



# EXECUTING TODAY BUILDING FOR TOMORROW

2025 ANNUAL REPORT







Kruger Products Inc. (Kruger Products) is Canada’s leading manufacturer of quality tissue products for household, industrial and commercial use. Kruger Products serves the Canadian consumer market with such well-known brands as **Cashmere**®, **Purex**®, **SpongeTowels**®, **Scotties**® and **Bonterra**®. In the U.S., Kruger Products manufactures the **White Cloud**® brand, as well as many private label products. The Away-From-Home business, now renamed Kruger PRO, manufactures and distributes high-quality, cost-effective product solutions to a wide range of commercial and public entities. Kruger Products has approximately 3,000 employees and operates ten FSC® COC-certified (FSC® C-104904) production facilities in North America.

KP Tissue Inc. (KPT) holds an equity interest in Kruger Products. KPT is a reporting issuer in all provinces and territories of Canada and is required under Canadian Securities laws to report certain financial and business information of Kruger Products. KPT held a minority interest in Kruger Products of 12.1% as at December 31, 2025, and 12.0% as at May 14, 2026.

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Forward looking information: For any information on statements in this Annual Report that are of a forward-looking nature, please consult the section on “Cautionary Forward-Looking Statements” in the Management’s Discussion and Analysis (MD&A) in this Annual Report.

# SHARE GAINS

## ACROSS ALL PRODUCT CATEGORIES

Behind targeted investments, Kruger Products made share gains across all three key product categories in 2025, according to 52-week market data in Canada by Nielsen<sup>(1)</sup>.

Following the first quarter of 2026, Kruger Products' bathroom and paper towel share remained relatively stable year-over-year, while facial tissue continued rising by an additional 60 basis points in the Canadian market.



<sup>(1)</sup> Data for fiscal 2025 and Q1 2026 represents Nielsen Canadian dollar market share for the 52-week periods ended December 27, 2025, and March 21, 2026, respectively.

## BATHROOM TISSUE

NO.1

32.3%



We grew incrementally in the highly competitive bathroom tissue category reaching 32.3% of the Canadian market.

## FACIAL TISSUE

NO.1

46.3%



In facial tissue, we increased share by 130 basis points year-over-year to 46.3%. Share gains were mainly driven by new innovations and continued support behind our market-leading Scotties brand.

## PAPER TOWEL

NO.2

25.3%



Similarly, we grew share by 130 basis points to 25.3% in the paper towel category, benefiting from Made-in-Canada promotions, leveraging our dual marketing strategy for high-quality and base-level towel products, and expanding our product portfolio with new formats and sizes.



#### REVENUE

## \$2.2 BILLION

**AN INCREASE OF 7.5% FROM 2024**

Growth driven by higher sales volume in the Consumer business, positive effect of selling price increases across the Consumer and Kruger PRO businesses, and a favourable foreign exchange impact on U.S. dollar sales.



#### ADJUSTED EBITDA<sup>(1)</sup>

## \$318.2 MILLION

**AN INCREASE OF 20.2% FROM 2024**

Improvement was primarily due to higher sales volume and favourable selling prices, along with lower pulp prices and improved manufacturing overhead cost absorption. These factors were partially offset by additional investments at manufacturing sites, unfavourable mill performance at Memphis, as well as higher warehousing and selling, general and administrative (SG&A) expenses.



#### NET INCOME

## \$75.5 MILLION

**AN IMPROVEMENT OF \$51.7 M FROM 2024**

Increase can be attributed to higher Adjusted EBITDA<sup>(1)</sup> and a foreign exchange gain. These factors were partially offset by a higher depreciation expense from the Sherbrooke Expansion Project, a one-time expense related to restructuring activity at Memphis, higher interest expense and other finance costs, greater income from non-controlling interest, as well as increased restructuring costs and income tax expense.

