



**KRUGER PRODUCTS INC.**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2024 AND DECEMBER 31, 2023**



## Independent auditor's report

To the Board of Directors of Kruger Products Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kruger Products Inc. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, 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 Accounting Standards).

### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### 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  
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2  
T.: +1 416 863 1133, F.: +1 416 365 8215, Fax to mail: ca\_toronto\_18\_york\_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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## **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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, 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.

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## **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 Accounting Standards, 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.

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## **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 as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

### **/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 4, 2025

# Kruger Products Inc.

## Consolidated Statements of Financial Position

(tabular amounts are in thousands of Canadian dollars)

	December 31, 2024	December 31, 2023
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	119,460	135,728
Restricted cash (note 13)	48,375	12,451
Trade and other receivables (note 6)	138,177	130,157
Receivables from related parties (note 17)	80	842
Inventories (note 7)	287,756	254,372
Income tax recoverable (note 16)	3,208	4,578
Prepaid expenses	6,383	4,726
	<u>603,439</u>	<u>542,854</u>
<b>Non-current assets</b>		
Property, plant and equipment (note 8)	1,509,592	1,421,650
Right-of-use assets (note 9)	186,460	84,866
Other long-term assets (note 17)	92	3,808
Pensions (note 11)	92,661	69,839
Goodwill (note 10)	152,021	152,021
Intangible assets (note 10)	42,572	26,852
Deferred income taxes (note 16)	10,500	23,740
	<u>2,597,337</u>	<u>2,325,630</u>
<b>Total assets</b>	<u><u>2,597,337</u></u>	<u><u>2,325,630</u></u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables (note 12)	346,264	400,385
Payables to related parties (note 17)	17,829	10,973
Income tax payable (note 16)	3	-
Dividends payable (note 17)	14,308	13,675
Current portion of long-term debt (note 13)	54,168	35,229
Current portion of lease liabilities (notes 15 and 22)	40,156	27,154
Current portion of long-term payable to related party (note 17)	5,800	5,800
Current portion of provisions	4,184	3,952
	<u>482,712</u>	<u>497,168</u>
<b>Non-current liabilities</b>		
Long-term debt (note 13)	1,180,488	1,034,016
Long-term lease liabilities (notes 15 and 22)	165,563	71,865
Long-term payable to related party (note 17)	31,925	35,580
Long-term provisions	9,398	5,740
Pensions (note 11)	17,845	18,935
Post-retirement benefits (note 11)	47,140	48,699
	<u>1,935,071</u>	<u>1,712,003</u>
<b>Total liabilities</b>	<u><u>1,935,071</u></u>	<u><u>1,712,003</u></u>
<b>Equity</b>		
Share capital	308,622	278,252
Contributed surplus	395,382	395,382
Deficit	(171,874)	(164,029)
Accumulated other comprehensive income	100,177	81,011
	<u>632,307</u>	<u>590,616</u>
<b>Equity attributable to Kruger Products</b>	<u>632,307</u>	<u>590,616</u>
<b>Non-controlling interest (note 13)</b>	<u>29,959</u>	<u>23,011</u>
	<u>662,266</u>	<u>613,627</u>
<b>Total equity</b>	<u><u>662,266</u></u>	<u><u>613,627</u></u>
<b>Total equity and liabilities</b>	<u><u>2,597,337</u></u>	<u><u>2,325,630</u></u>
<b>Commitments and contingencies (note 18)</b>		
<b>Subsequent events (notes 13, 17 and 29)</b>		
<b>Approved by the Board of Directors</b>		
<u>/s/ James Hardy</u>		<u>/s/ David Spraley</u>
<b>Director</b>		<b>Director</b>

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

**Kruger Products Inc.**  
**Consolidated Statements of Income (Loss)**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars)

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue (notes 17 and 25)</b>	2,049,938	1,872,962
<b>Expenses</b>		
Cost of sales (notes 17 and 19)	1,721,704	1,571,587
Selling, general and administrative expenses (notes 17 and 19)	178,250	167,209
Restructuring costs	219	1,574
<b>Operating income</b>	149,765	132,592
Interest expense and other finance costs (note 14)	72,487	70,255
Other expense (income) (note 5)	31,870	(9,352)
<b>Income before income taxes</b>	45,408	71,689
Current tax expense	2,734	2,632
Deferred tax expense	16,679	70,776
<b>Income tax expense (note 16)</b>	19,413	73,408
<b>Net income (loss) including non-controlling interest</b>	25,995	(1,719)
<b>Net income attributable to non-controlling interest (note 13)</b>	2,174	3,594
<b>Net income (loss) attributable to Kruger Products</b>	23,821	(5,313)

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

**Kruger Products Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars)

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Net income (loss) including non-controlling interest</b>	<u>25,995</u>	<u>(1,719)</u>
<b>Other comprehensive income (loss)</b>		
<b>Items that will not be reclassified to net income (loss):</b>		
Remeasurements of pensions	22,036	(26,366)
Remeasurements of post-retirement benefits	2,650	8,906
<b>Items that may be subsequently reclassified to net income (loss):</b>		
Cumulative translation adjustment	19,166	(5,536)
<b>Other comprehensive income (loss)</b>	<u>43,852</u>	<u>(22,996)</u>
<b>Total comprehensive income (loss) including non-controlling interest</b>	<u>69,847</u>	<u>(24,715)</u>
<b>Total comprehensive income attributable to non-controlling interest</b>	<u>2,174</u>	<u>3,594</u>
<b>Total comprehensive income (loss) attributable to Kruger Products</b>	<u><u>67,673</u></u>	<u><u>(28,309)</u></u>

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

# Kruger Products Inc.

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

	Share capital		Contributed surplus	Deficit	Accumulated other comprehensive income	Non-controlling interest (note 13 (d))	Total equity
	#	\$					
		\$	\$	\$	\$	\$	\$
<b>As of January 1, 2023</b>	71,479,389	494,459	-	(87,835)	86,547	-	493,171
Redemption of KPSI IQ Debenture by Kruger Inc. (note 13 (d))	-	-	-	-	-	19,417	19,417
Extinguishment of Partnership units liability (note 28)	-	(261,831)	395,382	-	-	-	133,551
Dividends payable (note 17)	-	-	-	(13,675)	-	-	(13,675)
Dividends paid (note 17)	-	-	-	(39,787)	-	-	(39,787)
Fair value adjustment	-	(41)	-	41	-	-	-
Change in actuarial loss on pension	-	-	-	(26,366)	-	-	(26,366)
Change in actuarial gain on post-retirement benefits	-	-	-	8,906	-	-	8,906
Cumulative translation adjustment	-	-	-	-	(5,536)	-	(5,536)
Net loss	-	-	-	(5,313)	-	3,594	(1,719)
Issuance of common shares (note 17)	4,493,967	45,665	-	-	-	-	45,665
<b>As of December 31, 2023</b>	<b>75,973,356</b>	<b>278,252</b>	<b>395,382</b>	<b>(164,029)</b>	<b>81,011</b>	<b>23,011</b>	<b>613,627</b>

	Share capital		Contributed surplus	Deficit	Accumulated other comprehensive income	Non-controlling interest (note 13 (d))	Total equity
	#	\$					
		\$	\$	\$	\$	\$	\$
<b>As of January 1, 2024</b>	75,973,356	278,252	395,382	(164,029)	81,011	23,011	613,627
Redemption of KPSI IQ Debenture by Kruger Inc. (note 13 (d))	-	-	-	-	-	4,774	4,774
Dividends payable (note 17)	-	-	-	(14,308)	-	-	(14,308)
Dividends paid (note 17)	-	-	-	(42,130)	-	-	(42,130)
Fair value adjustment	-	(86)	-	86	-	-	-
Change in actuarial gain on pension	-	-	-	22,036	-	-	22,036
Change in actuarial gain on post-retirement benefits	-	-	-	2,650	-	-	2,650
Cumulative translation adjustment	-	-	-	-	19,166	-	19,166
Net income	-	-	-	23,821	-	2,174	25,995
Issuance of common shares (note 17)	3,517,291	30,456	-	-	-	-	30,456
<b>As of December 31, 2024</b>	<b>79,490,647</b>	<b>308,622</b>	<b>395,382</b>	<b>(171,874)</b>	<b>100,177</b>	<b>29,959</b>	<b>662,266</b>

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



**Kruger Products Inc.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars)

	2024	2023
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Net income (loss) including non-controlling interest	25,995	(1,719)
Items not affecting cash		
Depreciation	107,793	96,996
Amortization	6,322	4,377
Loss on sale of property, plant and equipment	639	3,043
Gain (loss) on disposal of leased assets	47	(488)
Foreign exchange loss (gain) (note 5)	32,752	(9,352)
Interest expense and other finance costs (note 14)	72,487	70,255
Pension and post-retirement benefits (note 11)	12,292	8,656
Provisions	4,879	3,702
Income tax expense (note 16)	19,413	73,408
Loss on sale of non-financial assets	45	24
Total items not affecting cash	256,669	250,621
Net change in non-cash working capital (note 26)	(58,604)	110,162
Contributions to pension and post-retirement benefit plans (note 11)	(4,476)	(8,537)
Provisions paid	(3,695)	(4,305)
Income tax payments, net	(3,786)	(1,834)
<b>Net cash from operating activities</b>	<b>212,103</b>	<b>344,388</b>
<b>Cash flows from (used in) investing activities</b>		
Purchases of property, plant and equipment	(44,762)	(34,653)
Purchases of property, plant and equipment and software related to the TAD Sherbrooke Project	-	(2,435)
Purchases of property, plant and equipment related to the Sherbrooke Expansion Project	(129,678)	(147,938)
Interest paid on credit facilities related to the Sherbrooke Expansion Project	(7,764)	(454)
Government assistance received	-	1,250
Purchases of software (note 10)	(3,272)	(1,202)
Proceeds on sale of property, plant and equipment	28	2,586
<b>Net cash used in investing activities</b>	<b>(185,448)</b>	<b>(182,846)</b>
<b>Cash flows from (used in) financing activities (note 27)</b>		
Proceeds from long-term debt	279,353	130,954
Repayment of long-term debt	(163,815)	(127,780)
Payment of deferred financing fees	(4,493)	(899)
Payment of lease liabilities	(36,199)	(30,819)
Change in restricted cash	(35,924)	(5,306)
Interest paid on long-term debt	(54,678)	(49,390)
Payment to related party (note 17)	(5,800)	(5,700)
Dividends paid, net (note 17)	(25,350)	(6,988)
<b>Net cash from (used in) financing activities</b>	<b>(46,906)</b>	<b>(95,928)</b>
<b>Effect of exchange rate changes on cash and cash equivalents held in foreign currency</b>	<b>3,983</b>	<b>(1,147)</b>
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>(16,268)</b>	<b>64,467</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>135,728</b>	<b>71,261</b>
<b>Cash and cash equivalents - End of period</b>	<b>119,460</b>	<b>135,728</b>

