



KRUGER PRODUCTS INC.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND DECEMBER 31, 2024

Kruger Products Inc.

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Independent auditor's report

To the Board of Directors of Kruger Products Inc.

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, 2025 and 2024, 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, 2025 and 2024;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of 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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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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.

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.

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.

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.

Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units 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

February 17, 2026

Kruger Products Inc.

Consolidated Statements of Financial Position

(tabular amounts are in thousands of Canadian dollars)

	Note	December 31, 2025 \$	December 31, 2024 \$
Assets			
Current assets			
Cash and cash equivalents		196,094	119,460
Restricted cash	13	46,070	48,375
Trade and other receivables	6	143,313	138,177
Receivables from related parties	17	79	80
Inventories	7	284,183	287,756
Income tax recoverable	16	2,963	3,208
Prepaid expenses		5,381	6,383
		678,083	603,439
Non-current assets			
Property, plant and equipment	8	1,430,206	1,509,592
Right-of-use assets	9	152,243	186,460
Other long-term assets	17	—	92
Pensions	11	91,118	92,661
Goodwill	10	152,021	152,021
Intangible assets	10	40,362	42,572
Deferred income taxes	16	64,671	10,500
Total assets		2,608,704	2,597,337
Liabilities			
Current liabilities			
Trade and other payables	12	350,831	346,264
Payables to related parties	17	13,441	17,829
Income tax payable	16	—	3
Dividends payable	17	14,853	14,308
Current portion of long-term debt	13	98,649	54,168
Current portion of lease liabilities	15	43,576	40,156
Current portion of long-term payable to related party	17	5,800	5,800
Current portion of provisions		7,283	4,184
		534,433	482,712
Non-current liabilities			
Long-term debt	13	1,074,148	1,180,488
Long-term lease liabilities	15	139,694	165,563
Long-term payable to related party	17	28,064	31,925
Long-term provisions		12,602	9,398
Pensions	11	17,745	17,845
Post-retirement benefits	11	48,333	47,140
Deferred income taxes	16	47,140	—
Total liabilities		1,902,159	1,935,071
Equity			
Share capital		334,479	308,622
Contributed surplus		395,382	395,382
Deficit		(151,965)	(171,874)
Accumulated other comprehensive income		89,343	100,177
Equity attributable to Kruger Products		667,239	632,307
Non-controlling interest	13	39,306	29,959
Total equity		706,545	662,266
Total liabilities and equity		2,608,704	2,597,337
Commitments and contingencies	18		
Subsequent events	13, 17		
Approved by the Board of Directors			
<u>/s/ James Hardy</u>		<u>/s/ Jay Wright</u>	
Director		Director	

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

Kruger Products Inc.

Consolidated Statements of Income

For the years ended December 31, 2025 and December 31, 2024

(tabular amounts are in thousands of Canadian dollars)

	Note	2025 \$	2024 \$
Revenue	17	2,203,391	2,049,938
Expenses			
Cost of sales	17, 19	1,825,077	1,721,704
Selling, general and administrative expenses	17, 19	201,567	178,250
Restructuring costs		3,782	219
Operating income		172,965	149,765
Interest expense and other finance costs	14	86,844	72,487
Other expense (income)	5	(18,375)	31,870
Income before income taxes		104,496	45,408
Current tax expense		4,711	2,734
Deferred tax expense		14,926	16,679
Income tax expense	16	19,637	19,413
Net income including non-controlling interest		84,859	25,995
Net income attributable to non-controlling interest	13	9,347	2,174
Net income attributable to Kruger Products		75,512	23,821

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

Kruger Products Inc.
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2025 and December 31, 2024

(tabular amounts are in thousands of Canadian dollars)

	2025	2024
	\$	\$
Net income including non-controlling interest	84,859	25,995
Other comprehensive income (loss)		
Items that will not be reclassified to net income:		
Remeasurements of pensions	2,367	22,036
Remeasurements of post-retirement benefits	836	2,650
Items that may be subsequently reclassified to net income:		
Cumulative translation adjustment	(10,834)	19,166
Other comprehensive income (loss)	(7,631)	43,852
Total comprehensive income including non-controlling interest	77,228	69,847
Total comprehensive income attributable to non-controlling interest	9,347	2,174
Total comprehensive income attributable to Kruger Products	67,881	67,673

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, 2025 and December 31, 2024

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

	Note	Share capital #	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Non- controlling interest (note 13) \$	Total equity \$
As of January 1, 2025		79,490,647	308,622	395,382	(171,874)	100,177	29,959	662,266
Redemption of KPSI IQ Debenture by Kruger Inc.	13	—	—	—	—	—	—	—
Dividends payable	17	—	—	—	(14,853)	—	—	(14,853)
Dividends paid	17	—	—	—	(43,771)	—	—	(43,771)
Fair value adjustment		—	181	—	(182)	—	—	(1)
Change in actuarial gain on pension		—	—	—	2,367	—	—	2,367
Change in actuarial gain on post-retirement benefits		—	—	—	836	—	—	836
Cumulative translation adjustment		—	—	—	—	(10,834)	—	(10,834)
Net income		—	—	—	75,512	—	9,347	84,859
Issuance of common shares	17	3,026,839	25,676	—	—	—	—	25,676
As of December 31, 2025		82,517,486	334,479	395,382	(151,965)	89,343	39,306	706,545

	Note	Share capital #	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Non- controlling interest (note 13) \$	Total equity \$
As of January 1, 2024		75,973,356	278,252	395,382	(164,029)	81,011	23,011	613,627
Redemption of KPSI IQ Debenture by Kruger Inc.	13	—	—	—	—	—	4,774	4,774
Dividends payable	17	—	—	—	(14,308)	—	—	(14,308)
Dividends paid	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	17	3,517,291	30,456	—	—	—	—	30,456
As of December 31, 2024		79,490,647	308,622	395,382	(171,874)	100,177	29,959	662,266

