



NEWS RELEASE
For immediate release

KP Tissue Releases Second Quarter 2025 Financial Results

Strong profitability with Memphis investment to drive efficiency and support growing U.S. business

Mississauga (ON), August 13, 2025 - KP Tissue Inc. (KPT) (TSX: KPT) reports the Q2 2025 financial and operational results of KPT and Kruger Products Inc. (Kruger Products). Kruger Products is Canada's leading manufacturer of quality tissue products for the Consumer market (Cashmere®, Purex®, SpongeTowels®, Scotties®, White Swan® and Bonterra®) and the Away-From-Home (AFH) market and continues to grow in the U.S. Consumer tissue business with the White Cloud® brand and premium private label products. KPT currently holds a 12.2% interest in Kruger Products.

Kruger Products Q2 2025 Business and Financial Highlights

- Revenue was \$536.1 million in Q2 2025 compared to \$509.8 million in Q2 2024, an increase of \$26.3 million or 5.2%.
- Adjusted EBITDA¹ was \$72.5 million in Q2 2025 compared to \$65.3 million in Q2 2024, an increase of 11.0%.
- Net income was \$22.1 million in Q2 2025 compared to \$10.6 million in Q2 2024, an increase of \$11.5 million.
- Declared a quarterly dividend of \$0.18 per share to be paid on October 15, 2025.

"We are pleased with our overall performance in the second quarter of 2025 with Adjusted EBITDA improving 11% year-over-year to \$72.5 million," stated KP Tissue's Chief Executive Officer, Dino Bianco. "U.S. revenue growth slowed down in Q2 2025 due to front-loaded shipments made during the previous quarter to mitigate potential tariffs, along with softness in the AFH market. Nevertheless, U.S. sales have grown 12% after six months into 2025 and represent a key growth driver for Kruger Products.

"In early July, we announced an additional investment of approximately US\$35 million at our Memphis manufacturing facility to deploy a state-of-the-art, multi-purpose converting line for bathroom tissue and paper towels. This initiative is part of a broader strategy to drive efficiency and support our growing U.S. business," Mr. Bianco added.

Outlook for Q3 2025

We expect a stronger performance in Q3 2025, with Adjusted EBITDA¹ in the range of \$75 million to \$80 million.

Kruger Products Q2 2025 Financial Results

Revenue was \$536.1 million in Q2 2025 compared to \$509.8 million in Q2 2024, an increase of \$26.3 million or 5.2%. The increase in revenue was primarily due to higher sales volume in the Consumer segment and favourable selling prices across both segments, partially offset by somewhat lower sales volume in the AFH segment. Revenue was also favourably impacted by foreign exchange fluctuations on U.S. dollar sales.

Cost of sales was \$462.2 million in Q2 2025 compared to \$431.2 million in Q2 2024, an increase of \$31.0 million or 7.2%. The increase in cost of sales was primarily due to higher sales volume and pulp prices along with the unfavourable impact of foreign exchange fluctuations on U.S. dollar costs and unfavourable mill performance at our Memphis site, partially offset by lower manufacturing overhead costs due primarily to overhead cost absorption resulting from higher inventory levels in the quarter and costs related to the Q2 2024 labour disruption that did not recur in Q2 2025. Freight rates were higher compared to Q2 2024. As a percentage of revenue, cost of sales was 86.2% in Q2 2025 compared to 84.6% in Q2 2024.

Selling, general and administrative (SG&A) expenses were \$47.2 million in Q2 2025 compared to \$42.5 million in Q2 2024, an increase of \$4.7 million or 11.1%. The increase was primarily due to additional investment in IT and foreign exchange losses on

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

working capital compared to gains in Q2 2024, partially offset by lower operational and corporate initiatives compared to the year ago quarter. As a percentage of revenue, SG&A expenses were 8.8% in Q2 2025 compared to 8.3% in Q2 2024.

Adjusted EBITDA¹ was \$72.5 million in Q2 2025 compared to \$65.3 million in Q2 2024, an increase of \$7.2 million or 11.0%. The increase was primarily due to higher sales volumes and selling prices along with lower manufacturing overhead costs as a result of overhead cost absorption, partially offset by higher pulp prices and unfavourable mill performance at our Memphis site along with higher freight rates and SG&A expenses.

Net income was \$22.1 million in Q2 2025 compared to \$10.6 million in Q2 2024, an increase of \$11.5 million. The increase was primarily due to a foreign exchange gain and higher Adjusted EBITDA¹, partially offset by higher depreciation expense resulting from the Sherbrooke Expansion Project and a one-time expense related to reducing the useful life of certain older assets in our Memphis site and higher interest expense and other finance costs.

