



KRUGER PRODUCTS INC.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE 3-MONTH PERIODS ENDED MARCH 31, 2026
AND MARCH 31, 2025**

Kruger Products Inc.

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Kruger Products Inc.

Unaudited Condensed Consolidated Statements of Financial Position

(tabular amounts are in thousands of Canadian dollars)

| | Note | March 31, 2026 \$ | December 31, 2025 \$ |
|---|------|----------------------|-------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 205,913 | 196,094 |
| Restricted cash | 6 | 48,186 | 46,070 |
| Trade and other receivables | | 129,499 | 143,313 |
| Receivables from related parties | 8 | 79 | 79 |
| Inventories | | 294,224 | 284,183 |
| Income tax recoverable | | 2,841 | 2,963 |
| Prepaid expenses | | 9,928 | 5,381 |
| | | 690,670 | 678,083 |
| Non-current assets | | | |
| Property, plant and equipment | | 1,430,714 | 1,430,206 |
| Right-of-use assets | | 143,763 | 152,243 |
| Other long-term assets | | 357 | — |
| Pensions | 5 | 93,654 | 91,118 |
| Goodwill | | 152,021 | 152,021 |
| Intangible assets | | 38,914 | 40,362 |
| Deferred income taxes | | 50,866 | 64,671 |
| Total assets | | 2,600,959 | 2,608,704 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 343,192 | 350,831 |
| Payables to related parties | 8 | 10,916 | 13,441 |
| Dividends payable | 8 | 14,923 | 14,853 |
| Current portion of long-term debt | 6 | 110,088 | 98,649 |
| Current portion of lease liabilities | | 44,255 | 43,576 |
| Current portion of long-term payable to related party | 8 | 5,800 | 5,800 |
| Current portion of provisions | | 7,206 | 7,283 |
| | | 536,380 | 534,433 |
| Non-current liabilities | | | |
| Long-term debt | 6 | 1,057,951 | 1,074,148 |
| Long-term lease liabilities | | 131,357 | 139,694 |
| Long-term payable to related party | 8 | 28,531 | 28,064 |
| Long-term provisions | | 14,146 | 12,602 |
| Pensions | 5 | 17,471 | 17,745 |
| Post-retirement benefits | 5 | 47,960 | 48,333 |
| Deferred income taxes | | 43,960 | 47,140 |
| Total liabilities | | 1,877,756 | 1,902,159 |
| Equity | | | |
| Share capital | | 338,465 | 334,479 |
| Contributed surplus | | 395,382 | 395,382 |
| Deficit | | (143,658) | (151,965) |
| Accumulated other comprehensive income | | 92,473 | 89,343 |
| Equity attributable to Kruger Products | | 682,662 | 667,239 |
| Non-controlling interest | 6 | 40,541 | 39,306 |
| Total equity | | 723,203 | 706,545 |
| Total liabilities and equity | | 2,600,959 | 2,608,704 |

Subsequent events

6, 8

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

Kruger Products Inc.
Unaudited Condensed Consolidated Statements of Income
For the 3-month periods ended March 31, 2026 and March 31, 2025

(tabular amounts are in thousands of Canadian dollars)

| | Note | 3-month period ended March 31, 2026 \$ | 3-month period ended March 31, 2025 \$ |
|--|------|---|---|
| Revenue | 8 | 544,646 | 546,110 |
| Expenses | | | |
| Cost of sales | 8 | 436,873 | 450,983 |
| Selling, general and administrative expenses | 8 | 51,235 | 51,215 |
| Operating income | | 56,538 | 43,912 |
| Interest expense and other finance costs | | 19,611 | 20,951 |
| Other expense (income) | | 5,268 | (343) |
| Income before income taxes | | 31,659 | 23,304 |
| Current tax expense | | 391 | 730 |
| Deferred tax expense | | 10,261 | 5,695 |
| Income tax expense | 7 | 10,652 | 6,425 |
| Net income including non-controlling interest | | 21,007 | 16,879 |
| Net income attributable to non-controlling interest | 6 | 1,235 | 1,484 |
| Net income attributable to Kruger Products | | 19,772 | 15,395 |

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

Kruger Products Inc.

