



NEWS RELEASE
For immediate release

KP Tissue Releases First Quarter 2025 Financial Results
Strong performance despite volatile economic environment

Mississauga (ON), May 14, 2025 - KP Tissue Inc. (KPT) (TSX: KPT) reports the Q1 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 12.3% interest in Kruger Products.

Kruger Products Q1 2025 Business and Financial Highlights

- Revenue was \$546.1 million in Q1 2025 compared to \$479.4 million in Q1 2024, an increase of \$66.7 million or 13.9%.
- Adjusted EBITDA¹ was \$75.8 million in Q1 2025 compared to \$67.1 million in Q1 2024, an increase of 12.9%.
- Net income was \$15.4 million in Q1 2025 compared to net income of \$9.0 million in Q1 2024, an increase of \$6.4 million.
- Declared a quarterly dividend of \$0.18 per share to be paid on July 15, 2025.

"We are pleased with our strong first-quarter results, especially considering the uncertain and volatile economic environment," stated KP Tissue's Chief Executive Officer, Dino Bianco. "Adjusted EBITDA reached \$75.8 million in the quarter on revenue that increased nearly 14% year-over-year. Revenue for the Consumer segment was driven by higher sales volume in Canada and in the U.S., and improved pricing. Our Away-from-Home business, which has been rebranded Kruger PRO, also generated higher sales volume than the same period last year, although profitability was unfavourably impacted by freight costs, warehousing costs and the purchase of external products. We expect that our newly deployed LDC paper machine in Sherbrooke will essentially meet all in-house paper requirements beginning in the second quarter of 2025. The LDC paper machine and new facial tissue converting line, part of the overall Sherbrooke Expansion Project, have exceeded start-up expectations, while TAD paper machine and converting output remains strong year-over-year."

"Given the changing tariff announcements affecting North America, the impact to our business in the first quarter was not significant. We continue to closely monitor the impact of potential tariffs on our business and have developed contingency plans to mitigate any financial risk," Mr. Bianco added.

Outlook for Q2 2025

Assuming a similar tariff environment, we expect Q2 2025 Adjusted EBITDA¹ to be in the range of \$70 million to \$75 million.

Kruger Products Q1 2025 Financial Results

Revenue was \$546.1 million in Q1 2025 compared to \$479.4 million in Q1 2024, an increase of \$66.7 million or 13.9%. The increase in revenue was primarily due to higher sales volume in the Consumer segment and favourable selling prices across both segments. Revenue was also favourably impacted by foreign exchange fluctuations on U.S. dollar sales.

Cost of sales was \$451.0 million in Q1 2025 compared to \$394.0 million in Q1 2024, an increase of \$57.0 million or 14.5%. 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, partially offset by lower manufacturing overhead costs due primarily to overhead cost absorption resulting from higher inventory levels in the quarter. Freight costs were higher compared to Q1 2024, including the impact of tariffs, while warehousing costs increased as a result of handling costs related to higher sales volume. As a percentage of revenue, cost of sales was 82.6% in Q1 2025 compared to 82.2% in Q1 2024.

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

Selling, general and administrative (SG&A) expenses were \$51.2 million in Q1 2025 compared to \$44.1 million in Q1 2024, an increase of \$7.1 million or 16.1%. The increase was primarily due to additional investment in advertising and promotion and IT, along with additional headcount costs to support growth, resulting in lower consulting costs, and higher selling expense related to sales volume, partially offset by lower operational and corporate initiatives compared to the year ago quarter and lower bad debt expenses. As a percentage of revenue, SG&A expenses were 9.4% in Q1 2025 compared to 9.2% in Q1 2024.

Adjusted EBITDA¹ was \$75.8 million in Q1 2025 compared to \$67.1 million in Q1 2024, an increase of \$8.7 million or 12.9%. 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 freight costs as described above, and warehousing and SG&A expenses.

Net income was \$15.4 million in Q1 2025 compared to \$9.0 million in Q1 2024, an increase of \$6.4 million. The increase was primarily due to a higher foreign exchange gain and higher Adjusted EBITDA¹, partially offset by higher depreciation expense and higher interest expense and other finance costs.

Kruger Products Q1 2025 Liquidity

Total liquidity, representing cash and availability under the revolving credit agreements, was \$356.8 million as of March 31, 2025. In addition, \$4.4 million of cash was held for the Sherbrooke Expansion Project.

