



KP TISSUE INC.

UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE 3-MONTH PERIODS ENDED MARCH 31, 2025 AND MARCH 31, 2024

KP Tissue Inc.

Unaudited Condensed Statements of Financial Position

(tabular amounts are in thousands of Canadian dollars)

	March 31, 2025	December 31, 2024
	\$	\$
Assets		
Current assets		
Dividends receivable	1,799	1,798
	<u>1,799</u>	<u>1,798</u>
Non-current assets		
Investment in associate (note 5)	68,952	69,517
	<u>68,952</u>	<u>69,517</u>
Total assets	<u>70,751</u>	<u>71,315</u>
Liabilities		
Current liabilities		
Dividend payable (note 7)	1,799	1,798
	<u>1,799</u>	<u>1,798</u>
Total liabilities	<u>1,799</u>	<u>1,798</u>
Equity		
Common shares (note 7)	22,816	22,762
Contributed surplus	144,819	144,819
Deficit	(117,169)	(116,673)
Accumulated other comprehensive income	18,486	18,609
	<u>18,486</u>	<u>18,609</u>
Total equity	<u>68,952</u>	<u>69,517</u>
Total liabilities and equity	<u>70,751</u>	<u>71,315</u>
Subsequent events (note 7)		

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

KP Tissue Inc.

Unaudited Condensed Statements of Income and Comprehensive Income

For the 3-month periods ended March 31, 2025 and March 31 2024

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

	3-month period ended March 31, 2025	3-month period ended March 31, 2024
	\$	\$
Share of income	1,917	1,155
Depreciation of fair value increments	(284)	(286)
Equity income	1,633	869
Dilution gain	114	262
Net income	1,747	1,131
Other comprehensive income		
net of income tax expense (recovery) (note 6)		
Items that will not be		
reclassified to net income:		
Remeasurements of pensions	(386)	2,026
Remeasurements of post-retirement benefits	(58)	200
Items that may be subsequently		
reclassified to net income:		
Cumulative translation adjustment	(123)	754
Other comprehensive income (loss)	(567)	2,980
Total comprehensive income	1,180	4,111
Basic and diluted earnings per share	0.17	0.11
Weighted average number of shares		
outstanding	9,993,168	9,967,627

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 3-month periods ended March 31, 2025 and March 31 2024

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

	Common shares		Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
	#	\$	\$	\$	\$	\$
As of January 1, 2024	9,963,722	22,560	144,819	(115,027)	16,005	68,357
Issuance of common shares (note 7)	4,615	41	-	-	-	41
Dividends payable (note 7)	-	-	-	(1,794)	-	(1,794)
Remeasurements of pensions	-	-	-	2,026	-	2,026
Remeasurements of post-retirement benefits	-	-	-	200	-	200
Cumulative translation adjustment	-	-	-	-	754	754
Net income	-	-	-	1,131	-	1,131
As of March 31, 2024	<u>9,968,337</u>	<u>22,601</u>	<u>144,819</u>	<u>(113,464)</u>	<u>16,759</u>	<u>70,715</u>

	Common shares		Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
	#	\$	\$	\$	\$	\$
As of January 1, 2025	9,987,547	22,762	144,819	(116,673)	18,609	69,517
Issuance of common shares (note 7)	6,656	54	-	-	-	54
Dividends payable (note 7)	-	-	-	(1,799)	-	(1,799)
Remeasurements of pensions	-	-	-	(386)	-	(386)
Remeasurements of post-retirement benefits	-	-	-	(58)	-	(58)
Cumulative translation adjustment	-	-	-	-	(123)	(123)
Net income	-	-	-	1,747	-	1,747
As of March 31, 2025	<u>9,994,203</u>	<u>22,816</u>	<u>144,819</u>	<u>(117,169)</u>	<u>18,486</u>	<u>68,952</u>

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

KP Tissue Inc.

Unaudited Condensed Statements of Cash Flows

For the 3-month periods ended March 31, 2025 and March 31, 2024

(tabular amounts are in thousands of Canadian dollars)

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

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

KP Tissue Inc.

Notes to Unaudited Condensed Financial Statements

For the 3-month periods ended March 31, 2025 and March 31 2024

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

1 General information

KP Tissue Inc. (KPT or the Corporation) was incorporated by articles of incorporation under the Canadian Business Corporations Act on October 1, 2012. As of March 31, 2025, the Corporation held a 12.5% 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 May 13, 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.

a) Accounting standard issued but not yet implemented:

- (i) IFRS 18, Presentation and Disclosure in Financial Statements. In April 2024, the IASB issued IFRS 18 to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The mandatory effective date would be for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company is currently assessing the impact of the new standard.

KP Tissue Inc.

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For the 3-month periods ended March 31, 2025 and March 31 2024

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

- (ii) Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments. On May 30, 2024, the IASB issued amendments to IFRS Accounting Standards 9 and IFRS Accounting Standards 7 aimed at improving the classification and measurement of financial instruments. The recent amendments simplify financial reporting by allowing earlier recognition of liabilities settled via electronic payments, clarifying the assessment of cash flows for basic lending arrangements, and refining definitions for non-recourse features and linked instruments. The amendments also introduce more detailed disclosure requirements for fair value changes in equity instruments and mandate reporting of terms that could affect cash flow timings or amounts. The amendment will be effective from January 1, 2026 and entities must apply these amendments retrospectively, with earlier adoption permitted. The Company is currently assessing the impact of the amendments.