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, 2025 and December 31, 2024

(tabular amounts are in thousands of Canadian dollars)

	Note	2025 \$	2024 \$
Cash flows from (used in) operating activities			
Net income including non-controlling interest		84,859	25,995
Items not affecting cash			
Depreciation		133,309	107,793
Amortization		8,099	6,322
Loss on sale of property, plant and equipment		74	639
Loss on disposal of leased assets		88	47
Foreign exchange loss (gain)	5	(18,375)	32,752
Interest expense and other finance costs	14	86,844	72,487
Pension and post-retirement benefits	11	11,270	12,292
Provisions		8,146	4,879
Income tax expense	16	19,637	19,413
Loss on sale of non-financial assets		—	45
Total items not affecting cash		249,092	256,669
Net change in non-cash working capital	25	5,532	(58,604)
Contributions to pension and post-retirement benefit plans	11	(3,570)	(4,476)
Provisions paid		(4,679)	(3,695)
Income tax payments, net		(2,259)	(3,786)
Net cash from operating activities		328,975	212,103
Cash flows from (used in) investing activities			
Purchases of property, plant and equipment		(52,470)	(44,762)
Purchases of property, plant and equipment related to the Sherbrooke Expansion Project		(20,517)	(129,678)
Interest paid on credit facilities related to the Sherbrooke Expansion Project		—	(7,764)
Government assistance received		4,119	—
Purchases of software		(4,983)	(3,272)
Proceeds on sale of property, plant and equipment		339	28
Net cash used in investing activities		(73,512)	(185,448)
Cash flows from (used in) financing activities			
Proceeds from long-term debt	26	174,171	279,353
Repayment of long-term debt		(215,635)	(163,815)
Payment of deferred financing fees		(3,584)	(4,493)
Payment of lease liabilities		(35,109)	(36,199)
Change in restricted cash		2,305	(35,924)
Interest paid on long-term debt		(61,193)	(54,678)
Payment to related party	17	(5,800)	(5,800)
Dividends paid	17	(58,079)	(55,806)
Proceeds from issuing partnership units	17	25,676	30,456
Net cash used in financing activities		(177,248)	(46,906)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		(1,581)	3,983
Increase (Decrease) in cash and cash equivalents during the year		76,634	(16,268)
Cash and cash equivalents - Beginning of year		119,460	135,728
Cash and cash equivalents - End of year		196,094	119,460

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, 2025 and December 31, 2024

(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 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 February 17, 2026.

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).
- 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.).
- 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.

Kruger Products Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and December 31, 2024

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

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

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). 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 judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant are disclosed in note 4.

Foreign currency translation

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).

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).

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.

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.

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 in the period in which they are incurred.

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.

Kruger Products Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and December 31, 2024

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

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.

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.

Goodwill

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

Intangible assets

Trademarks

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

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.

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.

Kruger Products Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and December 31, 2024

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

Impairment tests

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. A quantitative impairment analysis was performed as of September 30, 2025, and management concluded that the recoverable amount exceeded the carrying amount as of September 30, 2025. In addition, management performed a qualitative reassessment as of December 31, 2025, and determined that no events or changes in circumstances had occurred that would alter the results of the previous analysis. Accordingly, no impairment was recorded.

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, 2025, and no impairment was recorded.

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, 2025, there were no indicators of impairment and as a result no need to perform impairment testing.

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.

Kruger Products Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and December 31, 2024

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

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.

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).

Income taxes

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 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 is registered for goods and services tax/harmonized sales tax (GST/HST) in Canada and Quebec sales tax (QST) in Quebec. GST/HST and (QST) incurred on eligible expenditures is recognized as an input tax credit/input tax refund when the Company becomes entitled to recover the amount under applicable tax legislation. Recoverable ITCs/ITRs are recorded as a reduction of the related expense or capitalized as part of the cost of the related asset, consistent with the underlying nature of the transaction.

The Company has a Quebec Tax Holiday with respect to its capital investments in Quebec. It is expected that the Company will receive the Quebec Tax Holiday in future taxation years. To compute the deferred taxes, the timing of the reversal of the temporary differences was determined over the Quebec Tax Holiday and after this tax holiday will be received.

The Company also earns refundable tax credits under various Canadian provincial and federal incentive programs. These include C3i investment tax credits related to qualifying capital investments and SR&ED (Scientific Research & Experimental Development) investment tax credits related to eligible research and development activities. These credits are recognized when there is reasonable assurance that the Company will comply with the conditions of the programs and that the credits will be received. Amounts determined to be recoverable are recorded as reductions to the related capital expenditures or expenses, or presented as tax credits receivable, depending on their nature.

Kruger Products Inc.

Notes to Consolidated Financial Statements

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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, KPRED 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.

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).

Accounting standard implemented effective January 1, 2025

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 20 to provide qualitative disclosure on the material items included in net income.

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.

Accounting standard issued but not yet implemented

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.

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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 JUDGEMENTS

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, 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 judgements applied by management that most significantly affect the Company's consolidated financial statements:

Pensions and post-retirement benefits obligations

The cost and accrued benefit obligations of Kruger Products' defined benefit pension plans—including the RDBPP, supplementary retirement arrangements, the Annuity Arrangement, and other post-retirement benefit plans—are determined using actuarial valuations based on assumptions established by Kruger Products Management. These valuations apply the projected unit credit method and incorporate management's best estimates of the discount rate, salary escalation, retirement ages, mortality rates, and expected growth in health-care costs, as well as expected investment performance for funded plans. The discount rate, which is one of the most significant assumptions along with expected health-care cost trends, is based on market yields of high-quality Canadian corporate fixed-income investments with cash flows that match expected benefit payments. All assumptions are reviewed quarterly by Management and Kruger Products' actuaries. Additional information is disclosed in note 11.