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

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

### 1 General information

Kruger Products Inc. (Kruger Products or the Company) operates as a corporation registered in the Province of Quebec, Canada whose shareholders are 13582141 Canada Inc. (ultimate parent and a wholly-owned subsidiary of Kruger Inc., through which it holds Kruger Products shares), KPGP Inc. (KPGP) and KP Tissue Inc. (KPT). Kruger Products manufactures, sells and distributes tissue products for household, industrial and commercial use. The company has plants in New Westminster, British Columbia; Crabtree, Sherbrooke and Gatineau Quebec; Scarborough and Trenton, Ontario and Memphis, Tennessee. The company's headquarters are located in Mississauga, Ontario, Canada.

On January 1, 2023, Kruger Products L.P. (KPLP or the Partnership) undertook a corporate reorganization (the Reorganization) pursuant to which the Partnership sold and assigned to its wholly-owned subsidiary, Kruger Products, and Kruger Products purchased and assumed from the Partnership, in exchange for common shares, all of the properties, operations, assets and liabilities of the Partnership, and the Partnership was subsequently dissolved and wound-up into its partners. As a result of the Reorganization, Kruger Products, as the successor corporate entity to the Partnership, now operates the business previously operated by the Partnership. Additional information is disclosed in note 28.

### 2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and with interpretations of the International Financial Reporting Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting. These consolidated financial statements were approved by the board of directors of Kruger Products on March 4, 2025.

The Company consolidates all subsidiaries that it controls. The principal subsidiaries have been identified as those where the Company has power over the investees, is exposed or has rights to variable returns from its involvement with the investees and has the ability to affect these returns through its power over the investees. The principal subsidiaries of the Company that have been consolidated are as follows:

Kruger Products Inc. (Kruger Products). Additional information is disclosed below.

Kruger Products (USA) Inc. (KP USA)

Kruger Products AFH GP. Inc.

Kruger Products AFH L.P.

Kruger Products Real Estate Holdings Inc. (KPREH)

Kruger Products SB Inc. (KPSB)

Kruger Products Sherbrooke Inc. (KPSI)

K.T.G. (USA) Inc. (KTG)

K.T.G. US Holdco Inc. (formerly TAD Luxembourg S.A.R.L.). Additional information is disclosed below.

TAD1 Canco I Inc.

TAD1 Canco II Inc.

TAD1 GP ULC

TAD2 GP ULC

TAD1 US LP

TAD2 US LP

The Company's participation in joint arrangements classified as joint operations is accounted for in the consolidated financial statements by reflecting, line by line, the Company's share of the assets held jointly, liabilities incurred jointly, and revenue and expenses arising from the joint operations. The principal joint operation of the Company that has been consolidated is Kruger Sherbrooke Water Treatment Inc.

On January 1, 2022, 13571998 Canada Inc. (a wholly-owned subsidiary of the Partnership) amalgamated with KP TAD Holdco Inc. (a principal subsidiary of the Partnership) and TAD Canco Inc. (a principal subsidiary of the Partnership)

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

to form a company named 13571998 Canada Inc. (the Amalgamation). On October 21, 2022, the name of the company was changed from 13571998 Canada Inc. to Kruger Products Inc.

Effective December 15, 2022, TAD Luxembourg S.A.R.L. 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.

### 3 Summary of material accounting policies

The material accounting policies used in the preparation of these consolidated financial statements were as follows:

#### (a) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, except for embedded derivatives and derivative liabilities, which are measured at fair value through profit or loss and accounting for pensions (note 3(m)). The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant are disclosed in note 4.

#### (b) Foreign currency translation

##### (i) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

The Company has determined that its foreign operations located in the United States (KTG and KP USA) and K.T.G. US Holdco Inc., TAD1 GP ULC, TAD1 US LP and TAD1 Canco II Inc. have a functional currency of U.S. dollars. Net unrealized gains and losses arising from the translation of these foreign operations are included as part of the currency translation adjustment in Other comprehensive income (loss).

##### (ii) Transactions and balances

Foreign exchange gains and losses arising from translating monetary foreign currency balances are included in Selling, general and administrative (SG&A) expenses or Other expense (income).

#### (c) Cash, cash equivalents and restricted cash

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Restricted cash is cash and cash equivalents whose withdrawal or usage is restricted for certain purposes.

#### (d) Inventories

Inventories of raw materials and spare parts are valued at the lower of weighted average cost and net realizable value. Finished products and work-in-process are valued at the lower of standard cost and net realizable value and include the cost of raw materials, direct labour and manufacturing overhead expenses. Net realizable value is the estimated selling prices less applicable selling expenses and costs to complete. If the carrying value exceeds the net realizable value, a write-down is recognized.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

(e) *Borrowing costs*

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are recorded as Capitalized interest and added to the cost of these assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as Interest expense and other finance costs in the consolidated statement of income (loss) in the period in which they are incurred.

(f) *Property, plant and equipment*

Property, plant and equipment are stated at cost, less accumulated depreciation, investment tax credits, U.S. State tax credits, government assistance and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and an estimate of the asset retirement obligation. The Company allocates the amount initially recognized to an item of property, plant and equipment to its segregated parts and depreciates each of these segregated parts separately.

Depreciation of property, plant and equipment is generally calculated using the straight-line method to allocate their costs less their residual value over their estimated useful lives as follows:

Buildings	20 to 40 years
Machinery and equipment	5 to 40 years

Assets under construction or development are depreciated from the date the asset is ready for productive use. Land is not depreciated.

(g) *Right-of-use assets*

Right-of-use assets are initially measured based on the initial amount of the Lease liabilities adjusted for any lease payments made at or before the commencement date.

Right-of-use assets are subsequently depreciated to the earlier of the end of their useful life or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits as follows:

Land	25 years
Buildings	1 to 34 years
Equipment	1 to 10 years
Motor vehicles	1 to 4 years

Right-of-use assets may be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the Lease liabilities.

(h) *Goodwill*

Goodwill has an indefinite useful life and is carried at cost less any accumulated impairment losses.

(i) *Intangible assets*

(i) Trademarks

Separately acquired trademarks have indefinite useful lives and are carried at cost less any accumulated impairment losses.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

(ii) Software and licences

Costs to purchase non-integral software and licences are capitalized and included as part of Intangible assets in the consolidated statements of financial position. Costs associated with maintaining software programs are expensed as incurred in the consolidated statements of income (loss).

Software and licence costs recognized as assets are amortized over their estimated useful lives, which represent management's view of the expected period over which the Company will receive benefits from the software and licences. The useful life of software and licences is five years.

(j) *Impairment tests*

(i) Goodwill

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The carrying value of the CGU is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Additional assumptions include estimates of the discount rate, growth rates and selling price to customer. Any goodwill impairment is recognized immediately as an expense and is not subsequently reversed. 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, 2024, and no impairment was recorded.

(ii) Trademarks

Impairment reviews for indefinite lived trademarks are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, 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 completed the annual impairment test for indefinite lived trademarks and concluded that current and projected sales volumes support the recoverable amount of the indefinite lived trademarks as of December 31, 2024, and no impairment was recorded.

(iii) Other non-financial assets

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. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (which is the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. As of December 31, 2024, there were no indicators of impairment and as a result no need to perform impairment testing.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

#### *(k) Revenue recognition*

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to, and accepted by, the customer (based on shipping terms).

Revenue is measured based on the price specified in the sales contract and is net of discounts, rebates and allowances. Reductions to revenue for expected and actual payments to customers for rebates and allowances are based on actual expenses incurred during the period, on estimates of what is due to customers for estimated credits earned during the period and any adjustments for credits based on actual activity. As all of the Company's sales contracts have a term of less than one year, the Company has elected to use the practical expedient and therefore not capitalize closing contract costs or disclose unfulfilled performance obligations.

#### *(l) Cost of sales and SG&A expenses*

Cost of sales includes cost of finished goods sold, freight, warehousing, handling costs, and inventory write-downs. Marketing, selling, and general and administrative expenses are included in SG&A expenses.

#### *(m) Pensions and post-retirement benefits*

The Company accrues its obligation under employee benefit plans and the related costs, net of plan assets. Pension assets are valued at fair value.

Past-service costs from plan amendments are recognized immediately to the extent the benefits are vested in net income (loss) and are otherwise amortized on a straight-line basis over the average period until the benefits become vested.

Actuarial gains or losses are recognized in full in the period in which they occur in Other comprehensive income (loss).

Pension expense includes current service costs and past-service costs (recorded in Cost of sales and SG&A expenses) and interest costs on the benefit obligation offset by the expected return on plan assets (recorded in Interest expense and other finance costs).

