQ Debenture

Pursuant to the repayment agreement in connection with the KPSB IQ Debenture, Kruger Products holds prescribed Rate Discounts, as administered by the Ministère des Finances du Québec, in a dedicated account to be used only for the purpose of funding Kruger Products' redemption payments to IQ. No redemption payments to IQ were funded during Fiscal 2023 and Fiscal 2022.

KPSB Senior Credit Agreement

On June 5, 2023, KPSB entered into the third supplemental credit agreement to the KPSB Senior Credit Agreement to amend certain provisions of the KPSB Senior Credit Agreement for the purpose of making the KPSB Revolving Facility available as of June 5, 2023. The amended provisions also include the implementation of interest rate benchmark transition, including the replacement of Libor loans with SOFR loans.

On November 9, 2023, KPSB entered into the fourth supplemental credit agreement to the KPSB Senior Credit Agreement to increase the KPSB Construction Facility to \$158.2 million from \$150 million. The amended provisions also include the implementation of interest rate benchmark transition, including the replacement of CORRA loans with CDOR loans.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Kruger Products' financial instruments exposed to credit risk as of December 31, 2023 included cash and cash equivalents, restricted cash, trade and other receivables and receivables from related parties. Kruger Products places its cash and cash equivalents and restricted cash with financial institutions of high creditworthiness.

Kruger Products sells its products to a variety of customers under certain credit terms and therefore is exposed to credit risks. Normal trade receivables are due within 30 days from the invoice date and amounts in excess of 90 days past the invoice date are considered delinquent. Kruger Products routinely assesses the financial strength of its customers and

mitigates against identified exposure primarily by lowering credit limits with high-risk accounts. Kruger Products' customers are well established companies and accordingly, Kruger Products has experienced limited financial loss with respect to credit risk. As a result, Kruger Products believes that its exposure to credit risk is limited.

Kruger Products is party to a factoring arrangement, whereby Kruger Products sells to the Bank of Nova Scotia, on a non-recourse basis, eligible trade receivables owing by certain key customers with a facility limit of \$50 million. The factoring arrangement bears interest at a floating interest rate based on CDOR plus applicable margin. Either party may terminate the arrangement at any time subject to a notice period. During Fiscal 2023, the factored receivables sold to the Bank of Nova Scotia were \$777.2 million (Fiscal 2022 - \$674.3 million). Kruger Products sold 95% of these trade receivables, net of a dilution factor, for \$773.0 million (Fiscal 2022 - \$672.4 million). As of December 31, 2023, the trade receivables sold were \$39.5 million (December 31, 2022 - \$42.3 million).

Currency Risk

Currency risk is the risk that Kruger Products' earnings may fluctuate due to changes in Canadian to U.S. dollar exchange rates, as the financial results are reported in Canadian dollars. Kruger Products sells certain of its products in U.S. dollars at prevailing U.S. dollar prices. The currency exposure is more than offset by U.S. dollar costs and expenses and the U.S. dollar denominated debt.

As of December 31, 2023, Kruger Products had net liabilities denominated in U.S. dollars of \$402.3 million (December 31, 2022 - \$421.2 million). Assuming the Canadian dollar strengthened (weakened) by 5% against the U.S. dollar, with all other variables held constant, the hypothetical result on net income before tax in Fiscal 2023 would have been an increase (decrease) of \$20.1 million (Fiscal 2022 - \$21.1 million).

Liquidity Risk

The purpose of liquidity risk management is to maintain sufficient cash and cash equivalents and to ensure Kruger Products has sufficient authorized credit facilities to maintain liquidity and meet its future obligations as they come due.

The ability to pay its obligations relies on Kruger Products collecting its trade receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs. Kruger Products' trade and other payables of \$400.4 million as of December 31, 2023 (December 31, 2022 - \$279.4 million) are all due for payment within twelve months of the dates of the consolidated statements of financial position.

Refer to Liquidity and Capital Resources, Overview for additional details.

Interest Rate Risk

Kruger Products' interest rate risk arises from its variable rate debt related to the Kruger Products Senior Credit Facility, certain credit facilities made available as part of the TAD Sherbrooke Project Facility and the KPSB Senior Credit Facility, which bear interest at floating interest rates plus an applicable margin as determined by specific financial ratios in accordance with its credit agreements. As of December 31, 2023, Kruger Products had variable rate debts, excluding deferred financing fees, of \$35.8 million (December 31, 2022 - \$107.5 million). A 100 basis point increase (decrease) in the market rate of interest would result in an increase (decrease) in net loss before tax of \$0.4 million for Fiscal 2023.

