



**KRUGER PRODUCTS INC.**

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE 3-MONTH PERIODS ENDED MARCH 31, 2025**  
**AND MARCH 31, 2024**

# Kruger Products Inc.

## Unaudited Condensed Consolidated Statements of Financial Position

(tabular amounts are in thousands of Canadian dollars)

	March 31, 2025	December 31, 2024
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	141,778	119,460
Restricted cash (note 6)	50,364	48,375
Trade and other receivables	133,345	138,177
Receivables from related parties (note 8)	80	80
Inventories	307,684	287,756
Income tax recoverable	1,774	3,208
Prepaid expenses	20,104	6,383
	<u>655,129</u>	<u>603,439</u>
<b>Non-current assets</b>		
Property, plant and equipment	1,490,571	1,509,592
Right-of-use assets	175,001	186,460
Other long-term assets	55	92
Pensions (note 5)	87,343	92,661
Goodwill	152,021	152,021
Intangible assets	41,309	42,572
Deferred income taxes	6,011	10,500
	<u>2,607,440</u>	<u>2,597,337</u>
<b>Total assets</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	320,119	346,264
Payables to related parties (note 8)	38,186	17,829
Income tax payable	3	3
Dividends payable (note 8)	14,449	14,308
Current portion of long-term debt (note 6)	61,028	54,168
Current portion of lease liabilities	39,923	40,156
Current portion of long-term payable to related party (note 8)	5,800	5,800
Current portion of provisions	4,648	4,184
	<u>484,156</u>	<u>482,712</u>
<b>Non-current liabilities</b>		
Long-term debt (note 6)	1,186,720	1,180,488
Long-term lease liabilities	158,935	165,563
Long-term payable to related party (note 8)	32,446	31,925
Long-term provisions	11,938	9,398
Pensions (note 5)	17,661	17,845
Post-retirement benefits (note 5)	48,352	47,140
	<u>1,940,208</u>	<u>1,935,071</u>
<b>Total liabilities</b>		
<b>Equity</b>		
Share capital	314,907	308,622
Contributed surplus	395,382	395,382
Deficit	(174,472)	(171,874)
Accumulated other comprehensive income	99,972	100,177
	<u>635,789</u>	<u>632,307</u>
<b>Equity attributable to Kruger Products</b>		
<b>Non-controlling interest (note 6)</b>	<u>31,443</u>	<u>29,959</u>
<b>Total equity</b>	<u>667,232</u>	<u>662,266</u>
<b>Total equity and liabilities</b>	<u>2,607,440</u>	<u>2,597,337</u>
<b>Subsequent events (notes 6 and 8)</b>		

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

**Kruger Products Inc.**  
**Unaudited Condensed Consolidated Statements of Income**  
**For the 3-month periods ended March 31, 2025 and March 31, 2024**

(tabular amounts are in thousands of Canadian dollars)

	<b>3-month period ended March 31, 2025</b>	<b>3-month period ended March 31, 2024</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue (note 8)</b>	546,110	479,432
<b>Expenses</b>		
Cost of sales (note 8)	450,983	394,003
Selling, general and administrative expenses (notes 8)	51,215	44,142
Restructuring costs	-	216
<b>Operating income</b>	43,912	41,071
Interest expense and other finance costs	20,951	16,280
Other expense (income)	(343)	8,473
<b>Income before income taxes</b>	23,304	16,318
Current tax expense	730	769
Deferred tax expense	5,695	5,471
<b>Income tax expense (note 7)</b>	6,425	6,240
<b>Net income including non-controlling interest</b>	16,879	10,078
<b>Net income attributable to non-controlling interest (note 6)</b>	1,484	1,122
<b>Net income attributable to Kruger Products</b>	15,395	8,956

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

**Kruger Products Inc.**  
**Unaudited Condensed Consolidated Statements of Comprehensive Income**  
**For the 3-month periods ended March 31, 2025 and March 31, 2024**

(tabular amounts are in thousands of Canadian dollars)

