KRUGER PRODUCTS INC.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 3-MONTH AND 6-MONTH PERIODS ENDED JUNE 30, 2026 AND JUNE 30, 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	June 30, 2026 $	December 31, 2025 $
Assets			
Current assets			
Cash and cash equivalents		165,223	196,094
Restricted cash	6	28,434	46,070
Trade and other receivables		139,144	143,313
Receivables from related parties	8	83	79
Inventories		325,732	284,183
Income tax recoverable		3,966	2,963
Prepaid expenses		18,564	5,381
		681,146	678,083
Non-current assets			
Property, plant and equipment		1,425,990	1,430,206
Right-of-use assets		141,208	152,243
Other long-term assets	8, 10	28,596	—
Pensions	5	102,235	91,118
Goodwill		152,021	152,021
Intangible assets		37,740	40,362
Deferred income taxes		51,593	64,671
Total assets		**2,620,529**	**2,608,704**
Liabilities			
Current liabilities			
Trade and other payables		346,106	350,831
Payables to related parties	8	10,891	13,441
Dividends payable	8	15,289	14,853
Current portion of long-term debt	6	86,832	98,649
Current portion of lease liabilities		49,126	43,576
Current portion of long-term payable to related party	8	5,800	5,800
Current portion of provisions		5,618	7,283
		519,662	**534,433**
Non-current liabilities			
Long-term debt	6	1,076,696	1,074,148
Long-term lease liabilities		126,335	139,694
Long-term payable to related party	8	23,179	28,064
Long-term provisions		10,873	12,602
Pensions	5	17,535	17,745
Post-retirement benefits	5	49,342	48,333
Deferred income taxes		51,596	47,140
Total liabilities		**1,875,218**	**1,902,159**
Equity			
Share capital		342,525	334,479
Contributed surplus		395,382	395,382
Deficit		(130,415)	(151,965)
Accumulated other comprehensive income		95,997	89,343
Equity attributable to Kruger Products		**703,489**	**667,239**
Non-controlling interest	6	41,822	39,306
Total equity		**745,311**	**706,545**
Total liabilities and equity		**2,620,529**	**2,608,704**

Subsequent events 8, 13

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 and 6-month periods ended June 30, 2026 and June 30, 2025

(tabular amounts are in thousands of Canadian dollars)

	Note	3-month period ended June 30, 2026 $	3-month period ended June 30, 2025 $	6-month period ended June 30, 2026 $	6-month period ended June 30, 2025 $
Revenue	8	**550,892**	**536,080**	**1,095,538**	**1,082,190**
Expenses					
Cost of sales	8	440,172	462,204	877,045	913,187
Selling, general and administrative expenses	8	51,055	47,157	102,290	98,371
Restructuring costs		373	3,702	373	3,702
Operating income		**59,292**	**23,017**	**115,830**	**66,930**
Interest expense and other finance costs		20,046	21,306	39,657	42,257
Other expense (income)	8, 10	5,536	(19,941)	10,804	(20,284)
Income before income taxes		**33,710**	**21,652**	**65,369**	**44,957**
Current tax expense		1,006	1,078	1,397	1,808
Deferred tax expense (recovery)		9,266	(5,612)	19,527	83
Income tax expense (recovery)	7	**10,272**	**(4,534)**	**20,924**	**1,891**
Net income including non-controlling interest		**23,438**	**26,186**	**44,445**	**43,066**
Net income attributable to non-controlling interest	6	**1,281**	**4,039**	**2,516**	**5,524**
Net income attributable to Kruger Products		**22,157**	**22,147**	**41,929**	**37,542**

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 and 6-month periods ended June 30, 2026 and June 30, 2025

(tabular amounts are in thousands of Canadian dollars)