4 Critical accounting estimates and judgments

The preparation of these unaudited condensed financial statements in conformity with IFRS Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the unaudited condensed financial statements and the disclosure of contingencies at the dates of the unaudited condensed statement of financial position, and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, management reviews its estimates and judgements, including those related to fair value and the basis of accounting. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they occur.

The estimates and judgement applied by management that most significantly affect the unaudited condensed financial statements are the same as the ones that applied to the annual audited financial statements for the year ended December 31, 2024.

5 Investment in associate

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

	3-month period ended March 31, 2025 \$	3-month period ended March 31, 2024 \$
Opening balance	69,517	68,162
Increase in investment	54	41
Share of income	1,917	1,155
Depreciation of fair value increments	(284)	(286)
Share of other comprehensive income (loss)	(567)	2,980
Dilution gain	114	262
Dividends	(1,799)	(1,794)
Partnership unit refunds	-	139
Closing balance	68,952	70,659

KP Tissue Inc.

Notes to Unaudited Condensed Financial Statements

For the 3-month periods ended March 31, 2025 and March 31 2024

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

The following summarizes financial information about the assets, liabilities, revenue and net income of Kruger Products, in which the Corporation holds a 12.5% interest as of March 31, 2025. The financial information was derived from the unaudited condensed financial statements of Kruger Products for the 3-month period ended March 31, 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.

	March 31, 2025		
	Kruger Products basis of accounting	Fair value increment	KPT basis of accounting
	\$	\$	\$
Current assets	655,129	-	655,129
Non-current assets	1,952,311	299,234	2,251,545
Liabilities	1,940,208	-	1,940,208
Net assets	667,232		

	3-month period ended March 31, 2025	
	\$	
Revenue	546,110	
Net income attributable to Kruger Products	15,395	
Other comprehensive income (loss)	(3,772)	
Total comprehensive income attributable to Kruger Products	11,623	

	December 31, 2024		
	Kruger Products basis of accounting	Fair value increment	KPT basis of accounting
	\$	\$	\$
Current assets	603,439	-	603,439
Non-current assets	1,993,898	301,538	2,295,436
Liabilities	1,935,071	-	1,935,071
Net assets	662,266		

	3-month period ended March 31, 2024	
	\$	
Revenue	479,432	
Net income attributable to Kruger Products	8,956	
Other comprehensive income	22,724	
Total comprehensive income attributable to Kruger Products	31,680	

KP Tissue Inc.

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

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

	March 31, 2025	December 31, 2024
	\$	\$
Kruger Products consolidated equity	667,232	662,266
Add back: Inception value of Partnership units liability ^(a)	118,562	118,562
Less: Equity pertaining to Kruger Inc. and KPGP	(637,501)	(632,236)
Equity pertaining to KPT	148,293	148,592
Investment in associate recorded in KPT	68,952	69,517
Reconciling difference	79,341	79,075
Reconciling items since inception:		
Equity issuance costs	(11,110)	(11,110)
Depreciation of fair value increments	61,743	61,459
Currency translation adjustment in fair value increments	(3,063)	(3,159)
Tax Distribution	9,181	9,181
Gain on exercise of overallotment option	(375)	(375)
Dilution gain	(5,035)	(4,921)
Impairment in investment in associate	28,000	28,000
	-	-

- (a) As a result of the Kruger Products Reorganization, KPLP's Partnership unit liability was extinguished as KPLP's Partnership Agreement was terminated in accordance with its terms and KPLP's corresponding requirement to make the Tax Distribution was eliminated.

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

6 Dividends

During the 3-month periods ended March 31, 2025 and March 31, 2024, the Corporation paid a quarterly dividend of \$0.18 per share to shareholders. Pursuant to the Corporation Dividend Reinvestment Plan (DRIP), a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing common shares. The proceeds were used to acquire additional shares of Kruger Products. The dividends paid, the additional common shares issued at the share price, and the gross proceeds were as follows:

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Notes to Unaudited Condensed Financial Statements

For the 3-month periods ended March 31, 2025 and March 31 2024

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

Dividend Payment Date	2025			
	Dividends paid \$	Share price \$	Issuance of Common shares #	Gross proceeds \$
January 15, 2025	1,798	8.06	6,656	54

Dividend Payment Date	2024			
	Dividends paid \$	Share price \$	Issuance of Common shares #	Gross proceeds \$
January 15, 2024	1,793	8.99	4,615	41

Subsequent to March 31, 2025, on April 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 6,714 common shares at a price of \$7.86.

Subsequent to March 31, 2025, the Corporation declared a dividend of \$0.18 per common share to shareholders, payable on July 15, 2025.

As a result of the DRIP and Kruger Inc.'s reinvestment of its dividends from Kruger Products in common shares of Kruger Products, a dilution gain of \$0.1 million was recorded during the 3-month period ended March 31, 2025 (3-month period ended March 31, 2024 - \$0.3 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.