	3-month period ended March 31, 2025 \$	3-month period ended March 31, 2024 \$
<b>Net income including non-controlling interest</b>	16,879	10,078
<b>Other comprehensive income (loss)</b>		
<b>Items that will not be reclassified to net income (loss):</b>		
Remeasurements of pensions	(3,100)	15,707
Remeasurements of post-retirement benefits	(467)	1,545
<b>Items that may be subsequently reclassified to net income (loss):</b>		
Cumulative translation adjustment	(205)	5,472
<b>Other comprehensive income (loss)</b>	(3,772)	22,724
<b>Total comprehensive income including non-controlling interest</b>	13,107	32,802
<b>Total comprehensive income attributable to non-controlling interest</b>	1,484	1,122
<b>Total comprehensive income attributable to Kruger Products</b>	11,623	31,680

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

**Kruger Products Inc.**  
**Unaudited Condensed Consolidated Statements of Changes in Equity**  
**For the 3-month periods ended March 31, 2025 and March 31, 2024**

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

	Share capital		Contributed surplus	Deficit	Accumulated other comprehensive income	Non-controlling interest	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 6)	-	-	-	-	-	4,774	4,774
Dividends payable (note 8)	-	-	-	(13,914)	-	-	(13,914)
Fair value adjustment	-	13	-	(13)	-	-	-
Change in actuarial loss on pension	-	-	-	15,707	-	-	15,707
Change in actuarial gain on post-retirement benefits	-	-	-	1,545	-	-	1,545
Cumulative translation adjustment	-	-	-	-	5,472	-	5,472
Net loss	-	-	-	8,956	-	1,122	10,078
Issuance of common shares (note 8)	1,326,190	11,922	-	-	-	-	11,922
<b>As of March 31, 2024</b>	<u>77,299,546</u>	<u>290,187</u>	<u>395,382</u>	<u>(151,748)</u>	<u>86,483</u>	<u>28,907</u>	<u>649,211</u>

  

	Share capital		Contributed surplus	Deficit	Accumulated other comprehensive income	Non-controlling interest	Total equity
	#	\$	\$	\$	\$	\$	\$
<b>As of January 1, 2025</b>	79,490,647	308,622	395,382	(171,874)	100,177	29,959	662,266
Dividends payable (note 8)	-	-	-	(14,449)	-	-	(14,449)
Fair value adjustment	-	(23)	-	23	-	-	-
Change in actuarial gain on pension	-	-	-	(3,100)	-	-	(3,100)
Change in actuarial gain on post-retirement benefits	-	-	-	(467)	-	-	(467)
Cumulative translation adjustment	-	-	-	-	(205)	-	(205)
Net income	-	-	-	15,395	-	1,484	16,879
Issuance of common shares (note 8)	782,697	6,308	-	-	-	-	6,308
<b>As of March 31, 2025</b>	<u>80,273,344</u>	<u>314,907</u>	<u>395,382</u>	<u>(174,472)</u>	<u>99,972</u>	<u>31,443</u>	<u>667,232</u>

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

**Kruger Products Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**For the 3-month periods ended March 31, 2025 and March 31, 2024**

(tabular amounts are in thousands of Canadian dollars)