#### *(n) Income taxes*

As a result of the Reorganization (note 28), the Company's tax status changed from a limited partnership to a corporation. The Company is, as of January 1, 2023 therefore, a tax paying entity and recognizes income tax provisions directly on the basis of amounts expected to be paid to tax authorities. Tax is recognized in Net income (loss), except to the extent that it relates to items recognized in Other comprehensive income (loss) or directly in Equity. In this case, the tax is also recognized in Other comprehensive income (loss) or directly in Equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Current tax is the expected tax payable on the taxable income for the year at closing tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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, or from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the consolidated statement of financial position dates and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

The Company operates in multiple jurisdictions. The U.S. entities, KP USA, KTG and K.T.G. US Holdco Inc. are subject to tax on the basis of the tax laws enacted in the U.S. where the entities operate and generate taxable income. The remaining entities, TAD1 Canco I Inc., TAD1 Canco II Inc., TAD1 GP ULC, TAD2 GP ULC, KPSI, KPSB, KPREH and Kruger Products are subject to tax on the basis of the laws enacted in Canada. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

*(o) Dividend reinvestment plan*

Pursuant to the Dividend Re-investment Plan (DRIP), the Company is required to issue shares in lieu of cash dividends at the option of the shareholders. Upon settlement of the DRIP, the difference between the dividends declared and the fair value of the shares issued is charged to Retained earnings (deficit).

*(p) Accounting standard implemented effective January 1, 2024*

- (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 IAS 1, 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 was for annual periods beginning on or after January 1, 2024. The amended standard resulted 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.
- (ii) IAS 12, Global Implementation of Pillar Two. In June 2024, the principal components of Canada's Pillar Two global minimum tax rules were enacted into law. The rules are generally effective as of January 1, 2024, and are intended to ensure that multinational enterprises pay a minimum of 15% tax in each jurisdiction in which they operate. In May 2023, the IASB issued amendments to IAS 12 Income Taxes to provide temporary relief from accounting and disclosure for deferred taxes arising from the implementation of Pillar Two rules. The Company retrospectively adopted this amendment during the year ended December 31, 2023 and has applied the exception to recognizing and disclosing information regarding Pillar Two deferred income tax assets and liabilities.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

### For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

*(q) Accounting standard issued but not yet implemented*

- (i) IFRS 18, Presentation and Disclosure in Financial Statements. In April 2024, the IASB issued IFRS 18 to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The mandatory effective date would be for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company is currently assessing the impact of the new standard.
- (ii) Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments. On May 30, 2024, the IASB issued amendments to IFRS Accounting Standards 9 and IFRS Accounting Standards 7 aimed at improving the classification and measurement of financial instruments. The recent amendments simplify financial reporting by allowing earlier recognition of liabilities settled via electronic payments, clarifying the assessment of cash flows for basic lending arrangements, and refining definitions for non-recourse features and linked instruments. The amendments also introduce more detailed disclosure requirements for fair value changes in equity instruments and mandate reporting of terms that could affect cash flow timings or amounts. The amendment will be effective from January 1, 2026 and entities must apply these amendments retrospectively, with earlier adoption permitted. The Company is currently assessing the impact of the amendments.
- (iii) IFRS 8, Operating Segments. In July 2024, IFRIC published an agenda decision that addresses which items listed in IFRS 8 must be disclosed even when they are not separately reviewed by the chief operation decision maker. The agenda decision also provides guidance on how to identify the additional material items that IFRS 8 requires to be disclosed. The Company is currently assessing the impact of these new updates.

#### 4 Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the consolidated financial statements and the disclosure of contingencies at the dates of the consolidated statements of financial position, and the reported amounts of revenues and expenses during the reporting periods. On a regular basis and with the information available, management reviews its estimates, including those related to pensions and post-retirement benefits obligations, the Partnership units liability, impairment tests, income taxes and leases. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they occur. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and the future periods if the revision affects both current and future periods.

The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements:

*Pensions and post-retirement benefits obligations*

The present value of pensions under defined benefit plans and post-retirement benefits was actuarially determined using a discount rate, the projected unit credit method and management's best estimate of expected plan investment performance for funded plans, salary escalation, retirement ages of employees and expected health-care costs. The discount rate was based on the yield of high quality Canadian corporate fixed income investments with cash flows that match expected benefit payments. Additional information is disclosed in note 11.



# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

### *Impairment tests*

The Company performs an annual impairment test for goodwill and indefinite lived trademarks, which includes a number of assumptions. Additional information is disclosed in note 3(j).

### *Income taxes*

The Company computes its income taxes in each jurisdiction in which its subsidiaries operate. 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 the year ended December 31, 2024, the Company assessed the ability to utilize its U.S. State tax credits, net operating loss carry-forwards and additional Quebec net operating loss carry-forwards. Additional information is disclosed in note 16.

### *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. Additional information is disclosed in note 15.

## 5 Other expense (income)

	2024	2023
	\$	\$
Foreign exchange loss (gain)	32,752	(9,352)
Change in amortized cost of Partnership units liability	(882)	-
	<u>31,870</u>	<u>(9,352)</u>

## 6 Trade and other receivables

	December 31, 2024	December 31, 2023
	\$	\$
Trade receivables	123,273	111,683
Other receivables	15,604	18,922
Less: Allowance for expected credit losses	(700)	(448)
	<u>138,177</u>	<u>130,157</u>

The Company applies the simplified approach for Trade receivables permitted by IFRS Accounting Standards 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

The Company sells eligible trade receivables owing by certain key customers through a factoring arrangement with the Bank of Nova Scotia, with a facility limit of \$50 million. As eligible trade receivables are sold, the Company removes the factored receivables from the consolidated statement of financial position, recognizes the proceeds received as consideration for the transfer and records a loss on factoring, which is included in Interest expense and other finance costs in the consolidated statements of income (loss). Cash flows from the factoring arrangement are presented as operating activities in the consolidated statement of cash flows. Additional information is disclosed in note 22.

### 7 Inventories

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Finished products	120,343	103,626
Work-in-process	42,923	39,424
Raw materials and supplies	72,367	59,982
Spare parts	52,123	51,340
	<u>287,756</u>	<u>254,372</u>

During the year ended December 31, 2024, total inventories recognized as Cost of sales were \$1,461.3 million (2023 – \$1,334.6 million). The Company wrote-off inventories during the year ended December 31, 2024 totalling \$6.8 million (2023 - \$8.6 million). Inventory provisions as of December 31, 2024 were \$23.8 million (December 31, 2023 - \$16.4 million).

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

**8 Property, plant and equipment**

	Land \$	Buildings \$	Machinery and equipment \$	Assets under construction or development \$	Total \$
<b>As of January 1, 2023</b>					
Cost	44,395	400,342	1,613,316	119,547	2,177,600
Accumulated depreciation and impairment	-	(120,444)	(762,318)	-	(882,762)
<b>Net book value as of January 1, 2023</b>	44,395	279,898	850,998	119,547	1,294,838
Additions	-	-	-	208,056	208,056
Capitalized interest	-	-	-	3,752	3,752
Disposals	-	-	(5,629)	-	(5,629)
Transfers	97	5,462	73,407	(78,966)	-
Investment tax credits	-	(1,086)	(3,134)	4,220	-
Depreciation	-	(10,787)	(61,025)	-	(71,812)
Exchange differences	(38)	(1,212)	(6,131)	(174)	(7,555)
<b>As of December 31, 2023</b>	44,454	272,275	848,486	256,435	1,421,650
<b>As of December 31, 2023</b>					
Cost	44,454	402,827	1,627,926	256,435	2,331,642
Accumulated depreciation and impairment	-	(130,552)	(779,440)	-	(909,992)
<b>Net book value as of December 31, 2023</b>	44,454	272,275	848,486	256,435	1,421,650
Additions	-	-	-	131,846	131,846
Capitalized interest	-	-	-	7,378	7,378
Disposals	-	-	(667)	-	(667)
Transfers	216	111,143	239,283	(350,642)	-
Investment tax credits	-	-	(375)	375	-
Depreciation	-	(12,290)	(64,990)	-	(77,280)
Exchange differences	152	4,311	21,774	428	26,665
<b>As of December 31, 2024</b>	44,822	375,439	1,043,511	45,820	1,509,592
<b>As of December 31, 2024</b>					
Cost	44,822	520,619	1,900,107	45,820	2,511,368
Accumulated depreciation and impairment	-	(145,180)	(856,596)	-	(1,001,776)
<b>Net book value as of December 31, 2024</b>	44,822	375,439	1,043,511	45,820	1,509,592

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

**9 Right-of-use assets**

	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>As of January 1, 2023</b>					
Cost	38,256	149,846	18,899	2,981	209,982
Accumulated right-of-use depreciation	(28,590)	(87,813)	(9,706)	(2,158)	(128,267)
<b>Net book value as of January 1, 2023</b>	9,666	62,033	9,193	823	81,715
Additions	-	16,430	10,948	953	28,331
Right-of-use depreciation	(1,715)	(17,861)	(4,864)	(642)	(25,082)
Exchange differences	-	(47)	(49)	(2)	(98)
<b>As of December 31, 2023</b>	7,951	60,555	15,228	1,132	84,866
<b>As of December 31, 2023</b>					
Cost	38,256	164,827	28,026	3,555	234,664
Accumulated right-of-use depreciation	(30,305)	(104,272)	(12,798)	(2,423)	(149,798)
<b>Net book value as of December 31, 2023</b>	7,951	60,555	15,228	1,132	84,866
Additions	9,124	120,449	5,287	1,014	135,874
Terminations	-	(3,865)	-	(76)	(3,941)
Right-of-use depreciation	(1,819)	(22,252)	(5,812)	(674)	(30,557)
Exchange differences	-	79	130	9	218
<b>As of December 31, 2024</b>	15,256	154,966	14,833	1,405	186,460
<b>As of December 31, 2024</b>					
Cost	47,380	266,804	32,159	3,767	350,110
Accumulated right-of-use depreciation	(32,124)	(111,838)	(17,326)	(2,362)	(163,650)
<b>Net book value as of December 31, 2024</b>	15,256	154,966	14,833	1,405	186,460

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

**10 Goodwill and intangible assets**

	Trademarks	Software and licences <sup>(a)</sup>	Total
	\$	\$	\$
<b>As of January 1, 2023</b>			
Cost	16,363	30,815	47,178
Accumulated amortization	-	17,151	17,151
<b>Net book value as of January 1, 2023</b>	16,363	13,664	30,027
Additions	-	1,202	1,202
Amortization	-	4,377	4,377
<b>Net book value as of December 31, 2023</b>	16,363	10,489	26,852
<b>As of December 31, 2023</b>			
Cost	16,363	32,017	48,380
Accumulated amortization	-	21,528	21,528
<b>Net book value as of December 31, 2023</b>	16,363	10,489	26,852
Additions	-	22,042	22,042
Amortization	-	6,322	6,322
<b>Net book value as of December 31, 2024</b>	16,363	26,209	42,572
<b>As of December 31, 2024</b>			
Cost	16,363	54,059	70,422
Accumulated amortization	-	27,850	27,850
<b>Net book value as of December 31, 2024</b>	16,363	26,209	42,572

(a) During the year ended December 31, 2024, software additions of \$18.7 million were included in Purchases of property, plant and equipment and software related to the Sherbrooke Expansion Project in the consolidated statement of cashflows.

