KP Tissue Inc.

KP TISSUE INC.

UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE 3-MONTH AND 9-MONTH PERIODS ENDED SEPTEMBER 30, 2025 AND SEPTEMBER 30, 2024

KP Tissue Inc.

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KP Tissue Inc.
Unaudited Condensed Statements of Financial Position

(tabular amounts are in thousands of Canadian dollars)

	Note	September 30, 2025 $	December 31, 2024 $
Assets			
Current assets			
Dividends receivable		1,801	1,798
		1,801	1,798
Non-current assets			
Investment in associate	5	69,500	69,517
Total assets		**71,301**	**71,315**
Liabilities			
Current liabilities			
Dividend payable	6	1,801	1,798
Total liabilities		**1,801**	**1,798**
Equity			
Common Shares	6	22,934	22,762
Contributed surplus		144,819	144,819
Deficit		(115,635)	(116,673)
Accumulated other comprehensive income		17,382	18,609
Total equity		**69,500**	**69,517**
Total liabilities and equity		**71,301**	**71,315**

Subsequent events	6		

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

KP Tissue Inc.

Unaudited Condensed Statements of Income and Other Comprehensive Income (Loss)

For the 3-month and 9-month periods ended September 30, 2025 and September 30, 2024

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

	Note	3-month period ended September 30, 2025 $	3-month period ended September 30, 2024 $	9-month period ended September 30, 2025 $	9-month period ended September 30, 2024 $
Share of income		1,700	2,259	6,372	4,758
Depreciation of fair value increments		(264)	(278)	(827)	(847)
Equity income		**1,436**	**1,981**	**5,545**	**3,911**
Dilution gain		114	107	323	500
Net income		**1,550**	**2,088**	**5,868**	**4,411**
Other comprehensive income (loss) net of income tax expense (recovery)					
Items that will not be reclassified to net income:					
Remeasurements of pensions		441	(786)	537	2,585
Remeasurements of post-retirement benefits		5	(215)	34	17
Items that may be subsequently reclassified to net income:					
Cumulative translation adjustment		523	(474)	(1,227)	575
Other comprehensive income (loss)		**969**	**(1,475)**	**(656)**	**3,177**
Total comprehensive income		**2,519**	**613**	**5,212**	**7,588**
Basic and diluted earnings per share		**0.15**	**0.21**	**0.59**	**0.44**
Weighted average number of shares outstanding		**10,007,057**	**9,979,383**	**10,000,087**	**9,973,463**

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 9-month periods ended September 30, 2025 and September 30, 2024

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

	Note		Share capital	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	6	20,612	170	—	—	—	170
Dividends payable	6	—	—	—	(1,801)	—	(1,801)
Dividends paid		—	—	—	(3,598)	—	(3,598)
Fair value adjustment		—	2	—	(2)	—	—
Remeasurement of pensions		—	—	—	537	—	537
Remeasurement of post-retirement benefits		—	—	—	34	—	34
Cumulative translation adjustment		—	—	—	—	(1,227)	(1,227)
Net income		—	—	—	5,868	—	5,868
As of September 30, 2025		**10,008,159**	**22,934**	**144,819**	**(115,635)**	**17,382**	**69,500**

	Note		Share capital	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	6	16,588	143	—	—	—	143
Dividends payable	6	—	—	—	(1,796)	—	(1,796)
Dividends paid		—	—	—	(3,589)	—	(3,589)
Fair value adjustment		—	(1)	—	1	—	—
Remeasurement of pensions		—	—	—	2,585	—	2,585
Remeasurement of post-retirement benefits		—	—	—	17	—	17
Cumulative translation adjustment		—	—	—	—	575	575
Net income		—	—	—	4,411	—	4,411
As of September 30, 2024		**9,980,310**	**22,702**	**144,819**	**(113,398)**	**16,580**	**70,703**

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

KP Tissue Inc.