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.

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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 judgement 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, 2025, 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)

	2025	2024
	\$	\$
Foreign exchange loss (gain)	(18,375)	32,752
Change in amortized cost of Partnership units liability	—	(882)
	(18,375)	31,870

6 TRADE AND OTHER RECEIVABLES

	December 31, 2025	December 31, 2024
	\$	\$
Trade receivables	133,064	123,273
Other receivables	11,590	15,604
Less: Allowance for expected credit losses	(1,341)	(700)
	143,313	138,177

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.

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. 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.

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7 INVENTORIES

	December 31, 2025	December 31, 2024
	\$	\$
Finished products	125,664	120,343
Work-in-process	43,624	42,923
Raw materials and supplies	64,409	72,367
Spare parts	50,486	52,123
	284,183	287,756

During the year ended December 31, 2025, total inventories recognized as Cost of sales were \$1,543.7 million (2024 – \$1,461.3 million). The Company wrote-off inventories during the year ended December 31, 2025 totalling \$5.7 million (2024 - \$6.8 million). Inventory provisions as of December 31, 2025 were \$20.2 million (December 31, 2024 - \$23.8 million).

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8 PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings \$	Machinery and equipment \$	Assets under construction or development \$	Total \$
As of January 1, 2024					
Cost	44,454	402,827	1,627,926	256,435	2,331,642
Accumulated depreciation	—	(130,552)	(779,440)	—	(909,992)
Net book value as of January 1, 2024	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
As of December 31, 2024	44,822	375,439	1,043,511	45,820	1,509,592
As of December 31, 2024					
Cost	44,822	520,619	1,900,107	45,820	2,511,368
Accumulated depreciation	—	(145,180)	(856,596)	—	(1,001,776)
Net book value as of December 31, 2024	44,822	375,439	1,043,511	45,820	1,509,592
Additions	—	—	—	58,960	58,960
Disposals	—	(84)	(342)	—	(426)
Transfers	154	9,486	29,976	(39,616)	—
Investment tax credits	—	—	(23,919)	—	(23,919)
Depreciation	—	(14,297)	(84,463)	—	(98,760)
Exchange differences	(100)	(2,454)	(12,073)	(614)	(15,241)
As of December 31, 2025	44,876	368,090	952,690	64,550	1,430,206
As of December 31, 2025					
Cost	44,876	522,855	1,876,129	64,550	2,508,410
Accumulated depreciation	—	(154,765)	(923,439)	—	(1,078,204)
Net book value as of December 31, 2025	44,876	368,090	952,690	64,550	1,430,206

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9 RIGHT-OF-USE ASSETS

	Land \$	Buildings \$	Equipment \$	Motor vehicles \$	Total \$
As of January 1, 2024					
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)
Net book value as of January 1, 2024	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
As of December 31, 2024	15,256	154,966	14,833	1,405	186,460
As of December 31, 2024					
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)
Net book value as of December 31, 2024	15,256	154,966	14,833	1,405	186,460
Additions	—	602	3,631	1,115	5,348
Terminations	—	(3,195)	—	(89)	(3,284)
Right-of-use depreciation	(1,792)	(27,326)	(6,327)	(712)	(36,157)
Exchange differences	—	—	(115)	(9)	(124)
As of December 31, 2025	13,464	125,047	12,022	1,710	152,243
As of December 31, 2025					
Cost	47,192	243,608	33,842	4,454	329,096
Accumulated right-of-use- depreciation	(33,728)	(118,561)	(21,820)	(2,744)	(176,853)
Net book value as of December 31, 2025	13,464	125,047	12,022	1,710	152,243

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10 GOODWILL AND INTANGIBLE ASSETS

	Trademarks \$	Software and licences ^(a) \$	Total \$
As of January 1, 2024			
Cost	16,363	32,017	48,380
Accumulated right-of-use depreciation	—	(21,528)	(21,528)
Net book value as of January 1, 2024	16,363	10,489	26,852
Additions	—	22,042	22,042
Amortization	—	(6,322)	(6,322)
As of December 31, 2024	16,363	26,209	42,572
As of December 31, 2024			
Cost	16,363	54,059	70,422
Accumulated depreciation and impairment	—	(27,850)	(27,850)
Net book value as of December 31, 2024	16,363	26,209	42,572
Additions	—	5,889	5,889
Amortization	—	(8,099)	(8,099)
As of December 31, 2025	16,363	23,999	40,362
As of December 31, 2025			
Cost	16,363	59,948	76,311
Accumulated depreciation and impairment	—	(35,949)	(35,949)
Net book value as of December 31, 2025	16,363	23,999	40,362

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

The carrying value of the Canada Consumer CGU's goodwill as of December 31, 2025 was \$152.0 million (December 31, 2024 - \$152.0 million).

11 PENSIONS AND POST-RETIREMENT BENEFITS

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 \$91.1 million as of December 31, 2025 (December 31, 2024 – asset of \$92.7 million) is included in Pension assets in the consolidated statements of financial position.

The Company has a Supplementary Retirement Plan (SRP) for designated employees. The accrued benefit liability, net of plan assets related to the SRP of \$14.0 million as of December 31, 2025 (December 31, 2024 - \$13.8 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, 2024 - \$7.7 million).