	3-month period ended June 30, 2026 $	3-month period ended June 30, 2025 $	6-month period ended June 30, 2026 $	6-month period ended June 30, 2025 $
Net income including non-controlling interest	**23,438**	**26,186**	**44,445**	**43,066**
Other comprehensive income (loss)				
Items that will not be reclassified to net income:				
Remeasurements of pensions	7,025	3,870	9,759	770
Remeasurements of post-retirement benefits	(585)	698	139	231
Items that may be subsequently reclassified to net income:				
Cumulative translation adjustment	3,524	(11,626)	6,654	(11,831)
Other comprehensive income (loss)	**9,964**	**(7,058)**	**16,552**	**(10,830)**
Total comprehensive income including non-controlling interest	33,402	19,128	60,997	32,236
Total comprehensive income attributable to non-controlling interest	1,281	4,039	2,516	5,524
Total comprehensive income attributable to Kruger Products	**32,121**	**15,089**	**58,481**	**26,712**

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 6-month periods ended June 30, 2026 and June 30, 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	—	—	—	(15,289)	—	—	(15,289)
Dividends paid		—	—	—	(14,923)	—	—	(14,923)
Fair value adjustment		—	65	—	(65)	—	—	—
Change in actuarial gain on pension		—	—	—	9,759	—	—	9,759
Change in actuarial gain on post-retirement benefits		—	—	—	139	—	—	139
Cumulative translation adjustment		—	—	—	—	6,654	—	6,654
Net income		—	—	—	41,929	—	2,516	44,445
Issuance of common shares	8	750,658	7,981	—	—	—	—	7,981
As of June 30, 2026		**83,268,144**	**342,525**	**395,382**	**(130,415)**	**95,997**	**41,822**	**745,311**

	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	—	—	—	(14,595)	—	—	(14,595)
Dividends paid		—	—	—	(14,449)	—	—	(14,449)
Fair value adjustment		—	147	—	(147)	—	—	—
Change in actuarial gain on pension		—	—	—	770	—	—	770
Change in actuarial gain on post-retirement benefits		—	—	—	231	—	—	231
Cumulative translation adjustment		—	—	—	—	(11,831)	—	(11,831)
Net income		—	—	—	37,542	—	5,524	43,066
Issuance of common shares	8	1,594,083	12,686	—	—	—	—	12,686
As of June 30, 2025		**81,084,730**	**321,455**	**395,382**	**(162,522)**	**88,346**	**35,483**	**678,144**

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 6-month periods ended June 30, 2026 and June 30, 2025

(tabular amounts are in thousands of Canadian dollars)

	Note	6-month period ended June 30, 2026 $	6-month period ended June 30, 2025 $
Cash flows from (used in) operating activities			
Net income including non-controlling interest		44,445	43,066
Items not affecting cash			
Depreciation		58,189	73,616
Amortization		3,133	3,980
Loss (gain) on sale of property, plant and equipment		—	(5)
Loss on disposal of leased assets		—	23
Foreign exchange loss (gain)	8, 10	10,804	(20,284)
Interest expense and other finance costs		39,657	42,257
Pension and post-retirement benefits	5	5,400	5,573
Provisions		3,186	3,929
Income tax expense		20,924	1,891
Total items not affecting cash		141,293	110,980
Net change in non-cash working capital	11	(59,059)	(54,567)
Contributions to pension and post-retirement benefit plans	5	(2,020)	(2,015)
Provisions paid		(7,137)	(4,024)
Income tax payments, net		(1,246)	(1,811)
Net cash from operating activities		**116,276**	**91,629**
Cash flows from (used in) investing activities			
Purchases of property, plant and equipment		(28,797)	(9,862)
Purchases of property, plant and equipment related to the Sherbrooke Expansion Project		(1,680)	(17,377)
Government assistance received		3,497	3,150
Investment in derivative asset	10	(27,848)	—
Purchase of software		(517)	(1,094)
Net cash used in investing activities		**(55,345)**	**(25,183)**
Cash flows from (used in) financing activities	12		
Proceeds from long-term debt		—	31,188
Repayment of long-term debt		(33,753)	(32,505)
Payment (write-off) of deferred financing fees		(827)	7
Payment of lease liabilities		(19,585)	(16,737)
Change in restricted cash		17,636	(27,950)
Interest paid on long-term debt		(28,844)	(31,421)
Payment to related party	8	(5,800)	(5,800)
Dividends paid	8	(29,776)	(28,756)
Proceeds from issuing partnership units	8	7,981	12,686
Net cash used in financing activities		**(92,968)**	**(99,288)**
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		**1,166**	**(1,311)**
Decrease in cash and cash equivalents during the period		**(30,871)**	**(34,153)**
Cash and cash equivalents - Beginning of period		**196,094**	**119,460**
Cash and cash equivalents - End of period		**165,223**	**85,307**

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

(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 corporate 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 had no impact the financial position, results of operations or cash flows for the period ended June 30, 2026.