	3-month period ended March 31, 2025 \$	3-month period ended March 31, 2024 \$
<b>Cash flows from (used in) operating activities</b>		
Net income including non-controlling interest	16,879	10,078
Items not affecting cash		
Depreciation	29,889	24,451
Amortization	1,972	1,065
Loss (gain) on sale of property, plant and equipment	(5)	271
Loss on disposal of leased assets	-	632
Foreign exchange loss (gain)	(343)	9,355
Interest expense and other finance costs	20,951	16,280
Pension and post-retirement benefits (note 5)	2,745	2,576
Provisions	2,864	1,073
Income tax expense	6,425	6,240
Loss on sale of non-financial assets	-	12
Total items not affecting cash	64,498	61,955
Net change in non-cash working capital (note 11)	(25,056)	(86,070)
Contributions to pension and post-retirement benefit plans (note 5)	(1,009)	(1,153)
Provisions paid	-	(470)
Income tax payments, net	654	(340)
<b>Net cash from (used) operating activities</b>	55,966	(16,000)
<b>Cash flows from (used in) investing activities</b>		
Purchases of property, plant and equipment	(2,145)	(4,041)
Purchases of property, plant and equipment related to the Sherbrooke Expansion Project	(15,386)	(45,873)
Interest paid on credit facilities related to the Sherbrooke Expansion Project	-	(116)
Government assistance received	3,150	-
Purchases of software	40	(47)
Proceeds on sale of property, plant and equipment	-	(4)
<b>Net cash used in investing activities</b>	(14,341)	(50,081)
<b>Cash flows from (used in) financing activities (note 12)</b>		
Proceeds from long-term debt	22,188	74,864
Repayment of long-term debt	(9,998)	(7,147)
Payment of deferred financing fees	(32)	(864)
Payment of lease liabilities	(9,023)	(8,650)
Change in restricted cash	(1,989)	(1,412)
Interest paid on long-term debt	(12,426)	(8,863)
Dividends paid, net (note 8)	(8,000)	(1,753)
<b>Net cash from (used in) financing activities</b>	(19,280)	46,175
<b>Effect of exchange rate changes on cash and cash equivalents held in foreign currency</b>	(27)	1,298
<b>Increase (decrease) in cash and cash equivalents during the period</b>	22,318	(18,608)
<b>Cash and cash equivalents - Beginning of period</b>	119,460	135,728
<b>Cash and cash equivalents - End of period</b>	141,778	117,120

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

# Kruger Products Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

For the 3-month periods ended March 31, 2025 and March 31, 2024

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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.

### 2 Basis of presentation

These unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34 - Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), 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 unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2024.

These unaudited condensed consolidated financial statements were approved by the board of directors of Kruger Products on May 13, 2025.

### 3 Summary of material accounting policies

The material accounting policies used in the preparation of these unaudited condensed consolidated financial statements were disclosed in the annual audited consolidated financial statements of the Company for the year ended December 31, 2024 and have been applied to all periods presented.

*Accounting standard implemented effective January 1, 2025*

- (i) 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. Following this agenda decision, for each reportable segment, the Company modified the segment presentation in note 9 to provide qualitative disclosure on the material items included in net income.

*Accounting standard issued but not yet implemented:*

- (ii) 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.

**Kruger Products Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the 3-month periods ended March 31, 2025 and March 31, 2024**

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

- (iii) 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.

**4 Critical accounting estimates and judgments**

The preparation of these unaudited condensed 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 unaudited condensed consolidated financial statements and the disclosure of contingencies at the dates of the unaudited condensed consolidated statements of financial position, and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, management reviews its estimates. 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 estimates and judgement applied by management that most significantly affect the unaudited condensed consolidated financial statements are the same as the ones that applied to the audited consolidated financial statements of the Company for the year ended December 31, 2024.



**Kruger Products Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the 3-month periods ended March 31, 2025 and March 31, 2024**

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

**5 Pensions and post-retirement benefits**

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>March 31, 2025</b>	<b>December 31, 2024</b>	<b>March 31, 2025</b>	<b>December 31, 2024</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Assumptions				
Discount rate - accrued benefit obligation	4.58	4.68	4.58	4.68
Rate of compensation increases	3.25 - 4.00	3.25 - 4.00		

The net benefit pension plan expense included the following components:

	<b>Pensions</b>		<b>Post-retirement benefit plans</b>	
	<b>3-month period ended March 31, 2025</b>	<b>3-month period ended March 31, 2024</b>	<b>3-month period ended March 31, 2025</b>	<b>3-month period ended March 31, 2024</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net benefit plan expense</b>				
Current service cost	2,024	1,892	530	497
Interest cost	6,385	6,766	540	554
Asset ceiling interest cost	128	108	-	-
Expected return on plan assets	(7,264)	(7,438)	-	-
Administrative cost	191	187	-	-
	<b>1,464</b>	<b>1,515</b>	<b>1,070</b>	<b>1,051</b>

**Kruger Products Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**For the 3-month periods ended March 31, 2025 and March 31, 2024**