Unaudited Condensed Statements of Cash Flows

For the 9-month periods ended September 30, 2025 and September 30, 2024

(tabular amounts are in thousands of Canadian dollars)

	Note	9-month period ended September 30, 2025 $	9-month period ended September 30, 2024 $
Cash flows from (used in) operating activities			
Net income		5,868	4,411
Items not affecting cash			
Equity income		(5,545)	(3,911)
Dilution gain		(323)	(500)
Total items not affecting cash		(5,868)	(4,411)
Decrease in payable to investee		—	(660)
Tax refunds, net		—	660
Net cash from operating activities		**—**	**—**
Cash flows from (used in) investing activities			
Dividends received, net	6	5,229	5,239
Net cash from investing activities		**5,229**	**5,239**
Cash flows from (used in) financing activities			
Dividends paid, net	6	(5,229)	(5,239)
Net cash used in financing activities		**(5,229)**	**(5,239)**
Increase 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.

(tabular amounts are in thousands of Canadian dollars, except share and per 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, 20 As of September 30, 2025, the Corporation held a 12.2% 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 November 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:

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 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 Corporation is currently assessing the impact of the new standard.

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 Corporation is currently assessing the impact of the amendments.

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4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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:

	9-month period ended September 30, 2025	9-month period ended September 30, 2024
	$	$
Opening balance	69,517	68,162
Increase in investment	170	143
Share of income	6,372	4,758
Depreciation of fair value increments	(827)	(847)
Share of other comprehensive income (loss)	(656)	3,177
Dilution gain	323	500
Dividends	(5,399)	(5,385)
Partnership unit refunds	—	139
Closing balance	**69,500**	**70,647**

The following summarizes financial information about the assets, liabilities, revenue and net income of Kruger Products, in which the Corporation holds a 12.2% interest as of September 30, 2025. The financial information was derived from the unaudited condensed financial statements of Kruger Products for the 9-month period ended September 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.

			September 30, 2025
	Kruger Products basis of accounting	Fair value increment	KPT basis of accounting
	$	$	$
Current assets	631,405	—	631,405
Non-current assets	1,895,318	293,833	2,189,151
Liabilities	1,833,857	—	1,833,857
Net assets	**692,866**		

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

	3-month period ended September 30, 2025 $	9-month period ended September 30, 2025 $
Revenue	561,145	1,643,335
Net income attributable to Kruger Products	14,546	52,088
Other comprehensive income (loss)	7,603	(3,227)
Total comprehensive income attributable to Kruger Products	**22,149**	**48,861**

	Kruger Products basis of accounting $	Fair value increment $	December 31, 2024 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 September 30, 2024 $	9-month period ended September 30, 2024 $
Revenue	521,085	1,510,317
Net income attributable to Kruger Products	17,993	37,541
Other comprehensive income (loss)	(10,736)	25,154
Total comprehensive income attributable to Kruger Products	**7,257**	**62,695**

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

	September 30, 2025 $	December 31, 2024 $
Kruger Products consolidated equity	692,866	662,266
Add back: Inception value of common shares	118,562	118,562
Less: Equity pertaining to Kruger Inc. and KPGP	(662,088)	(632,236)
Equity pertaining to KPT	**149,340**	**148,592**
Investment in associate recorded in KPT	69,500	69,517
Reconciling difference	**79,840**	**79,075**
Reconciling items since inception:		
Equity issuance costs	(11,110)	(11,110)
Depreciation of fair value increments	62,286	61,459
Currency translation adjustment in fair value increments	(2,898)	(3,159)
Tax Distribution	9,181	9,181
Gain on exercise of overallotment option	(375)	(375)
Dilution gain	(5,244)	(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.

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6 DIVIDENDS

During the 9-month periods ended September 30, 2025 and September 30, 2024, the Corporation paid a quarterly dividend of $0.18 per share to shareholders. Pursuant to the Company 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:

	9-month period ended September 30, 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	54
July 15, 2025	1,802	8.87	7,243	62
	5,399		**20,612**	**170**

	9-month period ended September 30, 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
July 15, 2024	1,795	8.52	6,093	52
	5,382		**16,588**	**143**

Subsequent to September 30, 2025, on October 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 7,207 common shares at a price of $9.27.

Subsequent to September 30, 2025, the Corporation declared a dividend of $0.18 per common share to shareholders, payable on January 15, 2026.

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 $0.3 million was recorded during the 9-month period ended September 30, 2025 (9-month period ended September 30, 2024 - $0.5 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.