Kruger Products Q2 2025 Liquidity

Total liquidity, representing cash and availability under the revolving credit agreements, was \$293.1 million as of June 30, 2025.

KPT Q2 2025 Financial Results

KPT had net income of \$2.6 million in Q2 2025. Included in net income was \$2.8 million representing KPT's share of Kruger Products' net income, a dilution gain of \$0.1 million and depreciation expense of \$0.3 million related to adjustments to carrying amounts on acquisition.

Memphis Site Investment

During Q2 2025, Kruger Products completed the shutdown of the remaining LDC assets at its Memphis, TN site. Subsequent to the end of the quarter, on July 9, 2025, Kruger Products also announced that its subsidiary, K.T.G. (USA) Inc., will be investing approximately USD\$35 million in a new converting line for bathroom tissue and paper towels at its site in Memphis, TN. These actions together will drive efficiency in our Memphis site by shutting down older assets, focusing on premium products supported by modern equipment and on-site warehousing.

Dividends on Common Shares

The Board of Directors of KPT declared a quarterly dividend of \$0.18 per share to be paid on October 15, 2025 to shareholders of record at the close of business on September 30, 2025.

Additional Information

For additional information please refer to Management's Discussion and Analysis (MD&A) of KPT and Kruger Products for the second quarter ended June 30, 2025 available on SEDAR+ at www.sedarplus.ca or our website at www.kptissueinc.com.

Second Quarter Results Conference Call Information

KPT will hold its second quarter conference call on Wednesday, August 13, 2025 at 8:30 a.m. Eastern Time.

Via telephone: 1-888-699-1199 or 416-945-7677

Via the internet at: www.kptissueinc.com

Presentation material referenced during the conference call will be available at www.kptissueinc.com.

A rebroadcast of the conference call will be available until midnight, August 20, 2025 by dialing 1-888-660-6345 or 289-819-1450 and entering passcode 53401.

The replay of the webcast will remain available on the website until midnight, August 20, 2025.

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

About KP Tissue Inc.

KPT was created to acquire, and its business is limited to holding, a limited equity interest in Kruger Products, which is accounted for as an investment on the equity basis. KPT currently holds a 12.2% interest in Kruger Products. For more information visit www.kptissueinc.com.

About Kruger Products Inc.

Kruger Products is Canada's leading manufacturer of quality tissue products for household, industrial and commercial use. Kruger Products serves the Canadian consumer market with such well-known brands as Cashmere®, Purex®, SpongeTowels®, Scotties®, White Swan® and Bonterra®. In the U.S., Kruger Products manufactures the White Cloud® brand, as well as many private label products. The Away-From-Home division manufactures and distributes high-quality, cost-effective product solutions to a wide range of commercial and public entities. Kruger Products has approximately 3,000 employees and operates ten FSC® COC-certified (FSC® C-104904) production facilities in North America. For more information visit www.krugerproducts.ca.

Non-GAAP Financial Measures

This press release uses certain non-GAAP financial measures which Kruger Products believes provide useful information to management of Kruger Products and the readers of the financial information in measuring the financial performance and financial condition of Kruger Products. These measures do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other companies. An example of such a measure is Adjusted EBITDA. Adjusted EBITDA is not a measurement of operating performance computed in accordance with GAAP and should not be considered as a substitute for operating income, net income or cash flows from operating activities computed in accordance with GAAP. "Adjusted EBITDA" is calculated by Kruger Products as net income (loss) before (i) interest expense and other finance costs, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) loss 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. A reconciliation of Adjusted EBITDA to the relevant reported results can be found in the Segment and Geographic Results table of this news release.

Forward-Looking Statements

Certain statements in this press release about KPT's and Kruger Products' current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. The forward-looking statements are based on certain key expectations and assumptions made by KPT or Kruger Products, including the moderation of inflationary pressure on input costs and continued inflationary pressure on SG&A as labour, marketing and IT costs continue to rise. Although KPT and Kruger Products believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that such expectations and assumptions will prove to be correct.

The outlook provided in respect of Adjusted EBITDA¹ for Q3 2025 is forward-looking information and is based on the assumptions and subject to the risk and uncertainties referred to below. The purpose of the outlook is to provide the reader with an indication of management's expectations, at the date of this press release, regarding Kruger Products' future financial performance. Readers are cautioned that this information may not be appropriate for other purposes.

