



KP TISSUE INC.

UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE 3-MONTH AND 6-MONTH PERIODS ENDED JUNE 30, 2025
AND JUNE 30, 2024

KP Tissue Inc.

Unaudited Condensed Statements of Financial Position

(tabular amounts are in thousands of Canadian dollars)

	June 30, 2025	December 31, 2024
	\$	\$
Assets		
Current assets		
Dividends receivable	1,800	1,798
	<u>1,800</u>	<u>1,798</u>
Non-current assets		
Investment in associate (note 5)	68,718	69,517
	<u>68,718</u>	<u>69,517</u>
Total assets	<u>70,518</u>	<u>71,315</u>
Liabilities		
Current liabilities		
Dividend payable (note 6)	1,800	1,798
	<u>1,800</u>	<u>1,798</u>
Total liabilities	<u>1,800</u>	<u>1,798</u>
Equity		
Common shares (note 6)	22,870	22,762
Contributed surplus	144,819	144,819
Deficit	(115,830)	(116,673)
Accumulated other comprehensive income	16,859	18,609
	<u>68,718</u>	<u>69,517</u>
Total equity	<u>68,718</u>	<u>69,517</u>
Total liabilities and equity	<u>70,518</u>	<u>71,315</u>
Subsequent events (note 6)		

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

KP Tissue Inc.

Unaudited Condensed Statements of Income and Comprehensive Income

For the 3-month and 6-month periods ended June 30, 2025 and June 30, 2024

(tabular amounts are in 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
Other comprehensive income				
net of income tax expense (recovery)				
Items that will not be reclassified to net income:				
Remeasurements of pensions	482	1,345	96	3,371
Remeasurements of post-retirement benefits	87	32	29	232
Items that may be subsequently reclassified to net income:				
Cumulative translation adjustment	(1,627)	295	(1,750)	1,049
Other comprehensive income (loss)	(1,058)	1,672	(1,625)	4,652
Total comprehensive income	1,513	2,864	2,693	6,975
Basic and diluted 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

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

KP Tissue Inc.

Unaudited Condensed Statements of Changes in Equity

For the 6-month periods ended June 30, 2025 and June 30, 2024

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

	Common shares		Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
	#	\$	\$	\$	\$	\$
As of January 1, 2024	9,963,722	22,560	144,819	(115,027)	16,005	68,357
Issuance of common shares (note 6)	10,495	91	-	-	-	91
Dividends payable (note 6)	-	-	-	(1,795)	-	(1,795)
Dividends paid	-	-	-	(1,794)	-	(1,794)
Fair value adjustment	-	(1)	-	1	-	-
Remeasurements of pensions	-	-	-	3,371	-	3,371
Remeasurements of post-retirement benefits	-	-	-	232	-	232
Cumulative translation adjustment	-	-	-	-	1,049	1,049
Net income	-	-	-	2,323	-	2,323
As of June 30, 2024	<u>9,974,217</u>	<u>22,650</u>	<u>144,819</u>	<u>(112,689)</u>	<u>17,054</u>	<u>71,834</u>

	Common shares		Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
	#	\$	\$	\$	\$	\$
As of January 1, 2025	9,987,547	22,762	144,819	(116,673)	18,609	69,517
Issuance of common shares (note 6)	13,369	107	-	-	-	107
Dividends payable (note 6)	-	-	-	(1,800)	-	(1,800)
Dividends paid	-	-	-	(1,799)	-	(1,799)
Fair value adjustment	-	1	-	(1)	-	-
Remeasurements of pensions	-	-	-	96	-	96
Remeasurements of post-retirement benefits	-	-	-	29	-	29
Cumulative translation adjustment	-	-	-	-	(1,750)	(1,750)
Net income	-	-	-	4,318	-	4,318
As of June 30, 2025	<u>10,000,916</u>	<u>22,870</u>	<u>144,819</u>	<u>(115,830)</u>	<u>16,859</u>	<u>68,718</u>

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

KP Tissue Inc.