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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 \$3.6 million as of December 31, 2025 (December 31, 2024 - \$4.0 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, 2025, the Company contributed and expensed \$3.1 million (2024 - \$2.7 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, 2025 the Company recorded an expense of \$8.5 million (2024 - \$9.9 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 determined by the most recent solvency test performed as at December 31, 2024, the aggregate solvency surplus of the defined benefit plans was \$100.0 million (December 31, 2023 - \$75.9 million surplus). The actuarial valuation dates of the plans vary, ranging from December 31, 2022 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 recognized in the deficit were as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Pensions	(68,467)	(66,100)
Post-retirement benefits	(14,298)	(13,462)
Total	(82,765)	(79,562)

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

	Pensions		Post-retirement benefit plans	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	\$	\$	\$	\$
Change in defined benefit obligation:				
As of January 1	595,989	591,492	47,140	48,699
Current service cost	8,385	8,234	2,119	1,985
Past service cost	—	1,325	—	—
Interest cost	25,184	26,755	2,160	2,215
Employee contributions	4,717	4,443	—	—
Benefits paid	(34,869)	(36,381)	(1,957)	(2,176)
Remeasurements:				
Losses from changes in experience	117	3,161	—	—
Gains from changes in economic assumptions	(8,804)	(3,040)	(1,130)	(3,583)
As of December 31	590,719	595,989	48,332	47,140
Change in plan assets at fair value:				
As of January 1	682,587	651,740	—	—
Expected return on plan assets	28,591	29,329	—	—
Remeasurements:				
Gains (losses) on plan assets	(5,825)	31,903	—	—
Administrative costs	(766)	(748)	—	—
Employer contributions	1,613	2,301	1,957	2,176
Employee contributions	4,717	4,443	—	—
Benefits paid	(34,869)	(36,381)	(1,957)	(2,176)
As of December 31	676,048	682,587	—	—
Accrued benefit liability (asset)				
Funded status - deficit (surplus)	(85,329)	(86,598)	48,333	47,140
Impact of asset ceiling	11,956	11,782	—	—
Accrued benefit liability (asset)	(73,373)	(74,816)	48,333	47,140

The accrued pension (asset) and liability balances were as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Accrued pension asset	(91,118)	(92,661)
Accrued pension liability	17,745	17,845
Net accrued pension asset	(73,373)	(74,816)

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

	December 31, 2025	December 31, 2024
	%	%
Fixed income	38.1	33.2
Public equities	25.7	24.0
Hedge funds	6.0	10.1
Private equity	16.6	18.2
Real assets	13.6	14.5
Total	100.0	100.0
Quoted on an active market	44.2	47.1
Unquoted	55.8	52.9
	100.0	100.0

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

	Pensions		Post-retirement benefit plans	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	%	%	%	%
Assumptions				
Discount rate - accrued benefit obligation	4.86	4.68	4.86	4.68
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:

	Discount rate		Rate of compensation		Life expectancy	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	\$	\$	\$	\$	\$	\$
Increase in pension obligation	77,496	79,139	7,521	7,621	14,435	14,725

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.

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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:

	Healthcare		Discount rate		Life expectancy	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	\$	\$	\$	\$	\$	\$
Increase in Post-retirement benefit obligation	5,833	5,371	6,847	6,898	1,117	1,079

Pension contributions for Fiscal 2026 are expected to be \$1.8 million and post-retirement contributions for Fiscal 2026 are expected to be \$2.0 million.

The net benefit pension plan expense included the following components:

	Pensions		Post-retirement benefit plans	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
	\$	\$	\$	\$
Net benefit plan expense				
Current service cost	8,385	8,234	2,119	1,985
Past service cost	—	1,325	—	—
Interest cost	25,184	26,755	2,160	2,215
Asset ceiling interest cost	510	432	—	—
Expected return on plan assets	(28,591)	(29,329)	—	—
Administrative cost	766	748	—	—
	6,254	8,165	4,279	4,200

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

	Pensions		Post-retirement benefit plans	
	2025	2024	2025	2024
	\$	\$	\$	\$
Losses from changes in experience	(117)	(3,161)	—	—
Gains from changes in economic assumptions	8,804	3,040	1,130	2,287
Gains from changes in demographics	—	—	—	1,299
Gains (losses) on plan assets	(5,825)	31,903	—	—
Impact of asset ceiling	336	(2,004)	—	—
Deferred tax expense	(831)	(7,742)	(294)	(936)
	2,367	22,036	836	2,650

12 TRADE AND OTHER PAYABLES

	December 31, 2025	December 31, 2024
	\$	\$
Trade payables	141,350	147,271
Accrued liabilities	99,431	101,002
Contract liabilities	110,050	97,991
	350,831	346,264

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13 LONG-TERM DEBT

	Weighted average interest rate as of December 31, 2025	Maturity	December 31, 2025 \$	December 31, 2024 \$
Kruger Products Senior Credit Facility	— %	2026	(498)	(701)
Senior Unsecured Notes due April 9, 2029	5.375 %	2029	133,651	133,239
Senior Unsecured Notes due November 1, 2031	6.625 %	2031	132,347	131,945
Senior Unsecured Notes due December 10, 2032	6.250 %	2032	161,459	—
AgCredit - Term A Credit Facility	4.82 %	2036	184,003	197,963
AgCredit - Term B Credit Facility	5.04 %	2037	243,053	254,718
AgCredit - Term D Credit Facility	6.07 %	2032	97,934	117,000
KPSB Senior Credit Facility	— %	2028	—	158,747
KPSB IQ Debenture	2.00 %	2034	63,754	61,615
KPSI IQ Debenture	3.00 %	2028	45,960	61,029
IQ Bathroom Tissue Loan	2.00 %	2032	39,438	38,652
IQ Facial Tissue Loan	2.00 %	2033	34,297	35,155
Nordea2 Credit Facility	3.74 %	2029	30,754	40,181
IQ Gatineau Loan	6.50 %	2034	6,162	4,158
Ontario Loan	2.40 %	2026	483	955
			1,172,797	1,234,656
AgCredit - Term A Credit Facility			12,989	4,820
AgCredit - Term B Credit Facility			14,510	—
AgCredit - Term D Credit Facility			31,274	17,045
KPSB Senior Credit Facility			—	2,966
KPSB IQ Debenture			2,465	—
KPSI IQ Debenture			16,689	16,690
IQ Bathroom Tissue Loan			6,836	1,139
IQ Facial Tissue Loan			5,548	2,777
Nordea2 Credit Facility			7,855	8,246
Ontario Loan			483	485
Less: Current portion of long-term debt			98,649	54,168
Long-term debt			1,074,148	1,180,488

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, 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 consolidated statement of financial position.