KPT Q1 2025 Financial Results

KPT had net income of \$1.7 million in Q1 2025. Included in the net income was \$1.9 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.

Dividends on Common Shares

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

Additional Information

For additional information please refer to Management's Discussion and Analysis (MD&A) of KPT and Kruger Products for the first quarter ended March 31, 2025 available on SEDAR+ at www.sedarplus.ca or our website at www.kptissueinc.com.

First Quarter Results Conference Call Information

KPT will hold its first quarter conference call on Wednesday, May 14, 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, May 21, 2025 by dialing 1-888-660-6345 or 289-819-1450 and entering passcode 89122.

The replay of the webcast will remain available on the website until midnight, May 21, 2025.

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 12.3% interest in Kruger Products. For more information visit www.kptissueinc.com.

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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 2,800 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 Q2 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 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;

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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.

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

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

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

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

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

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

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

	3-month period ended March 31, 2025 \$	3-month period ended March 31, 2024 \$
<i>Segment Information</i>		
Segment Revenue		
Consumer	465,190	404,289
AFH	80,920	75,143
Revenue from external customers	<u>546,110</u>	<u>479,432</u>
Other segment items		
Consumer	389,137	341,627
AFH	78,131	67,373
Corporate and other costs	3,074	3,345
Total other segment items	<u>470,342</u>	<u>412,345</u>
Adjusted EBITDA		
Consumer	76,053	62,662
AFH	2,789	7,770
Corporate and other costs	(3,074)	(3,345)
Total Adjusted EBITDA	75,768	67,087
Reconciliation to net income:		
Depreciation and amortization	31,861	25,516
Interest expense and other finance costs	20,951	16,280
Loss (gain) on sale of property, plant and equipment	(5)	271
Loss on sale of non-financial assets	-	12
Change in amortized cost of Partnership unit liability	-	(881)
Restructuring costs, net	-	216
Foreign exchange loss (gain)	(343)	9,355
Income before income taxes	23,304	16,318
Income tax expense	6,425	6,240
Net income including non-controlling interest	<u>16,879</u>	<u>10,078</u>
<i>Geographic Revenue</i>		
Canada	286,522	266,172
US	259,588	213,260
Total revenue	<u>546,110</u>	<u>479,432</u>

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

	March 31, 2025	December 31, 2024
	\$	\$
Assets		
Current assets		
Dividends receivable	1,799	1,798
	1,799	1,798
Non-current assets		
Investment in associate	68,952	69,517
Total assets	<u>70,751</u>	<u>71,315</u>
Liabilities		
Current liabilities		
Dividend payable	1,799	1,798
Total liabilities	<u>1,799</u>	<u>1,798</u>
Equity		
Common shares	22,816	22,762
Contributed surplus	144,819	144,819
Deficit	(117,169)	(116,673)
Accumulated other comprehensive income	18,486	18,609
Total equity	<u>68,952</u>	<u>69,517</u>
Total liabilities and equity	<u>70,751</u>	<u>71,315</u>

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

	3-month period ended March 31, 2025	3-month period ended March 31, 2024
	\$	\$
Share of income	1,917	1,155
Depreciation of fair value increments	(284)	(286)
Equity income	1,633	869
Dilution gain	114	262
Net income	<u>1,747</u>	<u>1,131</u>
Basic earnings per share	<u>0.17</u>	<u>0.11</u>
Weighted average number of shares outstanding	<u>9,993,168</u>	<u>9,967,627</u>

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

	3-month period ended March 31, 2025 \$	3-month period ended March 31, 2024 \$
Cash flows from (used in) operating activities		
Net income	1,747	1,131
Items not affecting cash		
Equity income	(1,633)	(869)
Dilution gain	(114)	(262)
Total items not affecting cash	(1,747)	(1,131)
Decrease in payable to investee	-	(84)
Tax refunds, net	-	84
Net cash from (used in) operating activities	-	-
Cash flows from investing activities		
Dividends received, net	1,744	1,752
Net cash from investing activities	1,744	1,752
Cash flows used in financing activities		
Dividends paid, net	(1,744)	(1,752)
Net cash used in financing activities	(1,744)	(1,752)
Increase (decrease) in cash and cash equivalents during the period	-	-
Cash and cash equivalents - Beginning of period	-	-
Cash and cash equivalents - End of period	-	-