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

**6 Long-term debt**

	Weighted average interest rate as of March 31, 2025	Maturity	March 31, 2025 \$	December 31, 2024 \$
Kruger Products Senior Credit Facility	4.93%	2026	14,410	(701)
Senior Unsecured Notes due April 9, 2029	5.375%	2029	133,342	133,239
Senior Unsecured Notes due November 1, 2031	6.625%	2031	132,002	131,945
AgCredit - Term A Credit Facility <sup>(a)</sup>	4.82%	2036	196,588	197,963
AgCredit - Term B Credit Facility <sup>(a)</sup>	5.04%	2037	254,624	254,718
AgCredit - Term D Credit Facility <sup>(a)</sup>	6.07%	2032	116,896	117,000
AgCredit - Revolving loans <sup>(a)</sup>	9.10%	2026	7,188	-
KPSB Senior Credit Facility	6.41%	2028	158,034	158,747
KPSB IQ Debenture	2.00%	2034	61,791	61,615
KPSI IQ Debenture <sup>(b)</sup>	3.00%	2028	57,295	61,029
IQ Bathroom Tissue Loan	2.00%	2032	39,114	38,652
Nordea2 Credit Facility	3.74%	2029	36,128	40,181
IQ Facial Tissue Loan	2.00%	2033	35,699	35,155
IQ Gatineau Loan	6.50%	2034	4,162	4,158
Ontario Loan	2.40%	2026	475	955
			1,247,748	1,234,656
AgCredit - Term A Credit Facility			6,963	4,820
AgCredit - Term B Credit Facility			1,369	-
AgCredit - Term D Credit Facility			14,351	17,045
KPSI IQ Debenture			16,689	16,690
Nordea2 Credit Facility			8,239	8,246
KPSB Senior Credit Facility			5,933	2,966
IQ Facial Tissue Loan			4,161	2,777
IQ Bathroom Tissue Loan			2,848	1,139
Ontario Loan			475	485
<b>Less: Current portion of long-term debt</b>			61,028	54,168
<b>Long-term debt</b>			1,186,720	1,180,488

Amounts are net of deferred financing fees.

Fair value of Long-term debt and discount rates are disclosed in note 10, 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 March 31, 2025, 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 unaudited condensed consolidated statement of financial position.

# Kruger Products Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

### For the 3-month periods ended March 31, 2025 and March 31, 2024

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

#### (a) AgCredit Agreement

Subsequent to March 31, 2025, on April 30, 2025, US\$28.7 million was deposited in the KPSI Dedicated Account, of which US\$10.0 million was used to prepay the Term D Credit Facility.

#### (b) KPSI IQ Debenture

Pursuant to the KPSI Repayment Agreement, the Company made redemption payments in exchange for voting common shares of KPSI with a value of \$4.6 million for 3-month period ended March 31, 2025. As of March 31, 2025, Kruger Inc. held a 12.9% non-controlling interest directly in KPSI. As a result, a non-controlling interest of \$31.4 million was recorded in the unaudited condensed consolidated statement of financial position. The unaudited condensed consolidated statement of income and comprehensive income for the 3-month period ended March 31, 2025 includes a loss of \$1.5 million directly attributable to Kruger Inc.'s share of income in KPSI. The two monthly redemption payments subsequent to March 31, 2025 were made by the Company.

## 7 Income taxes

The estimated effective weighted average annual income tax rate for the 3-month period ended March 31, 2025 was 27.6% (3-month period ended March 31, 2024 – 38.2%).

## 8 Related party transactions

Related party transactions included in the unaudited condensed consolidated statements of income and comprehensive income were as follows:

	3-month period ended March 31, 2025	3-month period ended March 31, 2024
	\$	\$
Sales of goods to Kruger Inc.	55	59
Sales of goods to subsidiaries of Kruger Inc.	371	1,021
Purchases of goods from Kruger Inc.	410	151
Purchases of goods and services from subsidiaries of Kruger Inc.	21,697	14,944
Management fee to Kruger Inc.	2,687	2,652