The Company performs an annual impairment test for goodwill and indefinite lived trademarks. Additional information is disclosed in note 3(j).

The carrying value of the Canada Consumer CGU's goodwill as of December 31, 2024 was \$152.0 million (December 31, 2023 - \$152.0 million).

**11 Pensions and post-retirement benefits**

The Company sponsors a number of defined benefit and defined contribution pension plans, with participation available to substantially all of its employees. Length of service and individual earnings determine the pension and post-retirement benefits for all members of the Company plans.

The Company has five registered defined benefit pension plans with a final average salary component, four of which are registered in the province of Quebec and one of which is registered in the province of Ontario. The pension asset for these five plans of \$92.7 million as of December 31, 2024 (December 31, 2023 – asset of \$69.8 million) is included in Pension assets in the consolidated statements of financial position.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

The Company has a Supplementary Retirement Plan (SRP) for designated employees. The accrued benefit liability, net of plan assets related to the SRP of \$13.8 million as of December 31, 2024 (December 31, 2023 - \$14.9 million) is included in Pension liabilities in the consolidated statements of financial position and is supported by irrevocable letters of credit in the amount of \$7.7 million (December 31, 2023 - \$9.6 million).

The Company also sponsors a Term Annuity Arrangement for the Western Manufacturing Division, which provides hourly employees with a bridging supplement commencing at age 61 and payable up to but not including age 65. The Term Annuity Arrangement is unfunded and the pension obligation of \$4.0 million as of December 31, 2024 (December 31, 2023 - \$4.2 million) is included in Pensions in the consolidated statement of financial position.

The Company's hourly employees at the Western Manufacturing Division are members of an industry multi-employer pension plan to which the Company contributes monies. During the year ended December 31, 2024, the Company contributed and expensed \$2.7 million (2023 - \$2.8 million) related to this defined benefit plan.

The Company sponsors defined contribution plans which cover substantially all of its salary and hourly employees. During the year ended December 31, 2024 the Company recorded an expense of \$9.9 million (2023 - \$9.3 million) related to these plans.

The Company provides certain health and other similar benefits for qualifying retirees (post-retirement benefit plans). These plans are not funded.

The measurement date of the pensions and post-retirement benefits plans is December 31 of each year.

By design, the defined benefit pension plans and the post-retirement benefits plan expose the Company to the typical risks faced by such plans such as investment performance (pension plans only), changes to the discount rate used to value the obligations, longevity of plan members and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Company. As of December 31, 2023, the aggregate solvency surplus of the defined benefit plans was \$75.9 million (December 31, 2022 - \$78.6 million surplus). The actuarial valuation dates of the plans vary, ranging from December 31, 2021 to December 31, 2024. The funding obligations are dependent on a number of factors, including the assumptions used in the most recent actuarial valuation. Actual contributions that are determined on the basis of future valuation reports may vary significantly from the predictions.

The cumulative actuarial (gains) losses recognized in the deficit were as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Pensions	(66,100)	(44,064)
Post-retirement benefits	(13,462)	(10,812)
Total	<u>(79,561)</u>	<u>(54,876)</u>

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

Information about the Company's defined benefit pension plans and post-retirement benefit plans was as follows:

	<b>Pensions</b>		<b>Post-retirement benefit plans</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	\$	\$	\$	\$
<b>Change in defined benefit obligation:</b>				
<b>As of January 1</b>	591,644	557,244	48,699	43,739
Current service cost	8,234	6,179	1,985	1,719
Past service cost	1,325	-	-	-
Interest cost	26,755	27,872	2,215	2,189
Employee contributions	4,443	3,972	-	-
Benefits paid	(36,381)	(37,295)	(2,176)	(2,281)
Remeasurements:				
Losses (gains) from changes in experience	3,161	(720)	-	-
Gains from changes in economic assumptions	(3,040)	34,392	(3,583)	3,333
<b>As of December 31</b>	<b>596,141</b>	<b>591,644</b>	<b>47,140</b>	<b>48,699</b>
<b>Change in plan assets at fair value:</b>				
<b>As of January 1</b>	651,740	628,819	-	-
Expected return on plan assets	29,329	31,472	-	-
Remeasurements:				
Gains (losses) on plan assets	31,903	19,274	-	-
Administrative costs	(748)	(758)	-	-
Employer contributions	2,301	6,256	2,176	2,281
Employee contributions	4,443	3,972	-	-
Benefits paid	(36,381)	(37,295)	(2,176)	(2,281)
<b>As of December 31</b>	<b>682,587</b>	<b>651,740</b>	<b>-</b>	<b>-</b>
<b>Accrued benefit liability (asset)</b>				
Funded status - deficit	(86,446)	(60,096)	47,140	48,699
Impact of asset ceiling	11,630	9,192	-	-
<b>Accrued benefit liability (asset)</b>	<b>(74,816)</b>	<b>(50,904)</b>	<b>47,140</b>	<b>48,699</b>

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars, except share amounts)

Plan assets, which fund the Company's defined benefit plans, were comprised of the following:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	%	%
Fixed income	33.2	23.7
Public equities	24.0	26.4
Hedge funds	10.1	14.8
Private equity	18.2	21.2
Real assets	14.5	13.9
Total	<u>100.0</u>	<u>100.0</u>
Quoted on an active market	47.1	50.1
Unquoted	52.9	49.9
	<u>100.0</u>	<u>100.0</u>

The following were the significant assumptions for the defined benefit pension plans and other benefit plans:

	<b>Pensions</b>		<b>Post-retirement benefit plans</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Assumptions	%	%	%	%
Discount rate - accrued benefit obligation	4.68	4.65	4.68	4.65
Rate of compensation increases	3.25 - 4.00	3.25 - 4.00	-	-

*Pensions*

Expected fees payable by the plan were deducted from the expected rate of return of plan assets.

The effect of a 1% reduction in the discount rate, a 1% increase in the rate of compensation and one-year change in the life expectancy rate were:

	<b>Discount rate</b>		<b>Rate of compensation</b>		<b>Life expectancy</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	\$	\$	\$	\$	\$	\$
Increase in Pension obligation	79,139	78,314	7,621	4,147	14,725	13,512



# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

### Post-retirement benefit plan

For measurement purposes, the trend factor for all health-care expenses, excluding medication, was assumed to be 2.5% to age 84 and 1.5% thereafter. The trend factor for medication was assumed to be 6.91% for the first year (2024), decreasing to 4.05% after 16 years.

The sensitivity analysis presented was performed by changing each assumption individually. If an actual change were to occur, it is likely that certain of these assumptions would correlate, which would create a combined impact.

The effect of a 1% increase in the health care cost trend rate, a 1% reduction in the discount rate and a one-year change in the life expectancy rate were:

	Health care		Discount rate		Life expectancy	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	\$	\$	\$	\$	\$	\$
Increase in Post-retirement benefit obligation	5,371	6,211	6,898	7,227	1,079	1,300

Contributions to the defined benefit pension plans for the year ending December 31, 2024 are expected to be \$2.2 million.

The net benefit pension plan expense included the following components:

	Pensions		Post-retirement benefit plans	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	\$	\$	\$	\$
<b>Net benefit plan expense</b>				
Current service cost	8,234	6,179	1,985	1,719
Past service cost	1,325	-	-	-
Interest cost	26,755	27,872	2,215	2,189
Asset ceiling interest cost	432	489	-	-
Expected return on plan assets	(29,329)	(31,472)	-	-
Administrative cost	748	758	-	-
	8,165	3,826	4,200	3,908

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars, except share amounts)

The following amounts were recognized in Other comprehensive income (loss):

	<b>Pensions</b>		<b>Post-retirement benefit plans</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	\$	\$	\$	\$
Gains (losses) from changes in experience	(3,161)	720	-	-
Gains from changes in economic assumptions	3,040	(34,392)	2,287	(3,333)
Gains (losses) from changes in demographics	-	-	1,299	
Gains (losses) on plan assets	31,903	19,274	-	-
Impact of asset ceiling	(2,004)	635	-	-
Deferred tax expense	(7,742)	(12,603)	(936)	12,239
	22,036	(26,366)	2,650	8,906

**12 Trade and other payables**

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	\$	\$
Trade payables	147,271	147,028
Accrued liabilities	101,002	136,252
Contract liabilities <sup>(a)</sup>	97,991	117,105
	346,264	400,385

(a) Contract liabilities have decreased \$19.1 million during the year ended December 31, 2024, to \$98.0 million, including \$31.6 million utilized or released through the consolidated statement of income (loss) and comprehensive income (loss) primarily as a result of movement in pulp prices.