Commodity Price Risk

Commodity price risk is the risk that future cash flows associated with purchasing required raw materials will fluctuate due to changes in commodity prices, which can be affected by foreign exchange and other trade related risks. Kruger Products is subject to commodity price fluctuations since Kruger Products' main raw material is fibre, which changes price due to market conditions, and therefore can result in periodic earnings volatility in the short term. Historically, the industry has generally been able to mitigate its exposure to commodity price risk over the medium term by passing increases in its supply costs onto its customers through incremental price increases, depending on the supply and demand balance. The ability to eventually pass through the full amount of pulp and other commodity cost increases can be impacted by the

competitive market situation. There can be no assurance that the historical ability to pass through increases in costs will continue to occur in the future.

TRANSACTIONS WITH RELATED PARTIES

Kruger Products and Kruger are parties to a Third Amended and Restated Management Services Agreement dated as of November 15, 2019 with effect as of January 1, 2020 (the Management Services Agreement) pursuant to which Kruger provides certain management and support services to Kruger Products, including corporate management support and administrative support services; accounting and tax support; corporate financing and treasury support; benefits and human resources support services; corporate insurance; corporate procurement services complementary to Kruger Products procurement; project development and management services, corporate development support, environmental support and corporate engineering support services.

Kruger Inc. is also providing certain management and support services related to the Sherbrooke Expansion Project including project management services, and engineering, construction, accounting and corporate finance support services.

Kruger Products also leases warehouses located in Laval, Québec and New Westminster, British Columbia from an entity of which an affiliate of Kruger is a 50% owner.

Kruger Products purchases certain supplies and services from Kruger Inc. and its affiliates, including fibre and small quantities of pulp and packaging. These transactions generally take place on arm's-length terms. Kruger Products also has the ability to procure these goods and services from third party suppliers.

Goods are sold to Kruger Inc. and subsidiaries of Kruger Inc. based on the price lists in force and terms that would be available to third parties.

	Fiscal 2023	Fiscal 2022
	\$	\$
Sales of goods to Kruger Inc.	131	298
Sale of goods to subsidiaries of Kruger Inc	4,311	4,083
Purchases of goods from Kruger Inc.	506	587
Purchases of goods and services from subsidiaries of Kruger Inc.	42,894	57,908
Management fees to Kruger Inc.	8,277	7,787

During Fiscal 2023, in connection with the contribution undertaking agreement, Kruger Products made an annual payment of \$5.7 million to Kruger Brompton L.P., a subsidiary of Kruger Inc. Also during Fiscal 2023, the increase in the obligation due to passage of time was \$2.3 million and was recognized as Interest expense and other finance costs in the consolidated statement of loss.

OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

Kruger Products has entered into right-of-use lease commitments related to land, buildings, IT services, vehicles and other machines and equipment. Refer to Liquidity and Capital Resources, Contractual Obligations for additional details on contractual obligations including these right-of-use leases.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements is in accordance with IFRS Accounting Standards, which requires Kruger Products Management to make estimates and assumptions that affect the reported amounts and disclosures made in the Kruger Products and KPT financial statements and accompanying notes. Kruger Products Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on Kruger Products Management's historical experience, best knowledge of current events and conditions and activities that Kruger Products and KPT may undertake in the future. Actual results could differ materially from these estimates. The estimates and assumptions described in this section depend upon subjective or complex judgment that may be uncertain and changes in these estimates and assumptions could materially impact the financial statements.

Pension and Post-Retirement Benefit Obligations

The cost and accrued benefit plan obligations of Kruger Products' pension plans, consisting of the RDBPP, supplementary retirement arrangements and the Annuity Arrangement and other benefit plans are accrued based on actuarial valuations that are dependent on assumptions determined by Kruger Products Management. These assumptions include the discount rate, the expected growth rate of health care costs, the rate of compensation increase, retirement ages and mortality rates. These assumptions are reviewed quarterly by Kruger Products Management and Kruger Products' actuaries. The discount rate (based on market rates) and the expected growth rate in health care costs represent the most significant assumptions.

Partnership Units Liability

The Partnership units liability was management's best estimate of the Partnership's expected future distributions to its partners in such amounts as would enable KPT to discharge its obligation to pay federal and provincial income taxes (the Tax Distribution), as required by the Partnership Agreement.