These unaudited condensed consolidated financial statements were approved by the board of directors of Kruger Products on August 12, 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, except for the accounting policy relating to the derivative asset, which was adopted during the period and is described below.

Derivative asset

The derivative asset represents a hybrid financial instrument that includes both a financing component and exposure to changes in pulp prices. As the contractual cash flows are linked to commodity prices and are not solely payments of principal and interest, the instrument is measured at fair value through profit or loss. The fair value of the derivative asset is determined using a discounted cash flow model, with changes in fair value recognized in profit or loss.

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

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using an electronic payment system, the election was applied to deem these financial liabilities to be discharged before the settlement date. The amendments were applied retrospectively, with no restatement of comparative information, in accordance with transition requirements on initial application of IFRS 9.

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
	June 30, 2026	December 31, 2025	June 30, 2026	December 31, 2025
	%	%	%	%
Assumptions				
Discount rate - accrued benefit obligation	4.89	4.86	4.89	4.86
Rate of compensation increases	3.25 - 4.00	3.25 - 4.00		

(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 June 30, 2026 $	3-month period ended June 30, 2025 $	3-month period ended June 30, 2026 $	3-month period ended June 30, 2025 $
Net benefit plan expense				
Current service cost	1,991	2,106	538	530
Interest cost	6,233	6,327	575	540
Asset ceiling interest cost	129	127	—	—
Expected return on plan assets	(7,089)	(7,187)	—	—
Administrative cost	206	192	—	—
	1,470	**1,565**	**1,113**	**1,070**

	Pensions		Post-retirement benefit plans	
	6-month period ended June 30, 2026 $	6-month period ended June 30, 2025 $	6-month period ended June 30, 2026 $	6-month period ended June 30, 2025 $
Net benefit plan expense				
Current service cost	3,911	4,130	1,077	1,060
Interest cost	12,533	12,712	1,150	1,080
Asset ceiling interest cost	258	255	—	—
Expected return on plan assets	(14,262)	(14,451)	—	—
Administrative cost	412	383	—	—
	2,852	**3,029**	**2,227**	**2,140**

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

6 LONG-TERM DEBT

	Weighted average interest rate as of June 30, 2026	Maturity	June 30, 2026 $	December 31, 2025 $
Kruger Products Senior Credit Facility	— %	2026	(684)	(498)
Senior Unsecured Notes due April 9, 2029	5.375 %	2029	133,846	133,651
Senior Unsecured Notes due November 1, 2031	6.625 %	2031	132,565	132,347
Senior Unsecured Notes due December 10, 2032	6.250 %	2032	161,211	161,459
AgCredit - Term A Credit Facility	4.82 %	2036	184,105	184,003
AgCredit - Term B Credit Facility	5.04 %	2037	246,517	243,053
AgCredit - Term D Credit Facility	6.07 %	2032	99,147	97,934
KPSB IQ Debenture	2.00 %	2034	65,101	63,754
KPSI IQ Debenture	3.00 %	2028	38,260	45,960
IQ Bathroom Tissue Loan	2.00 %	2032	36,961	39,438
IQ Facial Tissue Loan	2.00 %	2033	32,378	34,297
Nordea2 Credit Facility	3.74 %	2029	27,944	30,754
IQ Gatineau Loan	6.50 %	2034	6,177	6,162
Ontario Loan	2.40 %	2026	—	483
			1,163,528	**1,172,797**
AgCredit - Term A Credit Facility			13,795	12,989
AgCredit - Term B Credit Facility			18,623	14,510
AgCredit - Term D Credit Facility			9,630	31,274
KPSB IQ Debenture			7,394	2,465
KPSI IQ Debenture			16,689	16,689
IQ Bathroom Tissue Loan			6,836	6,836
IQ Facial Tissue Loan			5,548	5,548
Nordea2 Credit Facility			8,144	7,855
IQ Gatineau Loan			173	—
Ontario Loan			—	483
Less: Current portion of long-term debt			86,832	98,649
Long-term debt			**1,076,696**	**1,074,148**

Amounts are net of deferred financing fees.