Unaudited Condensed Consolidated Statements of Comprehensive Income

For the 3-month periods ended March 31, 2026 and March 31, 2025

(tabular amounts are in thousands of Canadian dollars)

| | 3-month period ended March 31, 2026 \$ | 3-month period ended March 31, 2025 \$ |
|--|---|---|
| Net income including non-controlling interest | 21,007 | 16,879 |
| Other comprehensive income (loss) | | |
| Items that will not be reclassified to net income: | | |
| Remeasurements of pensions | 2,734 | (3,100) |
| Remeasurements of post-retirement benefits | 724 | (467) |
| Items that may be subsequently reclassified to net income: | | |
| Cumulative translation adjustment | 3,130 | (205) |
| Other comprehensive income (loss) | 6,588 | (3,772) |
| Total comprehensive income including non-controlling interest | 27,595 | 13,107 |
| Total comprehensive income attributable to non-controlling interest | 1,235 | 1,484 |
| Total comprehensive income attributable to Kruger Products | 26,360 | 11,623 |

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

Kruger Products Inc.
Unaudited Condensed Consolidated Statements of Changes in Equity
For the 3-month periods ended March 31, 2026 and March 31, 2025

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

| | Note | # | Share capital \$ | Contributed surplus \$ | Deficit \$ | Accumulated other comprehensive income \$ | Non- controlling interest (note 6) \$ | Total equity \$ |
|--|------|-------------------|---------------------|------------------------------|------------------|---|---|--------------------|
| As of January 1, 2026 | | 82,517,486 | 334,479 | 395,382 | (151,965) | 89,343 | 39,306 | 706,545 |
| Dividends payable | 8 | — | — | — | (14,923) | — | — | (14,923) |
| Change in actuarial gain on pension | | — | — | — | 2,734 | — | — | 2,734 |
| Change in actuarial gain on post-retirement benefits | | — | — | — | 724 | — | — | 724 |
| Cumulative translation adjustment | | — | — | — | — | 3,130 | — | 3,130 |
| Net income | | — | — | — | 19,772 | — | 1,235 | 21,007 |
| Issuance of common shares | 8 | 390,408 | 3,986 | — | — | — | — | 3,986 |
| As of March 31, 2026 | | 82,907,894 | 338,465 | 395,382 | (143,658) | 92,473 | 40,541 | 723,203 |

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

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

Kruger Products Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
For the 3-month periods ended March 31, 2026 and March 31, 2025

(tabular amounts are in thousands of Canadian dollars)