As of December 31, 2022, \$133.6 million was recorded as a liability in respect of this obligation, based on using a discounted cash flow model. The valuation utilized a discount rate and terminal growth rate of 9.75% and 2.0%, respectively. The discount rate reflected the risks associated with the business, which operates primarily in Canada. As a result of the reassessment performed as of December 31, 2022, a gain of \$25.6 million was recorded during Fiscal 2022 related to the change in amortized cost of Partnership units liability.

As a result of the Reorganization, the Partnership unit liability was extinguished as the Partnership Agreement was dissolved and the corresponding requirement to make the Tax Distribution was eliminated. Refer to Business Highlights, Corporate Reorganization for additional details.

Equity Method of Accounting

The equity method of accounting is being applied by KPT as it relates to its investment in Kruger Products. The conclusion to account for an investment using the equity method, particularly when the percentage of ownership is below 20%, is based on an assessment of several facts and circumstances and ultimately requires significant judgment in reaching a conclusion. Management has reviewed the agreements and made an assessment of the rights of KPT. Based on KPT having four of ten seats on the board of directors of KPGP, KPT Management has concluded that KPT has the ability to exercise significant influence over Kruger Products.

Impairment Tests

Management completed the annual impairment test for goodwill related to the Consumer Canada CGU, utilizing future forecasts and concluded that the recoverable amount exceeded the carrying amount as of December 31, 2023 and no impairment was recorded. Assumptions include estimates of the discount rate, growth rates and selling price to customer. As of December 31, 2023, the carrying value of the Canada Consumer CGU's goodwill was \$152.0 million and the carrying value of the AFH CGU's goodwill was nil.

Management completed the annual impairment test for indefinite lived trademarks. Recoverable amounts related to indefinite lived trademarks are determined based on management's best estimate using a relief from royalty model. The estimates of relief from royalty are based on the royalties that would have to be paid based on market royalty rates and projected sales volumes. Additional assumptions include estimates of the discount rate, growth rates, selling price to customer and foreign exchange rates. Management concluded that current and projected sales volumes and profitability support the recoverable amount of the indefinite lived trademarks and no impairment was recorded. As of December 31, 2023, the carrying value of indefinite lived trademarks was \$16.0 million.

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 their carrying amounts may not be recoverable. Where indicators of impairment are identified, an impairment test is performed to

determine the recoverable amount. As of December 31, 2023, there were no indicators of impairment and as a result no need to perform impairment testing.

KPT is required to perform an impairment test on its investment in Kruger Products if there is objective evidence that the investment may be impaired. Management concluded the future forecasts that support the investment value had not changed significantly and therefore there was no indication of impairment.

Income Taxes

Estimation of income taxes includes evaluating the recoverability of the deferred tax assets and the income taxes recoverable based on an assessment of the ability to use the underlying tax deductions and credits against future taxable income. The assessment requires an estimate of future taxable income compared to the net operating loss carry forwards and U.S. State tax credits. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. Management exercises judgment to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period and the history of taxable profits. During Fiscal 2023, Kruger Products assessed its ability to utilize the U.S. State tax credits and its ability to utilize net operating loss carry forwards.

Leases

The application of IFRS Accounting Standards 16 requires a number of critical judgements, including identifying whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in an arrangement, and determining the stand-alone selling price of lease and non-lease components. The application of IFRS Accounting Standards 16 also involves a number of key estimates, including estimating the lease term, determining the appropriate rate to discount lease payments, and assessing whether a Right-of-use asset is impaired.

ACCOUNTING CHANGES AND FUTURE ACCOUNTING STANDARDS

Accounting Standard Implemented effective January 1, 2023

- (i) IAS 1, Disclosure of Accounting Policies. In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The adoption of these amendments did not have a material impact on Kruger Products' financial statements.
- (ii) IAS 12, Global Implementation of Pillar Two. In May 2023, the IASB issued narrow-scope amendments to IAS 12 that provide a temporary exception from recognizing and disclosing deferred taxes arising from the implementation of the Pillar Two model rules and introduce targeted disclosure requirements for affected entities. The amendments are effective immediately and retrospectively, including the requirement to disclose that the exception has been applied. The ultimate parent of Kruger Products is resident in Canada and in August 2023, Canada released draft legislation in respect of certain aspects of Pillar Two for public consultation. Although it is intended for Canada's principal Pillar Two rules to take effect on January 1, 2024, Canada has yet to release any revised or further draft legislation. Accordingly, Canada does not yet have any enacted or substantially enacted legislation in respect of Pillar Two. Kruger Products adopted the amendment to IAS 12 International Tax Reform—Pillar Two Model Rules during the year ended December 31, 2023. This exception has been applied retrospectively but no adjustments to previously reported figures were required.