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

	March 31, 2025	December 31, 2024
	\$	\$
Receivables from Kruger Inc.	15	28
Receivables from subsidiaries of Kruger Inc.	65	52
Total receivables from related parties	80	80
Payables to Kruger Inc.	31,726	13,838
Payables to subsidiaries of Kruger Inc.	6,460	3,991
Total payables to related parties	38,186	17,829

# Kruger Products Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

For the 3-month periods ended March 31, 2025 and March 31, 2024

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

### *Long-term payable to KBLP*

As of March 31, 2025, obligations of \$5.8 million and \$32.4 million were recorded in the unaudited condensed consolidated statement of financial position as the Current and Long-term portions of the Long-term payable to related party, respectively (December 31, 2024 - \$5.8 million and \$31.9 million, respectively). During the 3-month period ended March 31, 2025, the increase in the obligation due to passage of time was \$0.5 million (3-month period ended March 31, 2024 – \$0.6 million) and was recognized as Interest expense and other finance costs in the unaudited condensed consolidated statements of income.

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

	March 31, 2025	December 31, 2024
	\$	\$
Payable to Kruger Inc.	12,649	12,509
Payable to KPGP	1	1
Payable to KPT	1,799	1,798
Total dividends payable	14,449	14,308

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:

	3-month period ended March 31, 2025			
	Dividends	Share price	Issuance of common shares	Gross proceeds
Dividend Payment Date	\$	\$	#	\$
January 15, 2025	14,308	8.06	782,697	6,308

  

	3-month period ended March 31, 2024			
	Dividends	Share price	Issuance of common shares	Gross proceeds
Dividend Payment Date	\$	\$	#	\$
January 15, 2024	13,675	8.99	1,326,190	11,922

During the 3-month period ended March 31, 2025, dividends of \$12.5 million (3-month period ended March 31, 2024 - \$11.9 million) were paid to Kruger Inc. and Kruger Inc. reinvested 50% via the DRIP (3-month period ended March 31, 2024 – reinvested 100% via the DRIP).

During the 3-month period ended March 31, 2025, dividends of \$1.8 million (3-month period ended March 31, 2024 – \$1.8 million) were paid to KPT and KPT reinvested 3.0% via the DRIP (3-month period ended March 31, 2024 – reinvested 2.3% via the DRIP).

Subsequent to March 31, 2025, on April 15, 2025, the Company paid a dividend of \$14.4 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 811,386 common shares at a price of \$7.86.

Subsequent to March 31, 2025, the Company declared a dividend of \$14.6 million, payable on July 15, 2025.

# Kruger Products Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

### For the 3-month periods ended March 31, 2025 and March 31, 2024

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

#### 9 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 and (ix) changes in amortized cost of Partnership units liability. The unaudited condensed 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.

**Kruger Products Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
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(tabular amounts are in thousands of Canadian dollars, except share amounts)

	3-month period ended March 31, 2025 \$	3-month period ended March 31, 2024 \$
<b>Segment Revenue</b>		
Consumer	465,190	404,289
AFH	80,920	75,143
Revenue from external customers	546,110	479,432
<b>Other segment items <sup>(a)</sup></b>		
Consumer	389,137	341,627
AFH	78,131	67,373
Corporate and other costs	3,074	3,345
Total other segment items	470,342	412,345
<b>Adjusted EBITDA</b>		
Consumer	76,053	62,662
AFH	2,789	7,770
Corporate and other costs	(3,074)	(3,345)
Total Adjusted EBITDA	75,768	67,087
<b>Reconciliation to net income</b>		
Depreciation and amortization	31,861	25,516
Interest expense and other finance costs	20,951	16,280
Loss (gain) on disposal of property, plant and equipment	(5)	271
Loss on sale of non-financial assets	-	12
Change in amortized cost of Partnership units liability	-	(881)
Restructuring costs, net	-	216
Foreign exchange loss (gain)	(343)	9,355
Income before income taxes	23,304	16,318
Income tax expense	6,425	6,240
Net income including non-controlling interest	16,879	10,078

(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).

# Kruger Products Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

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### 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.