Kruger Products Senior Credit Agreement

On December 10, 2025, the Company entered into the tenth amended and restated credit agreement to increase the Kruger Products Senior Credit Facility to \$250 million from \$230 million and increase the accordion feature from CDN \$75 million to CDN \$100 million.

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As of December 10, 2025, in connection with the financing and repayment of the KPSB Senior Credit Facility, KPSB became a restricted subsidiary under Kruger Products senior credit facility, the indenture governing the Notes and the indentures governing Kruger Products outstanding notes. Effective January 1, 2026, KPSB completed a corporate reorganization (the "KPSB Reorganization") pursuant to which it was effectively converted from a corporation into a limited partnership. See "Intercorporate Relationships" for updated corporate structure.

Senior Unsecured Notes

On December 10, 2025, the Company issued \$165 million aggregate principal amount of 6.250% senior unsecured notes due December 10, 2032 (the "Senior Unsecured Notes due December 10, 2032" or the "2032 Notes") by way of private placement. Interest on the Notes is payable semi-annually on June 10 and December 10 of each year.

Under the 2032 Notes, "Restricted Subsidiaries" means any subsidiary of Kruger Products that is not an Unrestricted Subsidiary as defined in the 2032 Indenture (which Unrestricted Subsidiaries include, K.T.G. US Holdco Inc., K.T.G. (USA) Inc., KPSI, TAD2 GP ULC, TAD2 US LP, TAD1 Canco I Inc., TAD1 GP ULC, TAD1 US LP, TAD1 Canco II Inc., Community Benefit Partners LLC (including any successor thereto), Kruger Sherbrooke Water Treatment Inc., Westminster Paper Company Limited, and Non-Material Subsidiaries as defined in the 2032 Indenture).

The 2032 Notes are senior unsecured obligations of Kruger Products. The 2032 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 2032 Notes other than any indebtedness that ranks senior to the 2032 Notes by operation of law. The 2032 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 2032 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 2032 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 2032 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 December 10, 2025, Kruger Products used the net proceeds of the financing to fully settle then-outstanding \$160.0 million senior credit facilities of KPSB (the "Extinguished Debt") and for general corporate purposes. The settlement represented a full repayment of the existing facilities.

The extinguishment was accounted for as a derecognition of the existing financial liability. The carrying value of the Extinguished Debt immediately prior to settlement was \$157.0 million. The Company paid \$160.0 million to fully extinguish the liability. As the settlement amount exceeded the carrying value, the Company recognized a loss on extinguishment of debt of \$3.0 million, which has been recorded in profit or loss for the period.

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AgCredit Agreement

KPSI agreed to deposit an aggregate amount equal to 75% of the Canadian Borrower Excess Cash Flow (as defined in the Fourth Amendment) for such fiscal year in a designated bank account (the KPSI Dedicated Account) to be used only for the purpose of prepaying the Term D Credit Facility, subject to certain conditions specified in the Fourth Amendment. On April 30, 2025, \$39.8 million (US\$28.7 million) was deposited in the KPSI Dedicated Account, of which \$15.1 million (US\$10.0 million) was used to prepay the Term D Credit Facility. On September 26, 2025, \$34.5 million (US\$25 million) was released from the KPSI Dedicated Account, and an equity injection was made into KTG.

KPSI IQ Debenture

Borrowings under the KPSI IQ Debenture bear interest at a fixed capitalized interest rate of 3.0% per annum, calculated monthly.

The KPSI IQ Debenture is redeemable on a monthly basis commencing 36 months from the date of issuance, which payments KPSI undertakes to cause Kruger Products or Kruger Inc. to make, failing which IQ will have a conversion right on terms of conversion that would provide IQ with a 50% equity interest in KPSI if the entirety of the debenture was so converted.

Pursuant to a repayment agreement dated November 19, 2018 between Kruger Inc., Kruger Products, KPSI and IQ (as amended or otherwise modified from time to time, the “KPSI Repayment Agreement”), Kruger Products has at its discretion, a priority right to make any required monthly redemption payment to IQ. The party that makes the redemption payment will receive common shares of KPSI as consideration of such payment.

Pursuant to the KPSI Repayment Agreement, the Company made redemption payments in exchange for voting common shares of KPSI with a value of \$18.4 million for year ended December 31, 2025. As of December 31, 2025, Kruger Inc. held a 12.0% non-controlling interest directly in KPSI (December 31, 2024 – 13.2%). As a result, a non-controlling interest of \$39.3 million was recorded in the consolidated statement of financial position (December 31, 2024 – \$30.0 million).

KPSB IQ Debenture

Borrowings under the KPSB IQ Debenture bear interest at a fixed capitalized interest rate of 2.0% per annum, calculated monthly.

The KPSB IQ Debenture is redeemable on a monthly basis (proportionately based on the number of months remaining until maturity) commencing 24 months following September 1, 2024, which payments KPSB undertakes to cause Kruger Products to make. Pursuant to a repayment agreement entered into by Kruger Products, KPSB and IQ on May 21, 2021 (as amended effective as of January 1, 2023), Kruger Products agreed to make the required monthly redemption payments to IQ. The KPSB IQ Debenture matures ten years from September 1, 2024.

In the event Kruger Products is in default under the Kruger Products Contribution Undertaking Agreement, the interest rate increases from 2.0% per annum to 6.0% per annum from the date of such default until cured to the satisfaction of IQ. If the default is not remedied within twelve months, the 6.0% rate continues to apply permanently.