Many factors could cause Kruger Products' actual results, level of activity, performance or achievements or future events or developments (which could in turn affect the economic benefits derived from KPT's economic interest in Kruger Products), to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the "Risk Factors – Risks Related to Kruger Products' Business" section of the KPT Annual Information Form dated March 5, 2025 available on SEDAR+ at www.sedarplus.ca: Kruger Inc.'s influence over Kruger Products; Kruger Products' reliance on Kruger Inc.; consequences of an event of insolvency relating to Kruger Inc.; risks associated with the ownership of the TAD Sherbrooke Project; risks associated with the operation of the TAD Sherbrooke Project; risks associated with the Sherbrooke Expansion Project; operational risks; significant increases in input costs; reduction in supply

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

of fibre; increased pricing pressure and intense competition; Kruger Products' inability to innovate effectively; adverse economic conditions; dependence on key retail trade customers; damage to the reputation of Kruger Products or Kruger Products' brands; Kruger Products' sales being less than anticipated; Kruger Products' failure to implement its business and operating strategies; Kruger Products' obligation to make regular capital expenditures; Kruger Products entering into unsuccessful acquisitions; Kruger Products' dependence on key personnel; Kruger Products' inability to retain its existing customers or obtain new customers; Kruger Products' loss of key suppliers; Kruger Products' failure to adequately protect its intellectual property rights; Kruger Products' reliance on third party intellectual property licenses; adverse litigation and other claims affecting Kruger Products; material expenditures due to comprehensive environmental regulation affecting Kruger Products' cash flow; Kruger Products' pension obligations are significant and can be materially higher than predicted if Kruger Products Management's underlying assumptions are incorrect; labour disputes adversely affecting Kruger Products' cost structure and Kruger Products' ability to run its plants; exchange rate and U.S. competitors; Kruger Products' inability to service all of its indebtedness; exposure to potential consumer product liability; covenant compliance; interest rate and refinancing risk; and risks relating to information technology; cyber-security; insurance; internal controls, trade and tax.

Readers should not place undue reliance on forward-looking statements made herein. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information contained herein is made as of the date of press release and KPT undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

INFORMATION:

Francois Paroyan
General Counsel and Corporate Secretary
KP Tissue Inc.
905-812-6936
francois.paroyan@krugerproducts.ca

INVESTORS:

Doris Grbic
Director, Investor Relations
KP Tissue Inc.
437-882-2596
IR@krugerproducts.ca

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

Kruger Products Inc.
Unaudited Condensed Consolidated Statements of Financial Position
(thousands of Canadian dollars)

	June 30, 2025	December 31, 2024
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	85,307	119,460
Restricted cash	76,325	48,375
Trade and other receivables	132,700	138,177
Receivables from related parties	80	80
Inventories	302,251	287,756
Income tax recoverable	4,007	3,208
Prepaid expenses	17,703	6,383
	<u>618,373</u>	<u>603,439</u>
Non-current assets		
Property, plant and equipment	1,449,424	1,509,592
Right-of-use assets	167,865	186,460
Other long-term assets	10	92
Pensions	91,235	92,661
Goodwill	152,021	152,021
Intangible assets	40,592	42,572
Deferred income taxes	10,249	10,500
Total assets	<u><u>2,529,769</u></u>	<u><u>2,597,337</u></u>
Liabilities		
Current liabilities		
Trade and other payables	311,583	346,264
Payables to related parties	12,473	17,829
Income tax payable	-	3
Dividends payable	14,595	14,308
Current portion of long-term debt	79,981	54,168
Current portion of lease liabilities	41,003	40,156
Current portion of long-term payable to related party	5,800	5,800
Current portion of provisions	5,795	4,184
	<u>471,230</u>	<u>482,712</u>
Non-current liabilities		
Long-term debt	1,125,503	1,180,488
Long-term lease liabilities	154,513	165,563
Long-term payable to related party	27,147	31,925
Long-term provisions	7,872	9,398
Pensions	17,371	17,845
Post-retirement benefits	47,989	47,140
Total liabilities	<u>1,851,625</u>	<u>1,935,071</u>
Equity		
Share capital	321,455	308,622
Contributed surplus	395,382	395,382
Deficit	(162,522)	(171,874)
Accumulated other comprehensive income	88,346	100,177
Equity attributable to Kruger Products	<u>642,661</u>	<u>632,307</u>
Non-controlling interest	<u>35,483</u>	<u>29,959</u>
Total equity	<u>678,144</u>	<u>662,266</u>
Total equity and liabilities	<u><u>2,529,769</u></u>	<u><u>2,597,337</u></u>