Unaudited Condensed Statements of Cash Flows

For the 6-month periods ended June 30, 2025 and June 30, 2024

(tabular amounts are in thousands of Canadian dollars)

	6-month period ended June 30, 2025	6-month period ended June 30, 2024
	\$	\$
Cash flows from operating activities		
Net income	4,318	2,323
Items not affecting cash		
Equity income	(4,109)	(1,930)
Dilution gain	(209)	(393)
Total items not affecting cash	(4,318)	(2,323)
Decrease in payable to investee	-	(284)
Tax refunds, net	-	284
Net cash from operating activities	-	-
Cash flows from investing activities		
Dividends received, net (note 6)	3,490	3,496
Net cash from investing activities	3,490	3,496
Cash flows used in financing activities		
Dividends paid, net (note 6)	(3,490)	(3,496)
Net cash used in financing activities	(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	-	-

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

KP Tissue Inc.

Notes to Unaudited Condensed Financial Statements

For the 3-month and 6-month periods ended June 30, 2025 and June 30, 2024

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

1 General information

KP Tissue Inc. (KPT or the Corporation) was incorporated by articles of incorporation under the Canadian Business Corporations Act on October 1, 2012. As of June 30, 2025, the Corporation held a 12.4% interest in Kruger Products Inc. (Kruger Products). As of December 31, 2024, the Corporation held a 12.7% interest in Kruger Products.

Kruger Products' principal business is to produce, distribute, market and sell a wide range of disposable tissue products, including bathroom tissue, facial tissue, paper towels and napkins for both the consumer and away-from-home markets in North America. The Corporation's headquarters are located in Mississauga, Ontario, Canada.

2 Basis of presentation

These unaudited condensed financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) applicable to the preparation of interim financial statements, including International Accounting Standards (IAS) 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), and with interpretations of the International Financial Reporting Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting. These unaudited condensed financial statements should be read in conjunction with the annual audited financial statements of the Corporation for the year ended December 31, 2024.

These unaudited condensed financial statements were approved by the board of directors on August 12, 2025.

3 Summary of material accounting policies

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

Accounting standard issued but not yet implemented:

- (i) IFRS 18, Presentation and Disclosure in Financial Statements. In April 2024, the IASB issued IFRS 18 to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The mandatory effective date would be for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company is currently assessing the impact of the new standard.
- (ii) Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments. On May 30, 2024, the IASB issued amendments to IFRS Accounting Standards 9 and IFRS Accounting Standards 7 aimed at improving the classification and measurement of financial instruments. The recent amendments simplify financial reporting by allowing earlier recognition of liabilities settled via electronic payments, clarifying the assessment of cash flows for basic lending arrangements, and refining definitions for non-recourse features and linked instruments. The amendments also introduce more detailed disclosure requirements for fair value changes in equity instruments and mandate reporting of terms that could affect cash flow timings or amounts. The amendment will be effective from January 1, 2026 and entities must apply these amendments retrospectively, with earlier adoption permitted. The Company is currently assessing the impact of the amendments.

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Notes to Unaudited Condensed Financial Statements

For the 3-month and 6-month periods ended June 30, 2025 and June 30, 2024

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

4 Critical accounting estimates and judgments

The preparation of these unaudited condensed financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the unaudited condensed financial statements and the disclosure of contingencies at the dates of the unaudited condensed statement of financial position, and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, management reviews its estimates and judgements, including those related to fair value and the basis of accounting. 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 judgement applied by management that most significantly affect the unaudited condensed financial statements are the same as the ones that applied to the annual audited financial statements for the year ended December 31, 2024.

5 Investment in associate

Changes in the carrying amount of the investment were as follows:

	6-month period ended June 30, 2025	6-month period ended June 30, 2024
	\$	\$
Opening balance	69,517	68,162
Increase in investment	107	91
Share of income	4,672	2,499
Depreciation of fair value increments	(563)	(569)
Share of other comprehensive income (loss)	(1,625)	4,652
Dilution gain	209	393
Dividends	(3,599)	(3,589)
Partnership unit refunds	-	139
Closing balance	68,718	71,778

KP Tissue Inc.

Notes to Unaudited Condensed Financial Statements

For the 3-month and 6-month periods ended June 30, 2025 and June 30, 2024

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

The following summarizes financial information about the assets, liabilities, revenue and net income of Kruger Products, in which the Corporation holds a 12.4% interest as of June 30, 2025. The financial information was derived from the unaudited condensed financial statements of Kruger Products for the 6-month period ended June 30, 2025. The assets and liabilities disclosed include the fair value adjustments made to the carrying amount of the assets and liabilities of the associate on its acquisition.