| | Note | 3-month period ended March 31, 2026 \$ | 3-month period ended March 31, 2025 \$ |
|--|------|---|---|
| Cash flows from (used in) operating activities | | | |
| Net income including non-controlling interest | | 21,007 | 16,879 |
| Items not affecting cash | | | |
| Depreciation | | 28,790 | 29,889 |
| Amortization | | 1,601 | 1,972 |
| Loss (gain) on sale of property, plant and equipment | | 1 | (5) |
| Loss on disposal of leased assets | | 1 | — |
| Foreign exchange loss (gain) | | 5,268 | (343) |
| Interest expense and other finance costs | | 19,611 | 20,951 |
| Pension and post-retirement benefits | 5 | 2,665 | 2,745 |
| Provisions | | 1,233 | 2,864 |
| Income tax expense | | 10,652 | 6,425 |
| Total items not affecting cash | | 69,822 | 64,498 |
| Net change in non-cash working capital | 11 | (16,255) | (25,056) |
| Contributions to pension and post-retirement benefit plans | 5 | (971) | (1,009) |
| Income tax payments, net | | (260) | 654 |
| Net cash from operating activities | | 73,343 | 55,966 |
| Cash flows from (used in) investing activities | | | |
| Purchases of property, plant and equipment | | (15,209) | (2,145) |
| Purchases of property, plant and equipment related to the Sherbrooke Expansion Project | | (644) | (15,386) |
| Government assistance received | | — | 3,150 |
| (Purchases) transfer of software | | (156) | 40 |
| Proceeds on sale of property, plant and equipment | | (1) | — |
| Net cash used in investing activities | | (16,010) | (14,341) |
| Cash flows from (used in) financing activities | | | |
| Proceeds from long-term debt | 12 | — | 22,188 |
| Repayment of long-term debt | | (16,276) | (9,998) |
| Payment of deferred financing fees | | (655) | (32) |
| Payment of lease liabilities | | (10,446) | (9,023) |
| Change in restricted cash | | (2,116) | (1,989) |
| Interest paid on long-term debt | | (7,853) | (12,426) |
| Dividends paid | 8 | (14,853) | (14,308) |
| Proceeds from issuing partnership units | 8 | 3,986 | 6,308 |
| Net cash used in financing activities | | (48,213) | (19,280) |
| Effect of exchange rate changes on cash and cash equivalents held in foreign currency | | 699 | (27) |
| Increase in cash and cash equivalents during the period | | 9,819 | 22,318 |
| Cash and cash equivalents - Beginning of period | | 196,094 | 119,460 |
| Cash and cash equivalents - End of period | | 205,913 | 141,778 |

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

Kruger Products Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

For the 3-month periods ended March 31, 2026 and March 31, 2025

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

1 GENERAL INFORMATION

Kruger Products Inc. (Kruger Products or the Company) operates as a corporation registered in the Province of Quebec, Canada whose shareholders are 13582141 Canada Inc. (ultimate parent and a wholly-owned subsidiary of Kruger Inc., through which it holds Kruger Products shares), KPGP Inc. (KPGP) and KP Tissue Inc. (KPT). Kruger Products manufactures, sells and distributes tissue products for household, industrial and commercial use. The Company has plants in New Westminster, British Columbia; Crabtree, Sherbrooke and Gatineau Quebec; Scarborough and Trenton, Ontario and Memphis, Tennessee. The Company's headquarters are located in Mississauga, Ontario, Canada.

2 BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34 - Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), and with interpretations of the International Financial Reporting Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting. These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2025.

Effective January 1, 2026, KPSB completed a corporation reorganization, pursuant to which it transferred substantially all properties, operations, assets and liabilities to a limited partnership and now operates business under the name KP Sherbrooke LP (KPS LP). The reorganization did not impact the financial position or results of operations for the period ended March 31, 2026.

These unaudited condensed consolidated financial statements were approved by the board of directors of Kruger Products on May 13, 2026.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these unaudited condensed consolidated financial statements were disclosed in the annual audited consolidated financial statements of the Company for the year ended December 31, 2025 and have been applied to all periods presented.

Accounting standard implemented effective January 1, 2026

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 amendments are effective for periods beginning on or after January 1, 2026 and adoption of these amendments did not have a material effect on the Company's condensed interim consolidated financial statements. For financial liabilities settled in cash using an electronic payment system, the election was applied to deem these financial liabilities to be discharged before the settlement date. The amendments have been applied retrospectively with no restatement of comparative information, in accordance with transition requirements on initial application of IFRS9.

Kruger Products Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
For the 3-month periods ended March 31, 2026 and March 31, 2025

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

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 unaudited condensed 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these unaudited condensed consolidated financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the unaudited condensed consolidated financial statements and the disclosure of contingencies at the dates of the unaudited condensed consolidated statements of financial position, and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, management reviews its estimates. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they occur. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and the future periods if the revision affects both current and future periods. The estimates and judgement applied by management that most significantly affect the unaudited condensed consolidated financial statements are the same as the ones that applied to the audited consolidated financial statements of the Company for the year ended December 31, 2025.