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars, except share amounts)

**13 Long-term debt**

	Weighted average interest rate as of December 31, 2024	Maturity	December 31, 2024 \$	December 31, 2023 \$
Kruger Products Senior Credit Facility <sup>(a)</sup>	-	2026	(701)	-
Senior Unsecured Notes due April 24, 2025	6.00%	2025	-	124,295
Senior Unsecured Notes due April 9, 2029	5.375%	2029	133,239	132,830
Senior Unsecured Notes due November 1, 2031 <sup>(b)</sup>	6.625%	2031	131,945	-
AgCredit - Term A Credit Facility <sup>(c)</sup>	4.82%	2036	197,963	187,459
AgCredit - Term B Credit Facility <sup>(c)</sup>	5.04%	2037	254,718	233,321
AgCredit - Term D Credit Facility <sup>(c)</sup>	6.07%	2032	117,000	113,924
KPSB Senior Credit Facility	6.98%	2028	158,747	35,052
KPSB IQ Debenture	2.00%	2034	61,615	57,758
KPSI IQ Debenture <sup>(d)</sup>	3.00%	2028	61,029	75,671
Nordea2 Credit Facility	3.74%	2029	40,181	44,003
IQ Bathroom Tissue Loan	2.00%	2032	38,652	32,354
IQ Facial Tissue Loan	2.00%	2033	35,155	26,058
IQ Gatineau Loan <sup>(e)</sup>	6.50%	2034	4,158	-
Ontario Loan	2.40%	2026	955	1,416
Quebec PM Loan	3.50%	2026	-	5,104
			1,234,656	1,069,245
AgCredit - Term A Credit Facility			4,820	5,538
AgCredit - Term D Credit Facility			17,045	-
KPSI IQ Debenture			16,690	16,689
Nordea2 Credit Facility			8,246	7,579
KPSB Senior Credit Facility			2,966	-
IQ Facial Tissue Loan			2,777	-
IQ Bathroom Tissue Loan			1,139	-
Ontario Loan			485	485
Quebec PM Loan			-	4,938
<b>Less: Current portion of long-term debt</b>			54,168	35,229
<b>Long-term debt</b>			1,180,488	1,034,016

Amounts are net of deferred financing fees.

Fair value of Long-term debt and discount rates are disclosed in note 22, Financial instruments, *Fair value*.

Certain of the Company's debt agreements require the Company to comply with financial and restrictive covenants on a quarterly basis. As of December 31, 2024, the Company was in compliance with all of its financial and restrictive covenants under its outstanding debt agreements. As a result, the Company has classified those loan arrangements subject to covenant compliance and due beyond twelve months of the reporting date as non-current liabilities in the consolidated statement of financial position.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

Certain of the Company's debt agreements were amended effective as of January 1, 2023 in connection with the Reorganization (note 28), to stipulate that the Company assumed the obligations and liabilities of the Partnership as principal debtor, and the Partnership was released and discharged from its obligations and liabilities under the respective debt agreements.

(a) Kruger Products Senior Credit Agreement

On March 22, 2024, the Company entered into the ninth amended and restated credit agreement to increase the Kruger Products Senior Credit Facility to \$325.0 million from \$200.0 million.

On December 30, 2024, the credit limit was reduced to \$230.0 million.

(b) Senior Unsecured Notes

On November 1, 2024, the Company issued \$135 million in an aggregate principal amount of 6.625% Senior Unsecured Notes (the "Notes") due November 1, 2031 through a private placement (the "Offering"). Interest on the Notes is payable semi-annually in arrears on May 1 and November 1 of each year, commencing on May 1, 2025.

Under the 2031 Notes, "Restricted Subsidiaries" means any subsidiary of Kruger Products that is not an Unrestricted Subsidiary as defined in the 2031 Indenture (which Unrestricted Subsidiaries include, KTG, KPSI, TAD2 GP ULC, TAD2 US LP, TAD1 Canco I Inc., TAD1 GP ULC, TAD1 US LP, TAD1 Canco II Inc., 8528365 Canada Inc., KPSB and Non-Material Subsidiaries as defined in the 2031 Indenture).

The 2031 Notes are senior unsecured obligations of Kruger Products. The 2031 Notes rank senior in right of payment to all existing and future subordinated indebtedness of Kruger Products and equal in right of payment to all indebtedness of Kruger Products that is not subordinated in right of payment to the 2031 Notes other than any indebtedness that ranks senior to the 2031 Notes by operation of law. The 2031 Notes will be effectively subordinated to all existing and future secured indebtedness of Kruger Products, to the extent of the assets securing such indebtedness.

The 2031 Notes are unconditionally guaranteed, jointly and severally, by all existing and future Restricted Subsidiaries (the "Guarantors"). The guarantees are senior unsecured obligations of each of the Guarantors and will rank senior in right of payment to all existing and future subordinated indebtedness.

The 2031 Indenture contains certain restrictive covenants of Kruger Products, including, but not limited to, limitations on making certain restricted payments by Kruger Products or its Restricted Subsidiaries, restrictions on incurring certain indebtedness by Kruger Products or its Restricted Subsidiaries, restrictions on incurring certain liens by Kruger Products or its Restricted Subsidiaries, certain restrictions on transactions with affiliates, limitations on engaging in any line of business other than the businesses in which Kruger Products and the Restricted Subsidiaries were engaged on the date of issuance of the 2031 Notes, and any business reasonably related, incidental, complementary or ancillary thereto, limitations on creating any contractual restrictions on the ability of Kruger Products or its Restricted Subsidiaries to take certain actions, such as the payment of dividends or making of distributions, restrictions on consolidating, amalgamating or merging into any other person and restrictions on selling, transferring, assigning, leasing, conveying or otherwise disposing of all or substantially all of the property of Kruger Products and the Restricted Subsidiaries taken as a whole.

On November 12, 2024, the Company used the net proceeds of the Offering to fully redeem KPI's outstanding \$125 million of 6.00% Senior Unsecured Notes due April 24, 2025.

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars, except share amounts)

(c) AgCredit Agreement

On June 26, 2024, the borrowers entered into the seventh amendment to the AgCredit Agreement for the implementation of interest rate benchmark transition, including the replacement of CDOR loans with CORRA loans.

During the year ended December 31, 2024, US\$25.7 million was deposited in the KPSI Dedicated Account, of which US\$5.1 million was used to prepay the Term D Credit Facility.

(d) KPSI IQ Debenture

Pursuant to the KPSI Repayment Agreement, the Company waived its priority right to make the first three monthly redemption payments in 2024 and the twelve payments in 2023 under the KPSI IQ Debenture and Kruger Inc. notified Investissement Quebec (IQ) that it would instead make the monthly redemption payments. As consideration, Kruger Inc. received non-voting common shares of Kruger Products Sherbrooke Inc. (KPSI) with a value of \$4.8 million during the 3-month period ended March 31, 2024 (December 31, 2023 - \$19.4 million). The next nine monthly redemption payments were made by the Company during the 9-month period ended December 31, 2024, in exchange for voting common shares of KPSI with a value of \$14.1 million. As a result, Kruger Inc. held a 13.2% non-controlling interest directly in KPSI as of December 31, 2024. Also as of December 31, 2024, a non-controlling interest of \$30.0 million was recorded in the consolidated statement of financial position. The consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2024 includes a loss of \$2.2 million directly attributable to Kruger Inc's share of income in KPSI. The two monthly redemption payments subsequent to December 31, 2024 were made by the Company.

(e) IQ Gatineau Loan Agreement

On March 5, 2024, the Company announced an investment of \$14.5 million to increase its facial tissue production capacity in Gatineau, Quebec, including commissioning a new facial tissue converting line in November 2023. IQ has agreed to invest \$7.3 million in the project by way of a ten year term loan (IQ Gatineau Loan).

**14 Interest expense and other finance costs**

Interest expense and other finance costs included in the consolidated statements of income (loss) were as follows:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Interest expense on Long-term debt	57,594	59,392
Interest expense on Lease liabilities	8,244	5,064
Receivables factoring arrangement	4,018	4,262
Interest accreted on Long-term payable to related party	2,145	2,338
Interest accreted on provisions	413	121
Pension and post-retirement benefits, net	73	(922)
	<u>72,487</u>	<u>70,255</u>

**15 Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The weighted-average rate applied is 6.21% as of December 31, 2024 (December 31, 2023 – 5.03%). Renewal options have been included in the measurement of Lease

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars, except share amounts)

liabilities when it is reasonably certain that the Company will exercise the renewal option. The Company's leases relate to right-of-use of land, buildings, equipment and motor vehicles.

Expenses relating to variable payments not included in the measurement of Lease liabilities, expenses relating to low-value leases and expenses relating to short-term leases were as follows:

	2024	2023
	\$	\$
	<u>                    </u>	<u>                    </u>
Expenses relating to variable payments not included in the measurement of Lease liabilities <sup>(a)(b)</sup>	7,378	6,042
Expenses relating to low-value leases <sup>(b)</sup>	200	196
Expenses relating to short-term leases <sup>(c)</sup>	29	510
	<u>7,607</u>	<u>6,748</u>

- (a) Includes variable lease payments for operating costs, property taxes and insurance.
- (b) Included in Cost of sales and SG&A expenses in the consolidated statements of comprehensive loss.
- (c) Included in Cost of sales in the consolidated statements of comprehensive loss.

**16 Income taxes**

As a result of the Reorganization (note 28), the Company's tax status changed from a limited partnership to a corporation. The Company is, therefore, a tax paying entity and will recognize income tax provisions directly. The Company recorded a \$62 million deferred tax liability in the consolidated statement of financial as of January 1, 2023, resulting from the opening temporary differences between the tax value and the carrying value of the company's assets and liabilities transferred in the Reorganization.