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 June 30, 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. As a result, approximately USD $15 million cash was moved from the blocked account to the operating account and

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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 $9.0 million for 6-month period ended June 30, 2026. As of June 30, 2026, Kruger Inc. held a 11.5% non-controlling interest directly in KPSI (June 30, 2025 – 12.6%). As a result, a non-controlling interest of $41.8 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 6-month period ended June 30, 2026 was 32.0% (6-month period ended June 30, 2025 – 4.2%).

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 June 30, 2026	3-month period ended June 30, 2025	6-month period ended June 30, 2026	6-month period ended June 30, 2025
	$	$	$	$
Sales of goods to Kruger Inc.	27	20	33	75
Sales of goods to subsidiaries of Kruger Inc.	67	679	329	1,050
Purchases of goods from Kruger Inc.	262	7	412	417
Purchases of goods and services from subsidiaries of Kruger Inc.	15,227	20,961	33,484	42,658
Management fee to Kruger Inc.	2,757	2,686	5,513	5,373

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

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

	June 30, 2026 $	December 31, 2025 $
Receivables from Kruger Inc.	83	12
Receivables from subsidiaries of Kruger Inc.	—	67
Total receivables from related parties	**83**	**79**
Payables to Kruger Inc.	5,920	8,105
Payables to subsidiaries of Kruger Inc.	4,971	5,336
Total payables to related parties	**10,891**	**13,441**

Other long term assets – Kamloops Pulp L.P.

The Company is under common control with Kruger Kamloops Pulp L.P. (“Kamloops LP”). During the period, the Company entered into a prepaid, net cash-settled forward contract with Kamloops LP, under which it paid USD$20 million at inception. This transaction is described in Note 10. As at June 30, 2026, the related derivative asset had a carrying amount of $28.4 million on the unaudited condensed consolidated statement of financial position.

Long-term payable to KBLP

As of June 30, 2026, obligations of $5.8 million and $23.2 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 6-month period ended June 30, 2026, the increase in the obligation due to passage of time was $0.9 million (6-month period ended June 30, 2025 – $1.0 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:

	June 30, 2026 $	December 31, 2025 $
Payable to Kruger Inc.	13,182	13,049
Payable to KPGP	1	1
Payable to KPT	2,106	1,803
Total dividends payable	**15,289**	**14,853**

(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:

				6-month period ended June 30, 2026	
	Dividends	DRIP	Share price	Issuance of common shares	Gross proceeds
Dividend Payment Date	$	%	$	#	$
January 15, 2026					
Kruger Inc.	13,050	30 %	10.21	383,436	3,915
KPT	1,803	4 %	10.21	6,971	71
April 15, 2026					
Kruger Inc.	13,119	30 %	11.09	354,877	3,935
KPT	1,804	3 %	11.09	5,374	60
	29,776			**750,658**	**7,981**

				6-month period ended June 30, 2025	
	Dividends	DRIP	Share price	Issuance of common shares	Gross proceeds
Dividend Payment Date	$	%	$	#	$
January 15, 2025					
Kruger Inc.	12,510	50 %	8.06	776,041	6,255
KPT	1,798	3 %	8.06	6,656	53
April 15, 2025					
Kruger Inc.	12,649	50 %	7.86	804,673	6,324
KPT	1,799	3 %	7.86	6,713	54
	28,756			**1,594,083**	**12,686**

Subsequent to June 30, 2026, on July 15, 2026, the Company paid a dividend of $15.3 million and increased its quarterly dividend from $0.18 to $0.21 per common share following the change in dividend designation from eligible to non-eligible. Pursuant to the Kruger Products DRIP, a total of 26.3% was reinvested by the shareholders, resulting in the Company issuing 307,490 common shares at a price of $13.04.

Subsequent to June 30, 2026, the Company declared a dividend of $15.0 million, payable on October 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.

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

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.

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.