5 PENSIONS AND POST-RETIREMENT BENEFITS

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

| | Pensions | | Post-retirement benefit plans | |
|--|----------------|-------------------|-------------------------------|-------------------|
| | March 31, 2026 | December 31, 2025 | March 31, 2026 | December 31, 2025 |
| | % | % | % | % |
| Assumptions | | | | |
| Discount rate - accrued benefit obligation | 5.02 | 4.86 | 5.02 | 4.86 |
| Rate of compensation increases | 3.25 - 4.00 | 3.25 - 4.00 | | |

Kruger Products Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
For the 3-month periods ended March 31, 2026 and March 31, 2025

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

The net benefit pension plan expense included the following components:

| | Pensions | | Post-retirement benefit plans | |
|---------------------------------|----------------------|----------------------|-------------------------------|----------------------|
| | 3-month period ended | 3-month period ended | 3-month period ended | 3-month period ended |
| | March 31, 2026 | March 31, 2025 | March 31, 2026 | March 31, 2025 |
| | \$ | \$ | \$ | \$ |
| Net benefit plan expense | | | | |
| Current service cost | 1,920 | 2,024 | 539 | 530 |
| Interest cost | 6,300 | 6,385 | 575 | 540 |
| Asset ceiling interest cost | 129 | 128 | — | — |
| Expected return on plan assets | (7,173) | (7,264) | — | — |
| Administrative cost | 206 | 191 | — | — |
| | 1,382 | 1,464 | 1,114 | 1,070 |

6 LONG-TERM DEBT

| | Weighted average interest rate as of | | March 31, 2026 | December 31, 2025 |
|--|--------------------------------------|----------|------------------|-------------------|
| | March 31, 2026 | Maturity | \$ | \$ |
| Kruger Products Senior Credit Facility | — % | 2026 | (721) | (498) |
| Senior Unsecured Notes due April 9, 2029 | 5.375 % | 2029 | 133,742 | 133,651 |
| Senior Unsecured Notes due November 1, 2031 | 6.625 % | 2031 | 132,451 | 132,347 |
| Senior Unsecured Notes due December 10, 2032 | 6.250 % | 2032 | 161,392 | 161,459 |
| AgCredit - Term A Credit Facility | 4.82 % | 2036 | 183,869 | 184,003 |
| AgCredit - Term B Credit Facility | 5.04 % | 2037 | 246,058 | 243,053 |
| AgCredit - Term D Credit Facility | 6.07 % | 2032 | 99,677 | 97,934 |
| KPSB IQ Debenture | 2.00 % | 2034 | 64,418 | 63,754 |
| KPSI IQ Debenture | 3.00 % | 2028 | 42,122 | 45,960 |
| IQ Bathroom Tissue Loan | 2.00 % | 2032 | 38,204 | 39,438 |
| IQ Facial Tissue Loan | 2.00 % | 2033 | 33,340 | 34,297 |
| Nordea2 Credit Facility | 3.74 % | 2029 | 27,317 | 30,754 |
| IQ Gatineau Loan | 6.50 % | 2034 | 6,170 | 6,162 |
| Ontario Loan | 2.40 % | 2026 | — | 483 |
| | | | 1,168,039 | 1,172,797 |
| AgCredit - Term A Credit Facility | | | 13,369 | 12,989 |
| AgCredit - Term B Credit Facility | | | 18,060 | 14,510 |
| AgCredit - Term D Credit Facility | | | 36,668 | 31,274 |
| KPSB IQ Debenture | | | 4,929 | 2,465 |
| KPSI IQ Debenture | | | 16,689 | 16,689 |
| IQ Bathroom Tissue Loan | | | 6,836 | 6,836 |
| IQ Facial Tissue Loan | | | 5,549 | 5,548 |
| Nordea2 Credit Facility | | | 7,988 | 7,855 |
| Ontario Loan | | | — | 483 |
| Less: Current portion of long-term debt | | | 110,088 | 98,649 |
| Long-term debt | | | 1,057,951 | 1,074,148 |

Amounts are net of deferred financing fees.