Kruger Products Inc.
Unaudited Condensed Consolidated Statements of Income
(thousands of Canadian dollars)

	3-month period ended June 30, 2025	3-month period ended June 30, 2024	6-month period ended June 30, 2025	6-month period ended June 30, 2024
	\$	\$	\$	\$
Revenue	536,080	509,800	1,082,190	989,232
Expenses				
Cost of sales	462,204	431,228	913,187	825,231
Selling, general and administrative expenses	47,157	42,470	98,371	86,612
Restructuring costs	3,702	3	3,702	219
Operating income	23,017	36,099	66,930	77,170
Interest expense and other finance costs	21,306	16,855	42,257	33,135
Other expense (income)	(19,941)	3,945	(20,284)	12,418
Income before income taxes	21,652	15,299	44,957	31,617
Current tax expense	1,078	612	1,808	1,381
Deferred tax expense (recovery)	(5,612)	3,008	83	8,479
Income tax expense (recovery)	(4,534)	3,620	1,891	9,860
Net income including non-controlling interest	26,186	11,679	43,066	21,757
Net income attributable to non-controlling interest	4,039	1,087	5,524	2,209
Net income attributable to Kruger Products	22,147	10,592	37,542	19,548

Kruger Products Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
(thousands of Canadian dollars)

	3-month period ended June 30, 2025 \$	3-month period ended June 30, 2024 \$	6-month period ended June 30, 2025 \$	6-month period ended June 30, 2024 \$
Cash flows from (used in) operating activities				
Net income including non-controlling interest	26,186	11,679	43,066	21,757
Items not affecting cash				
Depreciation	43,727	27,675	73,616	52,127
Amortization	2,008	1,496	3,980	2,561
Loss (gain) on sale of property, plant and equipment	-	(2)	(5)	269
Loss on disposal of leased assets	23	(632)	23	-
Foreign exchange loss (gain)	(19,941)	3,945	(20,284)	13,299
Interest expense and other finance costs	21,306	16,855	42,257	33,135
Pension and post-retirement benefits	2,828	2,708	5,573	5,284
Provisions	1,065	1,045	3,929	2,118
Income tax expense	(4,534)	3,620	1,891	9,860
Loss on sale of non-financial assets	-	-	-	12
Total items not affecting cash	46,482	56,710	110,980	118,665
Net change in non-cash working capital	(29,511)	40,383	(54,568)	(45,687)
Contributions to pension and post-retirement benefit plans	(1,006)	(1,111)	(2,015)	(2,264)
Provisions paid	(4,024)	(3,225)	(4,024)	(3,695)
Income tax payments, net	(2,465)	(2,101)	(1,811)	(2,441)
Net cash from (used in) operating activities	35,662	102,335	91,628	86,335
Cash flows from (used in) investing activities				
Purchases of property, plant and equipment	(7,717)	(3,923)	(9,862)	(7,964)
Purchases of property, plant and equipment related to the Sherbrooke Expansion Project	(1,991)	(43,554)	(17,377)	(89,427)
Interest paid on credit facilities related to the Sherbrooke Expansion Project	-	(2,673)	-	(2,789)
Government assistance received	-	-	3,150	-
Purchases of software	(1,134)	(240)	(1,094)	(287)
Proceeds on sale of property, plant and equipment	-	32	-	28
Net cash used in investing activities	(10,842)	(48,778)	(25,183)	(100,439)
Cash flows from (used in) financing activities				
Proceeds from long-term debt	9,000	38,568	31,188	113,432
Repayment of long-term debt	(22,507)	(14,046)	(32,505)	(21,193)
Payment of deferred financing fees	39	(365)	7	(1,229)
Payment of lease liabilities	(7,714)	(8,622)	(16,737)	(17,272)
Change in restricted cash	(25,961)	(29,786)	(27,950)	(31,198)
Interest paid on long-term debt	(18,995)	(14,516)	(31,421)	(23,379)
Payment to related party	(5,800)	(5,800)	(5,800)	(5,800)
Dividends paid, net	(8,069)	(7,804)	(16,069)	(9,557)
Net cash from (used in) financing activities	(80,007)	(42,371)	(99,287)	3,804
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(1,284)	428	(1,311)	1,726
Increase (decrease) in cash and cash equivalents during the period	(56,471)	11,614	(34,153)	(8,574)
Cash and cash equivalents - Beginning of period	141,778	117,120	119,460	135,728
Cash and cash equivalents - End of period	85,307	127,154	85,307	127,154

Kruger Products Inc.
Unaudited Segment and Geographic Results
(thousands of Canadian dollars)