<sup>(1)</sup> Adjusted EBITDA is a non-GAAP financial measure. This measure does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similarly titled measures presented by other companies. Refer to the MD&A in this Annual Report for the definition and reconciliation of Adjusted EBITDA.

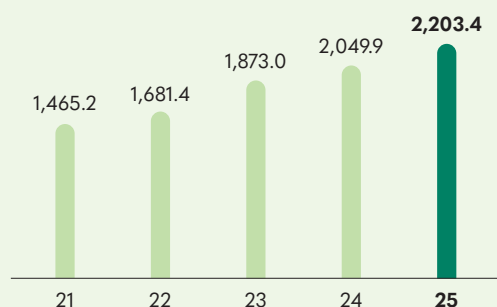
# FINANCIAL PERFORMANCE<sup>(1)</sup>

(In millions of Canadian dollars)

For the years ended December 31	2025	2024	2023	2022	2021
Net income (loss)	75.5	23.8	(5.3)	(56.9)	42.0
Working capital	143.7	120.7	45.7	116.4	146.4
Long-term debt	1,074.1	1,180.5	1,033.5	1,077.3	920.3
Net debt/LTM adjusted EBITDA <sup>(2)</sup>	3.1x	4.2x	3.9x	8.9x	5.3x

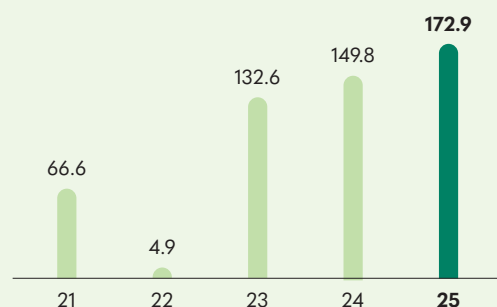
## REVENUE<sup>(1)</sup>

(in millions of Canadian dollars)



## OPERATING INCOME

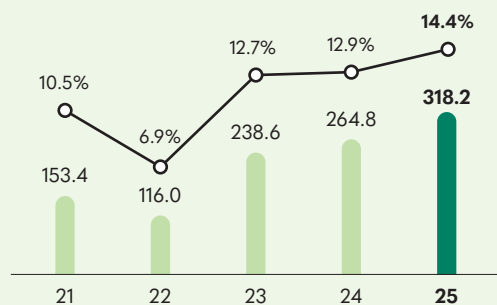
(in millions of Canadian dollars)



## ADJUSTED EBITDA<sup>(2)</sup>

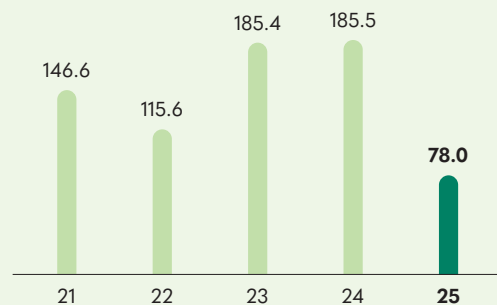
### ADJUSTED EBITDA MARGIN<sup>(2)</sup>

(in millions of Canadian dollars, %)



## CAPITAL EXPENDITURES

(in millions of Canadian dollars)



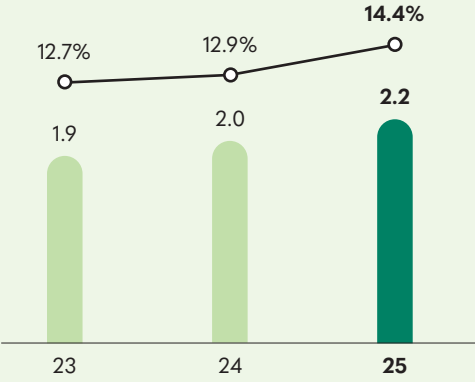
<sup>(1)</sup> All financial data presented herein relates to Kruger Products unless otherwise noted and has been prepared in accordance with IFRS. For the year ended December 31, 2025, KPT reported equity income of \$8.1 million, net income of \$8.5 million and net income per share of \$0.85. For more information, refer to the KPT Audited Financial Statements for the year ended December 31, 2025.