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

	3-month period ended June 30, 2026 $	3-month period ended June 30, 2025 $	6-month period ended June 30, 2026 $	6-month period ended June 30, 2025 $
Segment Revenue				
Consumer	457,561	449,222	919,289	914,412
AFH	93,331	86,858	176,249	167,778
Revenue from external customers	**550,892**	**536,080**	**1,095,538**	**1,082,190**
Other segment items [(a)]				
Consumer	372,252	380,038	750,046	769,176
AFH	84,836	77,895	161,438	156,026
Corporate and other costs	3,207	5,669	6,527	8,743
Total other segment items	**460,295**	**463,602**	**918,011**	**933,945**
Adjusted EBITDA				
Consumer	85,309	69,184	169,243	145,236
AFH	8,495	8,963	14,811	11,752
Corporate and other costs	(3,207)	(5,669)	(6,527)	(8,743)
Total Adjusted EBITDA	**90,597**	**72,478**	**177,527**	**148,245**
Reconciliation to net income (loss)				
Depreciation and amortization	30,933	45,736	61,324	77,596
Interest expense and other finance costs	20,046	21,306	39,657	42,257
Loss on disposal of property, plant and equipment	(1)	23	—	18
Restructuring costs, net	373	3,702	373	3,702
Foreign exchange loss (gain)	5,536	(19,941)	10,804	(20,284)
Income before income taxes	**33,710**	**21,652**	**65,369**	**44,956**
Income tax expense (recovery)	10,272	(4,534)	20,924	1,891
Net income including non-controlling interest	**23,438**	**26,186**	**44,445**	**43,065**

(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.

Revenue	3-month period ended June 30, 2026 $	3-month period ended June 30, 2025 $	6-month period ended June 30, 2026 $	6-month period ended June 30, 2025 $
Canada	291,910	299,654	580,864	586,177
US	258,982	236,426	514,674	496,013
	550,892	**536,080**	**1,095,538**	**1,082,190**

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

			June 30, 2026
	Canada	US	Total
	$	$	$
Revenue	580,864	514,674	1,095,538
Property, plant and equipment	1,116,884	309,106	1,425,990
Goodwill	152,021	—	152,021
Intangible assets	37,740	—	37,740

			December 31, 2025
	Canada	US	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 June 30, 2026 and December 31, 2025, the carrying amount of all financial assets and liabilities, other than the derivative asset, was at amortized cost. The derivative asset is measured at fair value through profit or loss.

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.

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.

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

The fair values of Long-term debt and discount rates were as follows:

	Discount rate	June 30, 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	— %	184,347	184,259
AgCredit - Term B Credit Facility	— %	249,087	245,842
AgCredit - Term D Credit Facility	— %	99,829	98,527
KPSB IQ Debenture	6.7 %	78,048	78,048
KPSI IQ Debenture	6.1 %	38,307	46,028
IQ Bathroom Tissue Loan	7.3 %	43,297	46,715
IQ Facial Tissue Loan	7.6 %	38,839	41,613
Nordea2 Credit Facility	— %	28,503	31,419
IQ Loan Gatineau	— %	6,326	6,326
Ontario Loan	4.4 %	—	483
		1,201,583	**1,214,260**

Amounts exclude deferred financing fees.

In June 2026, the Company entered into a prepaid, net cash-settled forward pulp agreement with Kruger Kamloops Pulp L.P. ("Kamloops LP"), a related party under common control (note 8). The agreement matures on October 12, 2027. Under the agreement, the Company advanced USD $20 million to Kamloops LP at a contractual interest rate of 12% and, at maturity, will receive a cash settlement determined by reference to the difference between the contractual forward price of USD $724.14 and the October 2027 NBSK U.S. delivered spot pulp price, applied to a fixed notional quantity of 27,619 metric tonnes. No physical pulp will be delivered under the agreement.

The agreement contains both a financing component and a commodity price-linked component and is accounted for as a single hybrid financial asset. As the amount receivable is linked to future pulp prices, the contractual cash flows do not represent solely payments of principal and interest. Accordingly, the instrument is measured in its entirety at fair value through profit or loss. At initial recognition, the derivative asset recognized at fair value, determined using the discounted cash flow model described below, which approximated the USD $20 million consideration paid, and is subsequently measured at fair value at each reporting date with changes recognized in other income (expense).