	3-month period ended March 31, 2025	3-month period ended March 31, 2024
Revenue	\$	\$
Canada	286,522	266,172
US	259,588	213,260
	<u>546,110</u>	<u>479,432</u>

	March 31, 2025		
	Canada	US	Total
	\$	\$	\$
Property, plant and equipment	1,170,814	319,757	1,490,571
Goodwill	152,021	-	152,021
Intangible assets	41,309	-	41,309

	December 31, 2024		
	Canada	US	Total
	\$	\$	\$
Property, plant and equipment	1,184,731	324,861	1,509,592
Goodwill	152,021	-	152,021
Intangible assets	42,572	-	42,572

## 10 Financial instruments

### Classification of financial instruments

As of March 31, 2025 and December 31, 2024, the carrying amount of financial assets and liabilities was at amortized cost.

### 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 unaudited condensed consolidated statements of income and comprehensive income. The valuation methodology used is categorized as a Level 2 methodology.

The interest rates on the Kruger Products Senior Credit Facility, the KPSB Senior Credit Facility, 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 for the term of the facilities. The fair values of the KPSI IQ Debenture, the

# Kruger Products Inc.

## Notes to Unaudited Condensed Consolidated Financial Statements

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

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	March 31, 2025	December 31, 2024
		\$	\$
Kruger Products Senior Credit Facility	-	15,000	-
Senior Unsecured Notes due April 9, 2029	-	135,000	135,000
Senior Unsecured Notes due November 1, 2031	-	135,000	135,000
AgCredit - Term A Credit Facility	-	196,880	198,261
AgCredit - Term B Credit Facility	-	257,736	257,932
AgCredit - Term D Credit Facility	-	117,671	117,777
AgCredit - Revolving loans	-	7,188	-
KPSB Senior Credit Facility	-	158,817	159,548
KPSB IQ Debenture	6.7%	78,048	78,526
KPSI IQ Debenture	6.1%	57,402	61,150
IQ Bathroom Tissue Loan	7.3%	47,854	47,854
IQ Facial Tissue Loan	7.6%	44,388	44,288
Nordea2 Credit Facility	-	37,075	41,231
IQ Gatineau Loan	-	4,344	4,344
Ontario Loan	4.4%	475	955
		<u>1,292,878</u>	<u>1,281,866</u>

Amounts exclude deferred financing fees.

### 11 Non-cash working capital

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

	3-month period ended March 31, 2025	3-month period ended March 31, 2024
	\$	\$
Decrease (increase) in trade and other receivables	4,779	(25,875)
Decrease (increase) in receivables from related parties	(17)	208
Increase in inventories	(19,842)	(15,557)
Increase in prepaid expenses	(13,725)	(17,518)
Decrease in income taxes	49	247
Decrease in trade and other payables	(16,634)	(28,720)
Increase in payables to related parties	20,335	1,145
	<u>(25,056)</u>	<u>(86,070)</u>



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

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

	<b>3-month period ended March 31, 2025</b>	<b>3-month period ended March 31, 2024</b>
	<b>\$</b>	<b>\$</b>
<b>Long-term debt (including current portion)</b>		
<b>Opening balance</b>	1,234,656	1,069,245
Proceeds from long-term debt	22,188	74,864
Repayment of long-term debt	(9,998)	(7,147)
Reclassification of deferred financing fees and other <sup>(a)</sup>	(553)	(3,652)
Redemption of KPSI IQ Debenture principal portion by Kruger Inc.	-	(4,172)
Interest expense and other finance costs	2,024	2,106
Capitalized interest	-	1,293
Payment of deferred financing fees	(32)	(774)
Foreign exchange loss (gain)	(359)	9,743
Cumulative translation adjustment	(178)	4,565
<b>Closing balance</b>	<b>1,247,748</b>	<b>1,146,071</b>
<b>Lease liabilities (including current portion)</b>		
<b>Opening balance</b>	205,719	99,019
Payment of lease liabilities	(9,023)	(8,650)
Additions	1,646	21,513
Lease terminations	(3,195)	-
Reclassification	811	(18)
Interest expense	2,900	1,494
Cumulative translation adjustment	-	96
<b>Closing balance</b>	<b>198,858</b>	<b>113,454</b>