The consolidated income tax expense for the Company of \$19.4 million for the year ended December 31, 2024 (2023 - income tax expense of \$73.4 million) related to KPI, KP USA, KTG, KPSB and KPSI.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

Details of the provision for income taxes and the reconciliation of the consolidated Canadian federal and provincial statutory income tax rates to the effective tax rate on earnings were as follows:

	2024		2023	
	\$	%	\$	%
Combined federal and provincial income tax rates after manufacturing and processing credits	11,806	26.0	18,639	26.0
Difference in statutory income tax rate of foreign operations	534	1.2	760	1.1
Conversion from limited partnership to corporation	-	-	56,553	78.9
US State investment tax credits	(1,611)	(3.5)	-	-
Change in U.S. State apportionment	(1,316)	(2.9)	(857)	(1.2)
Withholding tax	340	0.7	734	1.0
Unrecognized net capital loss carry-forward	4,716	10.4	-	-
Permanent and other	4,944	10.9	(2,421)	(3.4)
	<u>19,413</u>	<u>42.8</u>	<u>73,408</u>	<u>102.4</u>

Components of the deferred tax assets were as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Property, plant and equipment	(198,239)	(206,354)
Net operating losses and SR&ED pool	185,630	212,416
Long-term debt and deferred financing charges	7,766	5,520
Inventory and accrued liabilities	2,757	2,960
Pensions	(7,196)	(573)
Right-of-use assets and lease liabilities	5,379	3,743
U.S. State tax credits	7,101	4,621
Investment tax credits	6,678	-
Other	624	1,407
	<u>10,500</u>	<u>23,740</u>

The analysis of the deferred tax assets was as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Deferred tax asset to be recovered within 12 months	2,757	2,960
Deferred tax asset to be recovered after 12 months	7,743	20,780
	<u>10,500</u>	<u>23,740</u>

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

In addition to the above, the Company has deferred tax assets of \$19.6 million related to net operating loss carry-forwards, \$16.6 million related to U.S. State tax credits and \$4.7 million related to net capital loss carry-forwards which have not been recognized in the consolidated financial statements.

The movement in the deferred tax liability (asset) was as follows:

	2024	2023
	\$	\$
<b>Opening balance</b>	23,740	95,711
Charge to net loss	(16,679)	(70,776)
Recovery (charge) to other comprehensive loss		
-remeasurements of post-retirement benefits	(932)	12,239
-remeasurements of pensions	(7,742)	(12,603)
Investment tax credits	7,787	-
Other	4,326	(831)
<b>Closing balance</b>	<b>10,500</b>	<b>23,740</b>

The Company had the following net operating loss carry-forwards available:

	December 31, 2024					
	U.S. Federal	Expiry	U.S. State	Expiry	Canada	Expiry
	\$	date	\$	date	\$	date
2004-2024	405,018	2033-Indefinite	323,316	2026-2044	317,702	2036-2044

  

	December 31, 2023					
	U.S. Federal	Expiry	U.S. State	Expiry	Canada	Expiry
	\$	date	\$	date	\$	date
2004-2023	384,069	2024-Indefinite	297,253	2024-2043	455,089	2035-2043

The Company had the following additional Quebec net operating loss carry-forwards available as of December 31, 2024:

	December 31, 2024	
	Quebec, Canada	Expiry
	\$	date
2020-2022	102,160	2040-2042

The Company has a pool balance of deductible Scientific Research and Experimental Development (SR&ED) expenditures to be carried forward to future years of \$29.4 million and investment tax credit carryovers of \$4.2 million (expiry 2042) as at December 31, 2024.



**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars, except share amounts)

The Company had the following U.S. State tax credits available for carry-forward:

	<b>December 31, 2024</b>	
	<b>U.S. State</b>	<b>Expiry</b>
	<b>\$</b>	<b>date</b>
2013-2023	23,731	2038-2048

  

	<b>December 31, 2023</b>	
	<b>U.S. State</b>	<b>Expiry</b>
	<b>\$</b>	<b>date</b>
2013-2022	19,907	2028-2037

These credits are available to reduce future Tennessee excise tax and franchise tax otherwise payable by its subsidiary, KTG.

**17 Related party transactions**

The Company makes sales to and acquires goods and services from Kruger Inc. and its subsidiary companies (related parties) in the normal course of business. These transactions are measured at the exchange amount, which is the amount agreed on by the related parties and are non-interest bearing.

Kruger Products and Kruger Inc. are parties to a Third Amended and Restated Management Services Agreement dated as of November 15, 2019 with effect as of January 1, 2020 (Management Services Agreement) pursuant to which Kruger Inc. provides certain management and support services to Kruger Products in exchange for a management fee, 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. also provided certain management and support services related to the TAD Sherbrooke Project and the Sherbrooke Expansion Project including project management services and engineering, construction, accounting and corporate finance support services.

Related party transactions included in the consolidated statements of income (loss) and comprehensive income (loss) were as follows:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Sales of goods to Kruger Inc.	241	131
Sales of goods to subsidiaries of Kruger Inc.	4,232	4,311
Purchases of goods from Kruger Inc.	382	506
Purchases of goods and services from subsidiaries of Kruger Inc.	62,801	42,894
Management fee to Kruger Inc.	10,608	8,277

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars, except share amounts)

Balances due to and from related parties included in the consolidated statements of financial position were as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Receivables from Kruger Inc.	28	385
Receivables from subsidiaries of Kruger Inc.	52	-
Receivables from KPT	-	457
Total receivables from related parties	<u>80</u>	<u>842</u>
Payables to Kruger Inc.	13,838	8,640
Payables to subsidiaries of Kruger Inc.	3,991	2,333
Total payables to related parties	<u>17,829</u>	<u>10,973</u>

*Long-term payable to KBLP*

As part of the commitment of the IQ financing for the Sherbrooke Expansion Project (note 13), the Company entered into a contribution undertaking agreement with Kruger Brompton L.P. (KBLP), a subsidiary of Kruger Inc., dated as of May 21, 2021, as amended effective as of January 1, 2023 to reflect the Reorganization (the Kruger Products Contribution Undertaking Agreement) pursuant to which the Company will be required to make payments to KBLP in an aggregate amount of \$58 million over a period of ten years (the Contribution). The Contribution is payable by the Company in ten annual equal and consecutive payments of \$5.8 million each, the first payment paid by the Company on May 21, 2023 and subsequent payments payable by the Company on May 21 of each year thereafter until May 21, 2032. Notwithstanding the foregoing, the first payment of the Contribution was reduced by \$0.1 million, equal to the purchase price payable by KPSB to KBLP for the sale of immovable property under the deed of sale dated May 21, 2021.

As of December 31, 2024, obligations of \$5.8 million and \$31.9 million were recorded in the consolidated statement of financial position as the Current and Long-term portions of the Long-term payable to related party, respectively (December 31, 2023 - \$5.8 million and \$35.6 million, respectively). During the year ended December 31, 2024, the Company made its annual payment of \$5.8 million to Kruger Brompton L.P., a subsidiary of Kruger Inc. Also, during the year ended December 31, 2024, the increase in the obligation due to passage of time was \$2.1 million (year ended December 31, 2023 – \$2.3 million) and was recognized as Interest expense and other finance costs in the consolidated statements of income (loss).

The Company declared dividends which were payable to its related parties as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Payable to Kruger Inc.	12,509	11,881
Payable to KPGP	1	1
Payable to KPT	1,798	1,793
Total dividends payable	<u>14,308</u>	<u>13,675</u>

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

The dividends paid, the portion of the dividends reinvested by the shareholders, the additional common shares issued at the share price, and the gross proceeds were as follows:

Dividend Payment Date	2024			
	Dividends \$	Share price \$	Issuance of common shares #	Gross proceeds \$
January 15, 2024	13,675	8.99	1,326,190	11,922
April 15, 2024	13,914	8.52	717,079	6,110
July 15, 2024	14,043	8.52	724,805	6,175
October 15, 2024	14,174	8.34	749,217	6,249
	<u>55,806</u>		<u>3,517,291</u>	<u>30,456</u>
Dividend Payment Date	2023			
	Dividends \$	Share price \$	Issuance of common shares #	Gross proceeds \$
January 16, 2023	12,866	10.18	1,092,623	11,123
April 17, 2023	13,063	10.25	1,102,616	11,302
July 17, 2023	13,261	10.30	1,118,559	11,521
October 16, 2023	13,463	9.93	1,180,169	11,719
	<u>52,653</u>		<u>4,493,967</u>	<u>45,665</u>

During the year ended December 31, 2024, dividends of \$48.6 million (year ended December 31, 2023 - \$45.5 million) were paid to Kruger Inc. and Kruger Inc. reinvested 100% via the DRIP during the 3-month period ended March 31, 2024 and reinvested 50% during the 9-month period ended December 31, 2024 (year ended December 31, 2023 – reinvested 100% via the DRIP).

During the year ended December 31, 2024, dividends of \$7.2 million (year ended December 31, 2023 –\$7.2 million) were paid to KPT and KPT reinvested 2.8% via the DRIP (year ended December 31, 2023 – reinvested 2.5% via the DRIP).

Subsequent to December 31, 2024, on January 15, 2025, the Company paid a dividend of \$14.3 million to its shareholders. Pursuant to the Kruger Products DRIP, a total of 44.1% was reinvested by the shareholders, resulting in the Company issuing 782,697 common shares at a price of \$8.06.

Subsequent to December 31, 2024, the Company declared a dividend of \$14.4 million, payable on April 15, 2025.

### 18 Commitments and contingencies

As of December 31, 2024, the Company had commitments under service contracts of \$17.1 million for 2025, \$4.6 million for 2026, and \$37.6 million for 2027 and beyond. Service contracts include those related to mud services, logistics, water treatment and sludge management.

As of December 31, 2024, the Company had \$2.7 million of commitments related to the Sherbrooke Expansion Project.