Accounting Standard Issued but not yet Implemented

- (i) IAS 1, Classification of Liabilities as Current or Non-current. In January 2020, the IASB issued an amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In October 2022, the IASB issued an amendment to IAS1, Non-current Liabilities

with Covenants, to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The 2022 amendments also introduce additional disclosure requirements to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The 2022 amendments changed the effective date of the 2020 amendments. The mandatory effective date would be annual periods beginning on or after January 1, 2024, with early adoption permitted. The amended standard is expected to result in additional disclosures in the consolidated financial statements for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table provides selected financial information for KPT and Kruger Products:

(C\$ millions, unless otherwise stated)	<u>December 31, 2023</u>	<u>December 31, 2022</u>
KPT Financial Information		
Total assets	70.6	81.7
Total liabilities	2.3	7.7
Kruger Products Financial Information		
Total assets	2,325.6	2,256.8
Total liabilities	1,712.0	1,763.6

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes quarterly financial results for Kruger Products for the last eight quarters:

(C\$ millions, unless otherwise stated)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Number of days in the period	92	92	91	90	92	92	91	90
Revenue	482.3	473.4	466.3	451.0	458.1	427.0	397.5	398.7
Net income (loss) including non-controlling interest	18.6	14.8	15.0	(50.1)	16.0	(38.8)	(35.5)	1.4
Reconciliation of net income (loss) to Adjusted EBITDA¹								
Net income (loss) including non-controlling interest	18.6	14.8	15.0	(50.1)	16.0	(38.8)	(35.5)	1.4
Interest expense and other finance costs	18.5	16.7	18.6	16.5	20.7	18.9	17.4	17.5
Income tax expense (recovery)	2.6	7.1	5.1	58.6	1.8	(3.9)	(4.9)	(9.1)
Depreciation and amortization	27.8	25.3	24.0	24.3	33.0	24.9	21.9	23.1
Other income (expense)	(8.5)	8.4	(8.9)	(0.4)	(5.3)	26.0	12.5	(4.3)
Change in amortized cost of Partnership units liability	-	-	-	-	(25.6)	-	-	-
Other expense	-	-	-	-	0.1	-	-	-
Loss on sale of property, plant and equipment	1.9	-	1.1	-	0.1	-	-	-
Restructuring costs, net	0.3	0.1	0.1	1.1	3.6	0.1	0.4	0.5
Consulting costs related to operational transformation initiatives	-	-	-	-	-	3.5	-	-
Adjusted EBITDA¹	61.2	72.4	55.0	50.0	44.4	30.7	11.8	29.1

Results of Operations Q4 2023 compared to Q4 2022

Revenue

Revenue was \$482.3 million in Q4 2023 compared to \$458.1 million in Q4 2022, an increase of \$24.2 million or 5.3%. The increase in revenue was primarily due to higher sales volume, partially offset by increased promotional spending compared to the prior year quarter. From a geographic perspective, revenue in Canada increased \$12.5 million or 4.8%, while revenue in the U.S. increased \$11.7 million, or 5.9%.

Cost of Sales

Cost of sales was \$400.5 million in Q4 2023 compared to \$416.4 million in Q4 2022, a decrease of \$15.9 million or 3.8%. Manufacturing costs decreased due primarily to lower pulp and other input costs resulting from moderating inflation and productivity improvements in plant operations, which were only partially offset by higher volume. Freight costs were lower compared to Q4 2022 as supply constraints and inflation moderated, while warehousing costs increased as a result of additional logistics network costs. As a percentage of revenue, cost of sales was 83.0% in Q4 2023 compared to 90.9% in Q4 2022.

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses were \$50.3 million in Q4 2023 compared to \$30.6 million in Q4 2022, an increase of \$19.7 million or 64.4%. The increase was primarily due to significantly higher advertising and IT spend in the quarter, higher personnel and selling expenses to support additional sales volume, and a loss on disposal of fixed assets. As a percentage of revenue, SG&A expenses were 10.4% in Q4 2023 compared to 6.7% in Q4 2022.

Restructuring Costs

Restructuring costs were \$0.3 million in Q4 2023 compared to \$3.6 million in Q4 2022 due primarily to the shutdown of certain Memphis plant production assets as described in the *Business Highlights* section above.