	3-month period ended June 30, 2025 \$	3-month period ended June 30, 2024 \$	6-month period ended June 30, 2025 \$	6-month period ended June 30, 2024 \$
Segment Information				
Segment Revenue				
Consumer	449,222	421,925	914,412	826,214
AFH	86,858	87,875	167,778	163,018
Revenue from external customers	536,080	509,800	1,082,190	989,232
Other segment items				
Consumer	380,038	361,628	769,176	703,255
AFH	77,895	78,306	156,026	145,679
Corporate and other costs	5,669	4,595	8,743	7,940
Total other segment items	463,602	444,529	933,945	856,874
Adjusted EBITDA				
Consumer	69,184	60,297	145,236	122,959
AFH	8,963	9,569	11,752	17,339
Corporate and other costs	(5,669)	(4,595)	(8,743)	(7,940)
Total Adjusted EBITDA	72,478	65,271	148,245	132,358
Reconciliation to net income:				
Depreciation and amortization	45,736	29,171	77,596	54,688
Interest expense and other finance costs	21,306	16,855	42,257	33,135
Loss (gain) on sale of property, plant and equipment	23	(2)	18	269
Loss on sale of non-financial assets	-	-	-	12
Change in amortized cost of Partnership unit liability	-	-	-	(881)
Restructuring costs, net	3,702	3	3,702	219
Foreign exchange loss (gain)	(19,941)	3,945	(20,284)	13,299
Income before income taxes	21,652	15,299	44,956	31,617
Income tax expense	(4,534)	3,620	1,891	9,860
Net income including non-controlling interest	26,186	11,679	43,065	21,757
Geographic Revenue				
Canada	299,654	278,969	586,177	545,141
US	236,426	230,831	496,013	444,091
Total revenue	536,080	509,800	1,082,190	989,232

KP Tissue Inc.
Unaudited Condensed Statements of Financial Position
(thousands of Canadian dollars)

	June 30, 2025	December 31, 2024
	\$	\$
Assets		
Current assets		
Dividends receivable	1,800	1,798
	1,800	1,798
Non-current assets		
Investment in associate	68,718	69,517
Total assets	70,518	71,315
Liabilities		
Current liabilities		
Dividend payable	1,800	1,798
Total liabilities	1,800	1,798
Equity		
Common shares	22,870	22,762
Contributed surplus	144,819	144,819
Deficit	(115,830)	(116,673)
Accumulated other comprehensive income	16,859	18,609
Total equity	68,718	69,517
Total liabilities and equity	70,518	71,315

KP Tissue Inc.
Unaudited Condensed Statements of Income
(thousands of Canadian dollars, except share and per share amounts)

	3-month period ended June 30, 2025	3-month period ended June 30, 2024	6-month period ended June 30, 2025	6-month period ended June 30, 2024
	\$	\$	\$	\$
Share of income	2,755	1,344	4,672	2,499
Depreciation of fair value increments	(279)	(283)	(563)	(569)
Equity income	2,476	1,061	4,109	1,930
Dilution gain	95	131	209	393
Net income	2,571	1,192	4,318	2,323
Basic earnings per share	0.26	0.12	0.43	0.23
Weighted average number of shares outstanding	9,999,883	9,973,312	9,996,544	9,970,470

KP Tissue Inc.
Unaudited Condensed Statements of Cash Flows
(thousands of Canadian dollars)

	3-month period ended June 30, 2025 \$	3-month period ended June 30, 2024 \$	6-month period ended June 30, 2025 \$	6-month period ended June 30, 2024 \$
Cash flows from (used in) operating activities				
Net income	2,571	1,192	4,318	2,323
Items not affecting cash				
Equity income	(2,476)	(1,061)	(4,109)	(1,930)
Dilution gain	(95)	(131)	(209)	(393)
Total items not affecting cash	(2,571)	(1,192)	(4,318)	(2,323)
Decrease in payable to investee	-	(200)	-	(284)
Tax refunds, net	-	200	-	284
Net cash from (used in) operating activities	-	-	-	-
Cash flows from investing activities				
Dividends received, net	1,746	1,744	3,490	3,496
Net cash from investing activities	1,746	1,744	3,490	3,496
Cash flows used in financing activities				
Dividends paid, net	(1,746)	(1,744)	(3,490)	(3,496)
Net cash used in financing activities	(1,746)	(1,744)	(3,490)	(3,496)
Increase (decrease) in cash and cash equivalents during the period	-	-	-	-
Cash and cash equivalents - Beginning of period	-	-	-	-
Cash and cash equivalents - End of period	-	-	-	-