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe the disposition of any such current matter could reasonably be expected to have

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
**For the years ended December 31, 2024 and December 31, 2023**

(tabular amounts are in thousands of Canadian dollars, except share amounts)

a material adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

As of December 31, 2024, the Company had irrevocable letters of credit outstanding of \$17.3 million (December 31, 2023 - \$24.2 million), which included letters of credit for the pension plans disclosed in note 11.

**19 Expense by nature**

Classified in the consolidated statements of income (loss) were the following:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Materials and production costs	952,500	855,867
Labour and related employee benefits	327,866	306,484
Energy costs	69,793	73,235
Depreciation and amortization	114,115	101,373
Freight and warehousing	260,442	236,964
Marketing, selling and administrative expenses	175,238	164,873
	<u>1,899,954</u>	<u>1,738,796</u>

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Cost of sales	1,721,704	1,571,587
SG&A expenses	178,250	167,209
	<u>1,899,954</u>	<u>1,738,796</u>

**20 Segment information**

**Reportable segments**

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer who is considered to be the Chief Operating Decision Maker. The Company operates in two industry segments: Consumer and Away-From-Home (AFH).

(a) Consumer

This segment operates using the Company's manufacturing facilities in Canada (New Westminster, British Columbia; Crabtree, Quebec; Sherbrooke, Quebec; Gatineau, Quebec) and in the United States (Memphis, Tennessee). The Consumer segment includes sales of branded tissue products such as Cashmere®, Purex®, Sponge Towels®, Scotties®, White Swan®, Bonterra™ and White Cloud® and private label tissue products.

(b) AFH

This segment operates using the Company's manufacturing facilities in Canada. The AFH business sells tissue products primarily through distributors to businesses involved in property management, health care, food service, manufacturing and lodging and also to public facilities.

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 on sale of non-financial assets, (vi) loss (gain) on disposal of property, plant and equipment, (vii) foreign exchange loss (gain), (viii) costs related to restructuring activities

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

and (ix) changes in amortized cost of Partnership units liability. The consolidated financial statements refer to “Adjusted EBITDA”, a measure which does not have a standardized meaning prescribed by IFRS Accounting Standards and therefore may not be comparable to similarly titled measures presented by other companies. “Consumer Segment Adjusted EBITDA” and “AFH Segment Adjusted EBITDA” means in each case the Segment operating income for the respective reportable segment of the Company.

### Corporate and other costs

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

The Company’s assets, operations and employees are located primarily in Canada and the United States. The same long-term assets of the Company are used for the Consumer and AFH segments. Accordingly, assets cannot be allocated to these segments.

	2024	2023
	\$	\$
<b>Segment Revenue</b>		
Consumer	1,708,119	1,551,157
AFH	341,819	321,805
Revenue from external customers	<u>2,049,938</u>	<u>1,872,962</u>
<b>Other segment items <sup>(a)</sup></b>		
Consumer	1,458,774	1,320,847
AFH	313,259	301,013
Corporate and other costs	13,122	12,496
Total other segment items	<u>1,785,155</u>	<u>1,634,356</u>
<b>Adjusted EBITDA</b>		
Consumer	249,345	230,310
AFH	28,560	20,792
Corporate and other costs	(13,122)	(12,496)
Total Adjusted EBITDA	264,783	238,606
<b>Reconciliation to net income (loss)</b>		
Depreciation and amortization	114,115	101,373
Interest expense and other finance costs	72,487	70,255
Loss on disposal of property, plant and equipment	639	3,043
Loss on sale of non-financial assets	45	24
Change in amortized cost of Partnership units liability	(882)	-
Restructuring costs, net	219	1,574
Foreign exchange loss (gain)	32,752	(9,352)
Income before income taxes	45,408	71,689
Income tax expense	19,413	73,408
Net income (loss) including non-controlling interest	<u>25,995</u>	<u>(1,719)</u>

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

### (a) Other segment items

Other segment items for the Consumer, AFH, and Corporate and other cost segments primarily consists of: material costs (including pulp and packaging), manufacturing costs (including hourly and salaried wages and fringe, and plant overhead such as utilities and taxes), freight & duty, advertising and sales promotions costs, and administrative and selling costs (including primarily wages and fringe for salaried personnel and purchased services).

### Geographic segments

The Company has generated revenue in Canada and the United States. Revenue and assets were allocated based on the location of the customer and long-term assets, respectively.

	<b>December 31, 2024</b>		
	<b>Canada</b>	<b>US</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	1,118,754	931,184	2,049,938
Property, plant and equipment	1,184,731	324,861	1,509,592
Goodwill	152,021	-	152,021
Intangible assets	42,572	-	42,572

  

	<b>December 31, 2023</b>		
	<b>Canada</b>	<b>US</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	1,068,376	804,586	1,872,962
Property, plant and equipment	1,110,242	311,408	1,421,650
Goodwill	152,021	-	152,021
Intangible assets	26,852	-	26,852

## 21 Compensation of key management

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Compensation awarded to key management included:		
Salaries and other employee benefits	13,566	11,474
Post-employment benefits	1,232	997
	<u>14,798</u>	<u>12,471</u>

Key management includes the Company's senior executives.

## 22 Financial instruments

### *Classification of financial instruments*

As of December 31, 2024 and December 31, 2023, the carrying amount of financial assets and liabilities was at amortized cost.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

### *Fair value*

Cash and cash equivalents, Restricted cash, Trade and other receivables, Receivables from related parties, Trade payables, Accrued liabilities, Payables to related parties and Dividends payable are short-term financial instruments whose fair value approximates the carrying amount, given they will mature in the near future.

The Long-term payable to related party is measured at the present value of the future payments required to settle the obligation, discounted using the Company's incremental borrowing rate. The increase in the Long-term payable to related party due to passage of time is recognized as Interest expense and other finance costs in the consolidated statements of income (loss) and comprehensive income (loss). The valuation methodology used is categorized as a Level 2 methodology.

The fair values of the Kruger Products Senior Credit Facility and the KPSB Senior Credit Facility approximate the current principal amount outstanding as the interest rate approximates current market interest rates. The interest rates on the Senior Unsecured Notes due April 24, 2025, the Senior Unsecured Notes due April 9, 2029, the AgCredit facilities, the Nordea2 Credit Facility and the IQ Gatineau Loan are fixed and approximate market interest rates. The fair values of the KPSI IQ Debenture, the Quebec PM Loan and the Ontario Loan are recorded on future cash flows discounted using market rates, net of the government grant recorded on the below-market rate of interest. The fair values of the KPSB IQ Debenture, the IQ Bathroom Tissue Loan and the IQ Facial Tissue Loan are recorded on future cash flows discounted using a market rate of interest. The valuation methodology used is categorized as a Level 2 methodology.

The fair values of Long-term debt and discount rates were as follows:

	Discount rate	December 31, 2024	December 31, 2023
		\$	\$
Senior Unsecured Notes due April 24, 2025	-	-	125,000
Senior Unsecured Notes due April 9, 2029	-	135,000	135,000
Senior Unsecured Notes due November 1, 2031	-	135,000	-
AgCredit - Term A Credit Facility	-	198,261	187,775
AgCredit - Term B Credit Facility	-	257,932	236,963
AgCredit - Term D Credit Facility	-	117,777	115,066
KPSB Senior Credit Facility	-	159,548	35,835
KPSB IQ Debenture	6.6%	78,526	76,973
KPSI IQ Debenture	6.1%	61,150	75,871
IQ Bathroom Tissue Loan	7.3%	47,854	41,816
IQ Facial Tissue Loan	7.6%	44,288	34,624
Nordea2 Credit Facility	-	41,231	45,478
IQ Gatineau Loan	-	4,344	-
Ontario Loan	4.4%	955	1,416
Quebec PM Loan	4.4%	-	5,222
		1,281,866	1,117,039

Amounts exclude deferred financing fees.

### *Objectives and policies relating to financial risk management*

The Company's activities result in exposure to a variety of financial risks, including risks related to credit, currency, liquidity and interest rate risks.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

### *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. The Company's financial instruments exposed to credit risk include Cash and cash equivalents, Restricted cash, Trade and other receivables and Receivables from related parties. The Company places its Cash and cash equivalents and Restricted cash with financial institutions of high creditworthiness.

The Company 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. The Company routinely assesses the financial strength of its customers and mitigates against identified exposure primarily by lowering credit limits with high-risk accounts. The customers of the Company are well established companies and accordingly, the Company has experienced limited financial loss with respect to credit risk. As a result, the Company believes that its exposure to credit risk is limited.

The Company is party to a factoring arrangement, whereby the Company 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 the year ended December 31, 2024, the factored receivables sold to the Bank of Nova Scotia were \$756.8 million (2023 - \$777.2 million). The Company sold 95% of these trade receivables, net of a dilution factor, for \$753.0 million (2023 - \$773.0 million). As of December 31, 2024, the trade receivables sold were \$43.9 million (December 31, 2023 - \$39.5 million).

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	\$	\$
Trade receivables	123,273	111,683
Less: Expected credit losses	(700)	(448)
Trade receivables, net	<u>122,573</u>	<u>111,235</u>
Trade receivables, net		
0 to 60 days	122,914	110,769
61 to 90 days	252	168
Over 90 days	107	746
Less: Allowance for expected credit losses	(700)	(448)
	<u>122,573</u>	<u>111,235</u>

### *Currency risk*

Currency risk is the risk the Company's earnings may fluctuate due to changes in Canadian to U.S. dollar exchange rates. The Company 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, 2024, the Company had net liabilities denominated in U.S. dollars of \$371.7 million (December 31, 2023 - \$402.3 million). Assuming the Canadian dollar strengthened (weakened) by 5% against the U.S. dollar, with all other variables held constant, the hypothetical result on income before income taxes for the year ended December 31, 2024 would have been an increase/decrease of \$18.6 million (2023 - \$20.1 million).