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14 INTEREST EXPENSE AND OTHER FINANCE COSTS

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

	2025	2024
	\$	\$
Interest expense on Long-term debt	71,428	57,594
Interest expense on Lease liabilities	11,324	8,244
Receivables factoring arrangement	2,337	4,018
Interest accreted on Long-term payable to related party	1,939	2,145
Interest accreted on provisions	553	413
Pension and post-retirement benefits, net	(737)	73
	86,844	72,487

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 6.03% as of December 31, 2025 (December 31, 2024 – 6.21%). Renewal options have been included in the measurement of Lease 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:

	2025	2024
	\$	\$
Expenses relating to variable payments not included in the measurement of Lease liabilities ^{(a)(b)}	6,894	7,378
Expenses relating to low-value leases ^(b)	291	200
Expenses relating to short-term leases ^(c)	3,017	29
	10,202	7,607

(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 income (loss).

(c) Included in Cost of sales in the consolidated statements of comprehensive income (loss).

16 INCOME TAXES

The consolidated income tax expense for the Company of \$19.6 million for the year ended December 31, 2025 (2024 - income tax expense of \$19.4 million) related to KPI, KP USA, KTG, KPSB and KPSI.

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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:

	2025		2024	
	\$	%	\$	%
Combined federal and provincial income tax rates after manufacturing and processing credits	27,169	26.0	11,806	26.0
Difference in statutory income tax rate of foreign operations	2,277	2.2	534	1.2
US State investment tax credits	6,544	6.3	(1,611)	(3.5)
Canadian provincial incentives for capital expenditures	(13,689)	(13.1)	—	—
Change in U.S. State apportionment	3,249	3.1	(1,316)	(2.9)
Withholding tax	413	0.4	340	0.7
Unrecognized net capital loss carry-forward	(1,554)	(1.5)	4,716	10.4
Permanent and other	(4,772)	(4.6)	4,944	10.9
	19,637	18.8	19,413	42.8

Components of the deferred tax assets were as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Property, plant and equipment	(40,842)	(58,737)
Net operating losses	86,470	97,267
Long-term debt and deferred financing charges	6,600	6,818
Inventory and accrued liabilities	482	706
Right-of-use assets and lease liabilities	17	(10)
U.S. State tax credits	306	7,101
Investment tax credits	10,758	—
Other	880	887
	64,671	54,032

Components of the deferred tax liability were as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Property, plant and equipment	(158,191)	(139,502)
Net operating losses and SR&ED pool	91,295	88,363
Long-term debt and deferred financing charges	1,213	948
Inventory and accrued liabilities	2,771	2,050
Pensions	(6,511)	(7,196)
Right-of-use assets and lease liabilities	8,116	5,389
Investment tax credits	14,889	6,678
Other	(722)	(262)
	(47,140)	(43,532)

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The net position of the deferred tax asset and deferred tax liability for 2024 is presented on the balance sheet as a net deferred tax asset of \$10.5 million.

The analysis of the net deferred tax assets (liability) was as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Deferred tax asset to be recovered within 12 months	5,011	2,757
Deferred tax asset to be recovered after 12 months	12,520	7,743
	17,531	10,500

In addition to the above, the Company has deferred tax assets of \$24.1 million related to net operating loss carry-forwards, \$22.7 million related to U.S. State tax credits and \$3.2 million related to net capital loss carry-forwards which have not been recognized in the consolidated financial statements.

The movement in the deferred tax asset was as follows:

	2025	2024
	\$	\$
Opening balance	54,032	43,544
Charge to net income	(1,496)	6,162
Investment tax credits	14,637	—
Other	(2,502)	4,326
Closing balance	64,671	54,032

The movement in the deferred tax liability was as follows:

	2025	2024
	\$	\$
Opening balance	(43,532)	(19,805)
Recovery	(13,430)	(22,841)
Charge to other comprehensive loss		
- remeasurements of post-retirement benefits	(294)	(932)
- remeasurements of pensions	(831)	(7,742)
Investment tax credits	10,947	7,788
Closing balance	(47,140)	(43,532)

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

December 31, 2025						
	U.S. Federal	Expiry	U.S. State	Expiry	Canada	Expiry
	\$	date	\$	date	\$	date
2009-2025	403,221	2029-Indefinite	311,109	2026-2045	276,632	2039-2042

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

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The Company had the following additional Quebec net operating loss carry-forwards available as of December 31, 2025:

	Quebec, Canada \$	December 31, 2025 Expiry date
2021 - 2022	141,377	2041 - 2042

The Company has a pool balance of deductible Scientific Research and Experimental Development (SR&ED) expenditures to be carried forward indefinitely to future years of \$43.7 million and investment tax credit carryovers of \$10.7 million (expiry 2044) as at December 31, 2025.

The Company has provincial Investment and Innovative tax credit and carryovers of \$22.6 million (expiry 2044) as at December 31, 2025.

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

	U.S. State \$	December 31, 2025 Expiry date
2013-2024	22,992	2038-2049

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

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 Sherbrooke Expansion Project including project management services and engineering, construction, accounting and corporate finance support services.

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

	2025	2024
	\$	\$
Sales of goods to Kruger Inc.	82	241
Sales of goods to subsidiaries of Kruger Inc.	1,679	4,232
Purchases of goods from Kruger Inc.	639	382
Purchases of goods and services from subsidiaries of Kruger Inc.	85,525	62,801
Management fee to Kruger Inc.	10,746	10,608

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

	December 31, 2025	December 31, 2024
	\$	\$
Receivables from Kruger Inc.	12	28
Receivables from subsidiaries of Kruger Inc.	67	52
Total receivables from related parties	79	80
Payables to Kruger Inc.	8,105	13,838
Payables to subsidiaries of Kruger Inc.	5,336	3,991
Total payables to related parties	13,441	17,829

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, 2025, obligations of \$5.8 million and \$28.1 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, 2024 - \$5.8 million and \$31.9 million, respectively). During the year ended December 31, 2025, 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, 2025, the increase in the obligation due to passage of time was \$1.9 million (year ended December 31, 2024 – \$2.1 million) and was recognized as Interest expense and other finance costs in the consolidated statements of income.