	June 30, 2025		
	Kruger Products basis of accounting	Fair value increment	KPT basis of accounting
	\$	\$	\$
Current assets	618,373	-	618,373
Non-current assets	1,911,396	295,547	2,206,943
Liabilities	1,851,625	-	1,851,625
Net assets	678,144		
		3-month period ended June 30, 2025	6-month period ended June 30, 2025
		\$	\$
Revenue		536,080	1,082,190
Net income attributable to Kruger Products		22,147	37,542
Other comprehensive loss		(7,058)	(10,830)
Total comprehensive income attributable to Kruger Products		15,089	26,712
		December 31, 2024	
	Kruger Products basis of accounting	Fair value increment	KPT basis of accounting
	\$	\$	\$
Current assets	603,439	-	603,439
Non-current assets	1,993,898	301,538	2,295,436
Liabilities	1,935,071	-	1,935,071
Net assets	662,266		
		3-month period ended June 30, 2024	6-month period ended June 30, 2024
		\$	\$
Revenue		509,800	989,232
Net income attributable to Kruger Products		10,592	19,548
Other comprehensive income		13,166	35,890
Total comprehensive income attributable to Kruger Products		23,758	55,438

KP Tissue Inc.

Notes to Unaudited Condensed Financial Statements

For the 3-month and 6-month periods ended June 30, 2025 and June 30, 2024

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

The following shows the reconciliation of KPT's portion of Kruger Products equity to the investment recorded in KPT:

	June 30, 2025	December 31, 2024
	\$	\$
Kruger Products consolidated equity	678,144	662,266
Add back: Inception value of common shares	118,562	118,562
Less: Equity pertaining to Kruger Inc. and KPGP	(648,281)	(632,236)
Equity pertaining to KPT	148,425	148,592
Investment in associate recorded in KPT	68,718	69,517
Reconciling difference	79,707	79,075
Reconciling items since inception:		
Equity issuance costs	(11,110)	(11,110)
Depreciation of fair value increments	62,022	61,459
Currency translation adjustment in fair value increments	(2,881)	(3,159)
Tax Distribution	9,181	9,181
Gain on exercise of overallotment option	(375)	(375)
Dilution gain	(5,130)	(4,921)
Impairment in investment in associate	28,000	28,000
	-	-

With respect to KPT's investment in Kruger Products, the liability of KPT for the debts, liabilities and other obligations of Kruger Products is limited to KPT's capital contribution to Kruger Products.

6 Dividends

During the 6-month periods ended June 30, 2025 and June 30, 2024, the Corporation paid a quarterly dividend of \$0.18 per share to shareholders. Pursuant to the Corporation Dividend Reinvestment Plan (DRIP), a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing common shares. The proceeds were used to acquire additional shares of Kruger Products. The dividends paid, the additional common shares issued at the share price, and the gross proceeds were as follows:

KP Tissue Inc.

Notes to Unaudited Condensed Financial Statements

For the 3-month and 6-month periods ended June 30, 2025 and June 30, 2024

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

2025				
Dividend Payment Date	Dividends paid \$	Share price \$	Issuance of Common shares #	Gross proceeds \$
January 15, 2025	1,798	8.06	6,656	54
April 15, 2025	1,799	7.86	6,713	53
	<u>3,597</u>		<u>13,369</u>	<u>107</u>

2024				
Dividend Payment Date	Dividends paid \$	Share price \$	Issuance of Common shares #	Gross proceeds \$
January 15, 2024	1,793	8.99	4,615	41
April 15, 2024	1,794	8.52	5,880	50
	<u>3,587</u>		<u>10,495</u>	<u>91</u>

Subsequent to June 30, 2025, on July 15, 2025 the Corporation paid a dividend of \$1.8 million to shareholders at \$0.18 per common share. Pursuant to the Corporation DRIP, a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing 7,243 common shares at a price of \$8.87.

Subsequent to June 30, 2025, the Corporation declared a dividend of \$0.18 per common share to shareholders, payable on October 15, 2025.

As a result of the DRIP and Kruger Inc.'s reinvestment of its dividends from Kruger Products in common shares of Kruger Products, a dilution gain of \$0.2 million was recorded during the 6-month period ended June 30, 2025 (6-month period ended June 30, 2024 - \$0.4 million).

7 Economic dependence

The Corporation 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 in an associate using the equity method of accounting. As such, the Corporation is economically dependent on Kruger Products and exposed to all the risks associated with the business of Kruger Products, including, but not limited to, liquidity risk.