### *Liquidity risk*

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



# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

The Company had unused lines of credit available of \$241.7 million as of December 31, 2024 (December 31, 2023 - \$205.9 million). The Company prepares projections to ensure it has sufficient funds to fulfill its obligations. The Company monitors the covenants on its credit facilities in the normal course of business. As of December 31, 2024, the Company was in compliance with all of its financial covenants under all of its outstanding credit facilities. Refinancing risks are minimized by ensuring the Company's lines of credit will not mature for at least two years.

The Company is subject to financial covenants on certain facilities. Compliance with these covenants is a key factor in managing liquidity risk and is dependant on the Company's continued achievement of financial plans. In the event of a breach, lenders have the right to accelerate repayment of outstanding balances. Management monitors its compliance with financial covenants to ensure that appropriate measures are implemented on a timely basis to manage this risk, including the possible impact of ongoing tariffs.

The ability to pay its obligations relies on the Company collecting its trade receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs. The Company's Trade and other payables of \$346.3 million (December 31, 2023 - \$386.6 million) are all due for payment within twelve months of the dates of the consolidated statements of financial position.

The Company's contractual obligations in respect of its financial instruments due within the next five years and thereafter were as follows:

	<b>December 31, 2024</b>		
	<b>2025</b>	<b>2026 - 2029</b>	<b>Thereafter</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Long-term debt, principal repayments	54,168	569,554	659,353
Interest on Long-term debt <sup>(a)</sup>	61,146	203,434	88,780
Lease liabilities <sup>(b)</sup>	40,156	146,948	66,612
Trade and other payables	346,264	-	-
Payables to related parties	17,829	-	-
Long-term payable to related party	5,800	23,200	17,400
Dividends payable	14,308	-	-

  

	<b>December 31, 2023</b>		
	<b>2024</b>	<b>2025 - 2028</b>	<b>Thereafter</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Long-term debt, principal repayments	35,229	436,739	649,235
Interest on Long-term debt <sup>(a)</sup>	50,383	152,872	93,507
Lease liabilities <sup>(b)</sup>	27,154	50,859	48,929
Trade and other payables	400,385	-	-
Payables to related parties	10,973	-	-
Long-term payable to related party	5,800	23,200	23,200
Distributions payable	13,675	-	-

(a) Estimate based on current interest rates.

(b) Contractual undiscounted cash flows.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

### *Interest rate risk*

The Company's 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, 2024, the Company had variable rate debts, excluding deferred financing fees, of \$161.1 million (December 31, 2023 – \$35.8 million). A 1% increase/decrease in the market rate of interest would result in a decrease/increase in income before income taxes of \$1.6 million for the year ended December 31, 2024 (2023 - \$0.4 million).

### **23 Capital management**

The Company's policy is to maintain a sufficient capital base in order to maintain a strong statement of financial position and otherwise meet financial tests for the credit facilities.

Capital comprises net debt (Long-term debt less Cash and cash equivalents and Restricted cash) and Equity. The Company monitors externally imposed debt covenants as established pursuant to its credit facility agreements. The requirements include a quarterly Senior Secured Net Funded Debt to EBITDA Ratio and Interest Coverage Ratio (as defined in the Kruger Products Senior Credit Agreement), and a quarterly Combined Leverage Ratio and Combined Fixed Charge Coverage Ratio (as defined in the AgCredit Agreement).

### **24 Environmental costs**

The Company is subject to extensive regulation by various federal, provincial and state agencies concerning compliance with environmental control statutes and regulations. These regulations impose limitations on the discharge of materials into the environment and require the Company to operate in compliance with the conditions of permits and other governmental authorizations. Future environmental expenditures will depend on the emergence of new regulations and technological developments.

### **25 Economic dependence**

The Company manufactures, distributes and sells a wide range of disposable tissue paper and related products primarily in Canada and the U.S. As of December 31, 2024, the Company had three major customers in the consumer segment that represented 44.9% (2023 – 33.7%) of total revenues. The top customer contributed 20.2% (2023 – 19.1%) of the total revenues, while the second and third major customers accounted for 13.0% (2023 – 14.6%) and 11.7%, respectively.

A portion of the trade receivables for these two customers are subject to a factoring arrangement with the Bank of Nova Scotia (note 22). The Company sells eligible accounts receivable owing by certain key customers through the factoring arrangement up to a facility limit of \$50 million. As a result, credit risk is partially mitigated.

**Kruger Products Inc.**  
**Notes to Consolidated Financial Statements**  
For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

**26 Non-cash working capital**

The change in non-cash working capital in the consolidated statements of cash flows comprised the following:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Increase in trade and other receivables	(5,471)	(11,203)
Decrease (increase) in receivables from related parties	666	(643)
Decrease (increase) in inventories	(29,839)	27,187
Decrease (increase) in prepaid expenses	(1,588)	602
Increase in income taxes	(5,465)	(3,602)
Increase (decrease) in trade and other payables	(23,586)	98,940
Increase (decrease) in payables to related parties	6,679	(1,119)
	<u>(58,604)</u>	<u>110,162</u>

**27 Cash flows from (used in) financing activities**

The change in financing activities in the consolidated statements of cash flows included the following:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Long-term debt (including current portion)</b>		
<b>Opening balance</b>	1,069,245	1,111,708
Proceeds from long-term debt	279,353	130,954
Repayment of long-term debt	(163,815)	(127,780)
Reclassification of deferred financing fees and other <sup>(a)</sup>	(3,715)	(24,106)
Redemption of KPSI IQ Debenture principal portion by Kruger Inc.	(4,172)	(16,689)
Interest expense and other finance costs	9,366	6,076
Capitalized interest	2,382	3,706
Payment of deferred financing fees	(4,320)	(498)
Foreign exchange loss (gain)	32,752	(9,541)
Cumulative translation adjustment	17,580	(4,585)
<b>Closing balance</b>	<u>1,234,656</u>	<u>1,069,245</u>
<b>Lease liabilities (including current portion)</b>		
<b>Opening balance</b>	99,019	98,928
Payment of lease liabilities	(36,199)	(30,819)
Additions	135,874	28,329
Lease terminations	(3,890)	-
Reclassification	2,362	(2,375)
Interest expense	8,244	5,064
Lease depreciation	68	-
Cumulative translation adjustment	241	(108)
<b>Closing balance</b>	<u>205,719</u>	<u>99,019</u>

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars, except share amounts)

- (a) Includes the reclassification of deferred financing fees from Other long-term assets (2024 - \$3.9 million; 2023 - \$24.1 million).

### 28 Corporate reorganization

#### *General*

Pursuant to an asset purchase agreement dated as of January 1, 2023 entered into by the Partnership and Kruger Products (the Asset Purchase Agreement), the Partnership sold and assigned to Kruger Products and Kruger Products purchased and assumed, all of the Partnership's properties, operations, assets and liabilities with a net carrying value of \$493.2 million (the Partnership Assets), in consideration for which Kruger Products issued to the Partnership 71,479,389 class B common shares in the capital of Kruger Products. (Additional information is disclosed below in *Share capital*). Also on January 1, 2023, following the Reorganization, the Partnership was dissolved and wound-up into its partners (the Dissolution).

As a result of the Reorganization, the Partnership unit liability was extinguished as the Partnership Agreement was terminated in accordance with its terms and the corresponding requirement to make the Tax Distribution was eliminated. The extinguishment of the Partnership units liability resulted in a corresponding increase to equity of Kruger Products in the consolidated statement of financial position as of December 31, 2023. In addition, certain tax assets and liabilities as well as current and deferred income tax expense were recognized directly by Kruger Products as it has an obligation to pay income taxes as a result of the Reorganization. The impact of recognizing tax assets and liabilities resulted in a corresponding amount being recognized in the consolidated statement of income (loss) during the year ended December 31, 2023.

#### *Share capital*

Kruger Products is authorized to issue an unlimited number of common shares and an unlimited number of class B common shares.

On January 1, 2023, Kruger Products purchased for cancellation from the Partnership 620,039,997 common shares of Kruger Products and, in consideration for the Partnership Assets, issued 71,479,389 class B common shares to the Partnership, pursuant to the Asset Purchase Agreement. Following the Dissolution, Kruger Products distributed the assets of the Partnership, including the 71,479,389 class B common shares of Kruger Products held by the Partnership, to its former Partners: 13582141 Canada Inc. (a wholly-owned subsidiary of Kruger Inc., through which it holds Kruger Products shares), KPT and KPGP.

Following the Dissolution, the issued and outstanding shares of Kruger Products were beneficially owned by its shareholders as follows:

	<b>Class B common shares</b>
	<b>#</b>
13582141 Canada Inc. (Kruger)	61,529,113
KPT	9,945,975
KPGP	4,301
<b>As of January 1, 2023</b>	<b>71,479,389</b>

#### *Dividends*

The holders of the issued and outstanding class B common shares of Kruger Products are entitled to receive dividends if, as and when declared by the board of directors of Kruger Products.

# Kruger Products Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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(tabular amounts are in thousands of Canadian dollars, except share amounts)

As a condition of the Reorganization, Kruger Products committed to declaring and paying a dividend to its shareholders on January 16, 2023 in the same amount, in the aggregate, as the distribution declared by the Partnership on November 9, 2022, payable on January 16, 2023, such that each of the shareholders of Kruger Products received the same amount in the form of a dividend as each of the partners of the Partnership would have received had the January 16, 2023 distribution been paid by the Partnership.

### *Dividend reinvestment plan*

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.

## **29 Subsequent events**

On March 4, 2025, the United States implemented a 25% broad-based tariff on goods exported out of Canada into the United States, other than energy products which would be subject to a 10% tariff. In response, the Canadian government announced that it would impose a 25% on \$155 billion of goods imported from the United States. These tariffs, and any changes to these tariffs or imposition of any new tariffs, taxes or import or export restrictions or prohibitions, could have a negative effect on the Canadian economy and Kruger Products.