Kruger Products Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

For the 3-month periods ended March 31, 2026 and March 31, 2025

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

Fair value of Long-term debt and discount rates are disclosed in note 10, Financial instruments, Fair value.

Certain of the Company's debt agreements require the Company to comply with financial and restrictive covenants on a quarterly basis. As of March 31, 2026, the Company was in compliance with all of its financial and restrictive covenants under its outstanding debt agreements. As a result, the Company has classified those loan arrangements subject to covenant compliance and due beyond twelve months of the reporting date as non-current liabilities in the unaudited condensed consolidated statement of financial position.

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 3, 2026, AgCredit provided consent for the Company's future investment in the TAD 3 project, approximately USD \$15 million cash was moved from the blocked account to the operating account and therefore no mandatory prepayment obligation was triggered under the Term D Credit Facility in connection with excess cash flow.

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 \$4.5 million for 3-month period ended March 31, 2026. As of March 31, 2026, Kruger Inc. held a 11.7% non-controlling interest directly in KPSI (March 31, 2025 – 12.9%). As a result, a non-controlling interest of \$40.5 million was recorded in the unaudited condensed consolidated statement of financial position (December 31, 2025 – \$39.3 million).

7 INCOME TAXES

The estimated effective weighted average annual income tax rate for the 3-month period ended March 31, 2026 was 33.6% (3-month period ended March 31, 2025 – 27.6%).

Kruger Products Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

For the 3-month periods ended March 31, 2026 and March 31, 2025

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

8 RELATED PARTY TRANSACTIONS

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

| | 3-month period ended March 31, 2026 | 3-month period ended March 31, 2025 |
|--|---|---|
| | \$ | \$ |
| Sales of goods to Kruger Inc. | 6 | 55 |
| Sales of goods to subsidiaries of Kruger Inc. | 262 | 371 |
| Purchases of goods from Kruger Inc. | 150 | 410 |
| Purchases of goods and services from subsidiaries of Kruger Inc. | 18,257 | 21,697 |
| Management fee to Kruger Inc. | 2,756 | 2,687 |

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

| | March 31, 2026 | December 31, 2025 |
|---|----------------|-------------------|
| | \$ | \$ |
| Receivables from Kruger Inc. | 46 | 12 |
| Receivables from subsidiaries of Kruger Inc. | 33 | 67 |
| Total receivables from related parties | 79 | 79 |
| Payables to Kruger Inc. | 5,908 | 8,105 |
| Payables to subsidiaries of Kruger Inc. | 5,008 | 5,336 |
| Total payables to related parties | 10,916 | 13,441 |

Long-term payable to KBLP

As of March 31, 2026, obligations of \$5.8 million and \$28.5 million were recorded in the unaudited condensed consolidated statement of financial position as the Current and Long-term portions of the Long-term payable to related party, respectively (December 31, 2025 - \$5.8 million and \$28.1 million, respectively).

During the 3-month period ended March 31, 2026, the increase in the obligation due to passage of time was \$0.5 million (3-month period ended March 31, 2025 – \$0.5 million) and was recognized as Interest expense and other finance costs in the unaudited condensed consolidated statements of income.