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

	December 31, 2025	December 31, 2024
	\$	\$
Payable to Kruger Inc.	13,049	12,509
Payable to KPGP	1	1
Payable to KPT	1,803	1,798
Total dividends payable	14,853	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:

					2025
Dividend Payment Date	Dividends	DRIP	Share price	Issuance of	Gross proceeds
	\$	%	\$	common shares	\$
				#	
January 15, 2025					
Kruger Inc.	12,510	50 %	8.06	776,041	6,255
KPT	1,798	3 %	8.06	6,656	54
April 15, 2025					
Kruger Inc.	12,649	50 %	7.86	804,673	6,325
KPT	1,799	3 %	7.86	6,713	54
July 15, 2025					
Kruger Inc.	12,794	50 %	8.87	721,212	6,397
KPT	1,802	4 %	8.87	7,243	62
October 15, 2025					
Kruger Inc.	12,926	50 %	9.27	697,094	6,462
KPT	1,801	4 %	9.27	7,207	67
	58,079			3,026,839	25,676

					2024
Dividend Payment Date	Dividends	DRIP	Share price	Issuance of	Gross proceeds
	\$	%	\$	common shares	\$
				#	
January 15, 2024					
Kruger Inc.	11,881	100 %	8.99	1,321,575	11,881
KPT	1,794	2 %	8.99	4,615	41
April 15, 2024					
Kruger Inc.	12,119	50 %	8.52	711,199	6,060
KPT	1,795	3 %	8.52	5,880	50
July 15, 2024					
Kruger Inc.	12,248	50 %	8.52	718,712	6,123
KPT	1,795	3 %	8.52	6,093	52
October 15, 2024					
Kruger Inc.	12,378	50 %	8.34	741,980	6,187
KPT	1,796	3 %	8.34	7,237	62
	55,806			3,517,291	30,456

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Subsequent to December 31, 2025, on January 15, 2026, the Company paid a dividend of \$14.9 million to its shareholders. Pursuant to the Kruger Products DRIP, a total of 26.8% was reinvested by the shareholders, resulting in the Company issuing 390,407 common shares at a price of \$10.21.

Subsequent to December 31, 2025, the Company declared a dividend of \$14.9 million, payable on April 15, 2026.

18 COMMITMENTS AND CONTINGENCIES

As of December 31, 2025, the Company had commitments under service contracts of \$17.7 million for 2026, \$15.0 million for 2027, and \$43.4 million for 2028 and beyond. Service contracts include those related to mud services, logistics, water treatment and sludge management.

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 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, 2025, the Company had irrevocable letters of credit outstanding of \$16.1 million (December 31, 2024 - \$17.3 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 were the following:

	2025	2024
	\$	\$
Materials and production costs	963,331	952,500
Labour and related employee benefits	353,052	327,866
Energy costs	89,503	69,793
Depreciation and amortization	141,408	114,115
Freight and warehousing	281,361	260,442
Marketing, selling and administrative expenses	197,989	175,238
	2,026,644	1,899,954

	2025	2024
	\$	\$
Cost of sales	1,825,077	1,721,704
SG&A expenses	201,567	178,250
	2,026,644	1,899,954

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).

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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.

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 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.

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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.

	2025	2024
	\$	\$
Segment Revenue		
Consumer	1,855,011	1,708,119
AFH	348,380	341,819
Revenue from external customers	2,203,391	2,049,938
Other segment items ^(a)		
Consumer	1,553,401	1,458,774
AFH	316,531	313,259
Corporate and other costs	15,230	13,122
Total other segment items	1,885,162	1,785,155
Adjusted EBITDA		
Consumer	301,610	249,345
AFH	31,849	28,560
Corporate and other costs	(15,230)	(13,122)
Total Adjusted EBITDA	318,229	264,783
Reconciliation to net income (loss)		
Depreciation and amortization	141,408	114,115
Interest expense and other finance costs	86,844	72,487
Loss on disposal of property, plant and equipment	74	639
Loss on sale of non-financial assets	—	45
Change in amortized cost of Partnership units liability	—	(882)
Restructuring costs, net	3,782	219
Foreign exchange loss (gain)	(18,375)	32,752
Income before income taxes	104,496	45,408
Income tax expense	19,637	19,413
Net income including non-controlling interest	84,859	25,995

- (a) 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).

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Geographic segments

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, 2025, the Company had three major customers in the consumer segment that represented 48.4% (2024 – 44.9%) of total revenues. The top customer contributed 23.3% (2024 – 20.2%) of the total revenues, while the second and third major customers accounted for 14.1% and 11.0%, respectively (2024 – 13.0% and 11.7%).

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.

	December 31, 2025		
	Canada	US	Total
	\$	\$	\$
Revenue	1,195,585	1,007,806	2,203,391
Property, plant and equipment	1,143,731	286,475	1,430,206
Goodwill	152,021	—	152,021
Intangible assets	40,362	—	40,362

	December 31, 2024		
	Canada	US	Total
	\$	\$	\$
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

21 COMPENSATION OF KEY MANAGEMENT

	2025	2024
	\$	\$
Compensation awarded to key management included:		
Salaries and other employee benefits	15,779	13,566
Post-employment benefits	1,208	1,232
	16,987	14,798

Key management includes the Company's senior executives.

22 FINANCIAL INSTRUMENTS

Classification of financial instruments

As of December 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.