Adjusted EBITDA

Adjusted EBITDA¹ was \$61.2 million in Q4 2023 compared to \$44.4 million in Q4 2022, an increase of \$16.8 million or 37.9%. The significant increase was primarily due to higher sales volume, lower pulp and other input costs, productivity improvements in plant operations and lower freight costs, partially offset by slightly lower selling prices, higher warehousing and SG&A expenses.

Interest Expense and Other Finance Costs

Interest expense and other finance costs were \$18.5 million in Q4 2023 compared to \$20.7 million in Q4 2022, a decrease of \$2.2 million. The decrease was primarily due to higher interest income, lower pension interest expense, lower variable rate debt levels compared to Q4 2022, partially offset by higher lease interest expense.

Foreign Exchange Gain

Foreign exchange gain was \$8.5 million in Q4 2023 compared to \$5.3 million in Q4 2022 related to foreign exchange fluctuations on USD denominated debt. The foreign exchange gains were recorded in Other expense (income) in the consolidated statements of loss during Fiscal 2023 and Fiscal 2022.

Change in Amortized Cost of Partnership Units Liability

Q4 2022 included a gain of \$25.6 million resulting from the annual revaluation. The Partnership Units liability was extinguished on January 1, 2023, in connection with the Reorganization and as a result there was no annual revaluation required during Q4 2023. The change in amortized cost of Partnership units liability was recorded in Other expense (income) in the consolidated statement of loss during Fiscal 2022.

Income Taxes

An income tax expense of \$2.6 million was recorded in Q4 2023 compared to \$1.8 million in Q4 2022. Kruger Products Inc. is now directly taxable on its Canadian business as a result of the Reorganization on January 1, 2023, while it was operating as a limited partnership during Q4 2022 and not directly taxable on its Canadian business. Income tax in partner's hands was a recovery of \$5.9 million in Q4 2022.

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

Net Income (Loss) attributable to Kruger Products

Net income was \$16.5 million in Q4 2023 compared to \$16.0 million in Q4 2022, an increase of \$0.5 million. The increase was primarily due to higher Adjusted EBITDA¹ of \$16.8 million, lower depreciation and amortization expense of \$5.4 million primarily related to the shutdown of certain Memphis plant production assets as described in the *Business Highlights* section above, lower restructuring costs of \$3.3 million, higher foreign exchange gains of \$3.2 million and lower interest expense of \$2.2 million, partially offset by the change in the amortized cost of Partnership units liability of \$25.6 million in Q4 2022, a loss on sale of fixed assets of \$1.9 million, higher income tax expense of \$0.8 million and a loss from non-controlling interest of \$2.0 million.

Segment Information Q4 2023 compared to Q4 2022

(C\$ millions, unless otherwise noted)	Q4 2023	Q4 2022	Q4 2023 vs. Q4 2022	
			\$ Change	% Change
Segment Revenue				
Consumer	400.9	378.8	22.1	5.8%
AFH	81.4	79.3	2.1	2.6%
Total segment revenue	482.3	458.1	24.2	5.3%
Adjusted EBITDA¹				
Consumer	59.8	42.7	17.1	
AFH	5.7	5.7	-	
Corporate and other costs	(4.3)	(4.0)	(0.3)	
Total Adjusted EBITDA ¹	61.2	44.4	16.8	

Consumer Segment

Q4 2023 compared to Q4 2022

Consumer segment revenue was \$400.9 million in Q4 2023 compared to \$378.8 million in Q4 2022, an increase of \$22.1 million or 5.8%. The increase in revenue was due to higher sales volume, partially offset by increased promotional spending. Consumer segment revenue increased in the U.S. and Canada.

Consumer Segment Adjusted EBITDA¹ was \$59.8 million in Q4 2023 compared to \$42.7 million in Q4 2022, an increase of \$17.1 million. The increase in Adjusted EBITDA¹ was primarily due to the increase in Consumer segment revenue along with lower manufacturing costs, partially offset by higher warehousing and SG&A expenses.

AFH Segment

Q4 2023 compared to Q4 2022

AFH segment revenue was \$81.4 million in Q4 2023 compared to \$79.3 million in Q4 2022, an increase of \$2.1 million or 2.6%. The increase was primarily due to higher sales volume, partially offset by lower pricing. AFH segment revenue increased in the U.S. and Canada.