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

| | March 31, 2026 | December 31, 2025 |
|--------------------------------|----------------|-------------------|
| | \$ | \$ |
| Payable to Kruger Inc. | 13,118 | 13,049 |
| Payable to KPGP | 1 | 1 |
| Payable to KPT | 1,804 | 1,803 |
| Total dividends payable | 14,923 | 14,853 |

Kruger Products Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
For the 3-month periods ended March 31, 2026 and March 31, 2025

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

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:

| Dividend Payment Date | 3-month period ended March 31, 2026 | | | | |
|-----------------------|-------------------------------------|-----------|-------------------|-----------------------------------|----------------------|
| | Dividends \$ | DRIP % | Share price \$ | Issuance of common shares # | Gross proceeds \$ |
| January 15, 2026 | | | | | |
| Kruger Inc. | 13,050 | 30 % | 10.21 | 383,436 | 3,915 |
| KPT | 1,803 | 4 % | 10.21 | 6,972 | 71 |
| | 14,853 | | | 390,408 | 3,986 |

| Dividend Payment Date | 3-month period ended March 31, 2025 | | | | |
|-----------------------|-------------------------------------|-----------|-------------------|-----------------------------------|----------------------|
| | Dividends \$ | DRIP % | Share price \$ | Issuance of common shares # | Gross proceeds \$ |
| January 15, 2025 | | | | | |
| Kruger Inc. | 12,510 | 50 % | 8.06 | 776,041 | 6,255 |
| KPT | 1,798 | 3 % | 8.06 | 6,656 | 53 |
| | 14,308 | | | 782,697 | 6,308 |

Subsequent to March 31, 2026, on April 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 360,252 common shares at a price of \$11.27.

Subsequent to March 31, 2026, the Company declared a dividend of \$15.3 million, payable on July 15, 2026.

9 SEGMENT INFORMATION

Reportable segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer who is considered to be the Chief Operating Decision Maker. The Company operates in two industry segments: Consumer and Away-From-Home (AFH).

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.

Kruger Products Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
For the 3-month periods ended March 31, 2026 and March 31, 2025

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

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) and (viii) costs related to restructuring activities. The unaudited condensed consolidated financial statements refer to “Adjusted EBITDA”, a measure which does not have a standardized meaning prescribed by IFRS Accounting Standards and therefore may not be comparable to similarly titled measures presented by other companies. “Consumer Segment Adjusted EBITDA” and “AFH Segment Adjusted EBITDA” means in each case the Segment operating income for the respective reportable segment of the Company.

Corporate and other costs

Corporate and other costs include certain management overhead costs not directly attributable to the business segments.

The Company’s assets, operations and employees are located primarily in Canada and the United States. The same long-term assets of the Company are used for the Consumer and AFH segments. Accordingly, assets cannot be allocated to these segments.

| | 3-month period ended March 31, 2026 \$ | 3-month period ended March 31, 2025 \$ |
|--|---|---|
| Segment Revenue | | |
| Consumer | 461,728 | 465,190 |
| AFH | 82,918 | 80,920 |
| Revenue from external customers | 544,646 | 546,110 |
| Other segment items ^(a) | | |
| Consumer | 377,794 | 389,137 |
| AFH | 76,602 | 78,131 |
| Corporate and other costs | 3,320 | 3,074 |
| Total other segment items | 457,716 | 470,342 |
| Adjusted EBITDA | | |
| Consumer | 83,934 | 76,053 |
| AFH | 6,316 | 2,789 |
| Corporate and other costs | (3,320) | (3,074) |
| Total Adjusted EBITDA | 86,930 | 75,768 |
| Reconciliation to net income (loss) | | |
| Depreciation and amortization | 30,391 | 31,861 |
| Interest expense and other finance costs | 19,611 | 20,951 |
| Loss (gain) on disposal of property, plant and equipment | 1 | (5) |
| Foreign exchange loss (gain) | 5,268 | (343) |
| Income before income taxes | 31,659 | 23,304 |
| Income tax expense | 10,652 | 6,425 |
| Net income including non-controlling interest | 21,007 | 16,879 |

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- (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).