The fair value of the derivative asset was determined using an income approach based on a discounted cash flow model incorporating forecast NBSK pulp prices and a discount rate. The discount rate of 12.0% comprises of a U.S. dollar risk-free rate of 4.01% and a credit risk premium of 7.99%, reflecting the credit risk of Kamloops LP. As the credit risk premium is not directly observable in the market, it represents a significant unobservable input, and the derivative asset is accordingly classified within Level 3 of the fair value hierarchy.

The asset is denominated in U.S. dollars. As the Company’s functional currency is the Canadian dollar, the asset is a monetary item translated at the exchange rate in effect at each reporting date, with exchange differences recognized in other income (expense).

As at June 30, 2026, the fair value of the derivative asset was $28.4 million, which is included within Other long-term assets on the Company’s unaudited condensed consolidated statements of financial position. During the period, an unrealized foreign exchange gain of $0.6 million arising from the remeasurement of the derivative asset was recognized in other income (expense). Pulp prices remained unchanged between the contract date and the period-end date. As a result, there was no fair value impact attributable to changes in pulp prices.

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

Management performed a sensitivity analysis and determined that a reasonably possible change in the significant unobservable input would not result in a material change to the fair value of the derivative asset. Future changes in the fair value of the derivative asset may arise from fluctuations in foreign exchange rates, expected pulp prices, and other valuation assumptions, including the discount rate.

The following table presents a reconciliation of the Company's Level 3 derivative financial asset:

	June 30, 2026 $
Opening balance	—
Initial recognition	27,848
Unrealized foreign exchange gain	572
Closing balance	**28,420**

Financial risk arising from derivative instruments

Commodity price risk
The fair value of the derivative asset is affected by changes in NBSK pulp prices. A 10% increase (decrease) in pulp prices at the reporting date would increase (decrease) net income by approximately $3.3 million, assuming all other variables remain constant.

Credit risk
The fair value of the derivative asset is sensitive to changes in the discount rate used in the valuation. An increase (decrease) of 100 basis points in the discount rate reflecting counterparty credit risk would decrease (increase) the fair value of the derivative asset and net income by approximately $0.4 million.

Except for the introduction of the forward pulp sale derivative, there have been no significant changes in the Company’s exposure to financial risks since March 31, 2026.

11 NON-CASH WORKING CAPITAL

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

Assets - decrease (increase) *Liabilities - increase (decrease)*	6-month period ended June 30, 2026 $	6-month period ended June 30, 2025 $
Trade and other receivables	4,420	2,807
Receivables from related parties	—	(17)
Inventories	(37,904)	(18,625)
Prepaid expenses	(12,902)	(11,459)
Income taxes	(1,095)	(888)
Trade and other payables	(9,024)	(21,004)
Payables to related parties	(2,554)	(5,381)
	(59,059)	**(54,567)**

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

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:

	6-month period ended June 30, 2026 $	6-month period ended June 30, 2025 $
Long-term debt (including current portion)		
Opening balance	1,172,797	1,234,656
Proceeds from long-term debt	—	31,188
Repayment of long-term debt	(33,753)	(32,505)
Reclassification of deferred financing fees and other	(727)	(557)
Interest expense and other finance costs	5,020	4,528
Payment of deferred financing fees	(156)	(36)
Foreign exchange loss (gain)	13,644	(21,222)
Cumulative translation adjustment	6,703	(10,568)
Closing balance	**1,163,528**	**1,205,484**
Lease liabilities (including current portion)		
Opening balance	183,270	205,719
Payment of lease liabilities	(19,585)	(16,737)
Additions	7,198	3,493
Lease terminations	(28)	(3,195)
Reclassification	(583)	607
Interest expense	5,129	5,771
Cumulative translation adjustment	60	(142)
Closing balance	**175,461**	**195,516**

13 SUBSEQUENT EVENTS

Subsequent to June 30, 2026, the United States announced additional tariffs of up to 50% on certain Canadian goods imported into the United States. These tariffs, and any future changes to such measures or the imposition of additional trade restrictions, could adversely affect the Canadian economy and the Company. Management is assessing the potential impact of these measures.