AFH Segment Adjusted EBITDA¹ was \$5.7 million in Q4 2023 compared to \$5.7 million in Q4 2022. The favourable revenue impact and lower manufacturing and freight costs were essentially offset by higher warehousing and SG&A expenses.

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

Corporate and Other Costs

Corporate and other costs include certain management overhead costs not directly attributable to the business segments.

Q4 2023 compared to Q4 2022

Corporate and other costs were \$4.3 million in Q4 2023 compared to \$4.0 million in Q4 2022, an increase of \$0.3 million resulting primarily from lower foreign exchange gains related to working capital compared to the year ago quarter.

SHARE INFORMATION

KPT's authorized share capital consists of an unlimited number of KPT Common Shares. As of March 7, 2024, there were 9,968,337 KPT Common Shares issued and outstanding. Pursuant to the Exchange Agreement, Kruger Inc. has the right to exchange Kruger Products Common Shares it holds from time to time for KPT Common Shares on the basis of one Kruger Products common share for one KPT Common Share, subject to adjustment as set out in the Exchange Agreement. Pursuant to the Asset Purchase Agreement dated as of January 1, 2023, Kruger Products transferred its rights under the Exchange Agreement to Kruger Products, in connection with the Reorganization (refer to Business Highlights, Corporate Reorganization for additional details). Accordingly, if Kruger Inc. were to exchange all Kruger Products Common Shares held by it as of March 7, 2024 for KPT Common Shares, it would hold approximately 87.1% of the issued and outstanding KPT Common Shares. As of March 7, 2024, there were no potentially dilutive instruments outstanding.

Pursuant to the Shareholders' Agreement, Kruger Products is authorized to issue an unlimited number of common shares and an unlimited number of Kruger Products Common Shares. As of March 7, 2024, there were 77,299,546 Kruger Products Common Shares issued and outstanding.

RISK FACTORS

For a detailed description of risk factors associated with KPT and Kruger Products, refer to the "Risk Factors" section of the 2023 Annual Information Form dated March 7, 2024 available on SEDAR+ at www.sedarplus.ca. Kruger Products Management is not aware of any significant changes to the risk factors associated with KPT and Kruger Products from those disclosed at that time.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures within KPT and Kruger Products (collectively, the Corporations) have been designed to provide reasonable assurance that all relevant information is identified to its Chief Executive Officer (CEO), its Chief Financial Officer (CFO) and its Disclosure Policy Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by Management, under the supervision of, and with the participation of the Corporations' CEO and CFO, to provide reasonable assurance regarding the reliability of the Corporations' financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

The Corporations will file certifications, signed by the Corporations' CEO and CFO, with the Canadian Securities Administrators (CSA) upon filing of the Corporations' Annual Information Form. In those filings, the Corporations' CEO and CFO will certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporations' disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting. The Corporations' CEO and CFO also certify the appropriateness of the financial disclosures in the Corporations' interim filings with securities regulators. In those interim filings, the Corporations' CEO and CFO also certify the design of the Corporations' disclosure controls and procedures and the design of internal controls over financial reporting.

The Corporations' Audit Committees reviewed this MD&A and the financial statements and notes of KPT and the consolidated financial statements and notes of Kruger Products, and the Corporations' Boards of Directors approved these documents prior to their release.

Changes in Internal Controls over Financial Reporting

There have been no changes to the Corporations' internal controls over financial reporting during Fiscal 2023 that have materially affected, or are reasonably expected to materially affect, its internal controls over financial reporting.

Management's Report on Disclosure Controls and Procedures

Management, under the supervision of and with the participation of the Corporations' CEO and CFO, evaluated the effectiveness of the Corporations' disclosure controls and procedures (as defined under National Instrument 52-109) and concluded, as of December 31, 2023, that such disclosure controls and procedures were effective.

Management's Report on Internal Controls over Financial Reporting

Management, under the supervision of and with the participation of the Corporations' CEO and CFO, evaluated the effectiveness of the Corporations' internal controls over financial reporting (as defined under National Instrument 52-109). In making this evaluation, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) in Internal Control - Integrated Framework (2013). Based on that evaluation, Management and the CEO and CFO have concluded that, as of December 31, 2023, the Corporations' internal controls over financial reporting were effective. This evaluation took into consideration the Corporations' Corporate Disclosure Policy and the functioning of its Disclosure Policy Committee.

ADDITIONAL INFORMATION

Additional information relating to KPT and Kruger Products, including the Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.