Geographic segments

The Company has generated revenue in Canada and the United States. Revenue and assets were allocated based on the location of the customer and long-term assets, respectively.

| | 3-month period ended March 31, 2026 | 3-month period ended March 31, 2025 |
|---------|---|---|
| Revenue | \$ | \$ |
| Canada | 288,954 | 286,522 |
| US | 255,692 | 259,588 |
| | 544,646 | 546,110 |

| | Canada | US | March 31, 2026 Total |
|-------------------------------|-----------|---------|-------------------------|
| | \$ | \$ | \$ |
| Revenue | 288,954 | 255,692 | 544,646 |
| Property, plant and equipment | 1,132,506 | 298,208 | 1,430,714 |
| Goodwill | 152,021 | — | 152,021 |
| Intangible assets | 38,914 | — | 38,914 |

| | Canada | US | December 31, 2025 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 |

10 FINANCIAL INSTRUMENTS

Classification of financial instruments

As of March 31, 2026 and December 31, 2025, 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 unaudited condensed consolidated statements of income and comprehensive income. The valuation methodology used is categorized as a Level 2 methodology.

The interest rates on the Kruger Products Senior Credit Facility, the 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 | March 31, 2026 | December 31, 2025 |
|--|---------------|------------------|-------------------|
| | | \$ | \$ |
| 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 | 165,000 |
| AgCredit - Term A Credit Facility | — % | 184,120 | 184,259 |
| AgCredit - Term B Credit Facility | — % | 248,737 | 245,842 |
| AgCredit - Term D Credit Facility | — % | 100,202 | 98,527 |
| KPSB IQ Debenture | 6.7 % | 78,048 | 78,048 |
| KPSI IQ Debenture | 6.1 % | 42,179 | 46,028 |
| IQ Bathroom Tissue Loan | 7.3 % | 45,006 | 46,715 |
| IQ Facial Tissue Loan | 7.6 % | 40,226 | 41,613 |
| Nordea2 Credit Facility | — % | 27,959 | 31,419 |
| IQ Loan Gatineau | — % | 6,326 | 6,326 |
| Ontario Loan | 4.4 % | — | 483 |
| | | 1,207,803 | 1,214,260 |

Amounts exclude deferred financing fees.

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11 NON-CASH WORKING CAPITAL

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

| | 3-month period ended March 31, 2026 | 3-month period ended March 31, 2025 |
|--|---|---|
| <i>Assets - decrease (increase)</i> | | |
| <i>Liabilities - increase (decrease)</i> | \$ | \$ |
| Trade other receivables | 13,877 | 4,778 |
| Receivables from related parties | — | (17) |
| Inventories | (8,642) | (19,842) |
| Prepaid expenses | (4,401) | (13,725) |
| Income taxes | 23 | 49 |
| Trade and other payables | (14,588) | (16,634) |
| Payables to related parties | (2,524) | 20,335 |
| | (16,255) | (25,056) |

12 CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES

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

| | 3-month period ended March 31, 2026 | 3-month period ended March 31, 2025 |
|---|---|---|
| | \$ | \$ |
| Long-term debt (including current portion) | | |
| Opening balance | 1,172,797 | 1,234,656 |
| Proceeds from long-term debt | — | 22,188 |
| Repayment of long-term debt | (16,276) | (9,998) |
| Reclassification of deferred financing fees and other | (403) | (553) |
| Interest expense and other finance costs | 2,604 | 2,024 |
| Payment of deferred financing fees | (128) | (32) |
| Foreign exchange loss (gain) | 6,317 | (359) |
| Cumulative translation adjustment | 3,128 | (178) |
| Closing balance | 1,168,039 | 1,247,748 |
| Lease liabilities (including current portion) | | |
| Opening balance | 183,270 | 205,719 |
| Payment of lease liabilities | (10,446) | (9,023) |
| Additions | 313 | 1,646 |
| Lease terminations | — | (3,195) |
| Reclassification | (42) | 811 |
| Interest expense | 2,487 | 2,900 |
| Cumulative translation adjustment | 30 | — |
| Closing balance | 175,612 | 198,858 |