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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 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 Senior Unsecured Notes due April 9, 2029, the Senior Unsecured Notes due November 1, 2031, the Senior Unsecured Notes due December 10, 2032, 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, 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, 2025	December 31, 2024
		\$	\$
Senior Unsecured Notes due April 9, 2029	— %	135,000	135,000
Senior Unsecured Notes due November 1, 2031	— %	135,000	135,000
Senior Unsecured Notes due December 10, 2032	— %	165,000	—
AgCredit - Term A Credit Facility	— %	184,259	198,261
AgCredit - Term B Credit Facility	— %	245,842	257,932
AgCredit - Term D Credit Facility	— %	98,527	117,777
KPSB Senior Credit Facility	— %	—	159,548
KPSB IQ Debenture	6.7 %	78,048	78,526
KPSI IQ Debenture	6.1 %	46,028	61,150
IQ Bathroom Tissue Loan	7.3 %	46,715	47,854
IQ Facial Tissue Loan	7.6 %	41,613	44,288
Nordea2 Credit Facility	— %	31,419	41,231
IQ Loan Gatineau	— %	6,326	4,344
Ontario Loan	4.4 %	483	955
		1,214,260	1,281,866

Amounts exclude deferred financing fees.

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 CORRA plus applicable margin. On July 16, 2025, the Company amended and restated its receivables purchase agreement dated December 15, 2022. Under the revised terms, the effective margin was temporarily reduced by approximately 90 basis points. Additionally, collections from receivables are now remitted to Scotiabank on the maturity date of the receivable, rather than the first settlement date after collection.

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.

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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 CORRA plus applicable margin. Either party may terminate the arrangement at any time subject to a notice period. During the year ended December 31, 2025, the factored receivables sold to the Bank of Nova Scotia were \$710.9 million (2024 - \$756.8 million). The Company sold 95% of these trade receivables, net of a dilution factor, for \$708.6 million (2024 - \$753.0 million). As of December 31, 2025, the trade receivables sold were \$45.0 million (December 31, 2024 - \$43.9 million).

	December 31, 2025	December 31, 2024
	\$	\$
Trade receivables	133,064	123,273
Less: Expected credit losses	(1,341)	(700)
Trade receivables, net	131,723	122,573
Trade receivables, net		
0 to 60 days	132,858	122,914
61 to 90 days	36	252
Over 90 days	170	107
Less: Allowance for expected credit losses	(1,341)	(700)
	131,723	122,573

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, 2025, the Company had net liabilities denominated in U.S. dollars of \$304.9 million (December 31, 2024 - \$371.7 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, 2025 would have been an increase/decrease of \$15.2 million (2024 - \$18.6 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.

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The Company had unused lines of credit available of \$260.1 million as of December 31, 2025 (December 31, 2024 - \$241.7 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, 2025, 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 \$350.8 million (December 31, 2024 - \$346.3 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:

	December 31, 2025		
	2026	2027 - 2030	Thereafter
		\$	\$
Long-term debt, principal repayments	98,649	469,213	650,067
Interest on Long-term debt ^(a)	58,094	189,532	74,653
Lease liabilities ^(b)	43,576	135,394	42,852
Trade and other payables	350,831	—	—
Payables to related parties	13,441	—	—
Long-term payable to related party	5,800	23,200	11,600
Dividends payable	14,853	—	—

	December 31, 2024		
	2025	2026-2029	Thereafter
		\$	\$
Long-term debt, principal repayments	54,168	569,554	659,353
Interest on Long-term debt ^(a)	61,146	203,434	88,780
Lease liabilities ^(b)	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	—	—

(a) Estimate based on current interest rates.

(b) Contractual undiscounted cash flows.

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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, 2025, the Company had no variable rate debts, excluding deferred financing fees (December 31, 2024 – \$161.1 million).

Commodity Price Risk

Commodity price risk is the risk that future cash flows associated with purchasing required raw materials will fluctuate due to changes in commodity prices, which can be affected by foreign exchange and other trade related risks. Kruger Products is subject to commodity price fluctuations since Kruger Products' main raw material is fibre, which changes price due to market conditions, and therefore can result in periodic earnings volatility in the short term. Historically, the industry has generally been able to mitigate its exposure to commodity price risk over the medium term by passing increases in its supply costs onto its customers through incremental price increases, depending on the supply and demand balance. The ability to eventually pass through the full amount of pulp and other commodity cost increases can be impacted by the competitive market situation. There can be no assurance that the historical ability to pass through increases in costs will continue to occur in the future.

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 NON-CASH WORKING CAPITAL

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

	2025	2024
	\$	\$
Increase in trade and other receivables	(7,577)	(5,471)
Decrease (increase) in receivables from related parties	(59)	666
Increase in inventories	(2,316)	(29,839)
Decrease (increase) in prepaid expenses	920	(1,588)
Increase in income taxes	(885)	(5,465)
Increase (decrease) in trade and other payables	20,563	(23,586)
Increase (decrease) in payables to related parties	(5,114)	6,679
	5,532	(58,604)

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26 CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES

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

	2025	2024
	\$	\$
Long-term debt (including current portion)		
Opening balance	1,234,656	1,069,245
Proceeds from long-term debt	174,171	279,353
Repayment of long-term debt	(215,635)	(163,815)
Reclassification of deferred financing fees and other	(1,361)	(3,715)
Redemption of KPSI IQ Debenture principal portion by Kruger Inc.	—	(4,172)
Interest expense and other finance costs	12,988	9,366
Capitalized interest	—	2,382
Payment of deferred financing fees	(2,960)	(4,320)
Foreign exchange loss (gain)	(19,435)	32,752
Cumulative translation adjustment	(9,627)	17,580
Closing balance	1,172,797	1,234,656
Lease liabilities (including current portion)		
Opening balance	205,719	99,019
Payment of lease liabilities	(35,109)	(36,199)
Additions	5,347	135,874
Lease terminations	(3,195)	(3,890)
Reclassification	(692)	2,362
Interest expense	11,324	8,244
Lease depreciation	—	68
Cumulative translation adjustment	(124)	241
Closing balance	183,270	205,719