<sup>(2)</sup> Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures. These measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similarly titled measures presented by other companies. Refer to the MD&A in this Annual Report for the definition and reconciliation of Adjusted EBITDA.

# WELL-DIVERSIFIED GROWTH STRATEGY



**REVENUE <sup>(1)</sup> AND  
ADJUSTED EBITDA MARGIN <sup>(2)</sup>**  
(in billions of Canadian dollars, %)



At Kruger Products, we have built a strong foundation for profitable growth. During the last three years, revenue<sup>(1)</sup> and adjusted EBITDA<sup>(2)</sup> have increased through a well-diversified growth strategy in North America.

<sup>(1)</sup> All financial data presented herein relates to Kruger Products unless otherwise noted and has been prepared in accordance with IFRS.

<sup>(2)</sup> Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures. These measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similarly titled measures presented by other companies. Refer to the MD&A in this Annual Report for the definition and reconciliation of Adjusted EBITDA.



## CANADA

### GROWING WITHIN A MATURE MARKET

In Canada, where we are the No. 1 tissue supplier within a mature market, revenue improved 6.9% in 2025. Despite volatile trade conditions, our Made-in-Canada positioning helped leading brands like Cashmere®, Scotties® and SpongeTowels® secure sizable share gains in their respective product categories.

As a company with deep roots across the country, we are a natural fit for consumers seeking high-quality products made by Canadians for Canadians.

## UNITED STATES

### SERVING AS GROWTH ENGINE FOR THE FUTURE

In the United States, where we are a relatively new player and hold a smaller market share, revenue grew 8.2% in the past year. We believe robust revenue growth in the U.S. market will be a key theme for Kruger Products in upcoming years as we increase penetration with new and existing customers.

The construction of a new Through-Air-Dry (TAD) facility expected in the western U.S., and a renewed Memphis asset strategy focused on premium products, supports our continued focus to grow our U.S. business.

# MESSAGE TO SHAREHOLDERS

Dear Shareholders,

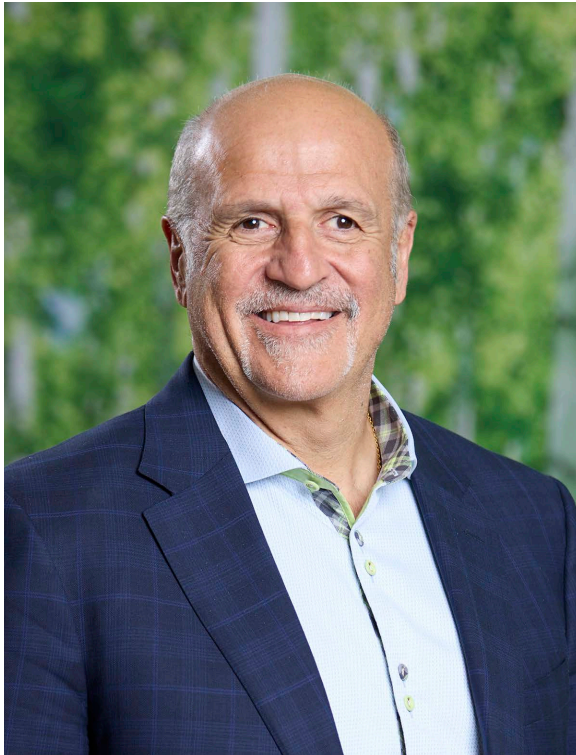
We delivered solid results across many areas of our business in fiscal 2025, highlighted by share gains and revenue growth, higher margins and greater profitability, along with enhanced operational efficiency and a strong safety record.

We are particularly pleased that revenue growth was well-diversified in both Canada, leveraging our leadership position in this mature market, and in the United States, serving as our growth engine for years to come. Revenue increased 6.9% and 8.2% year-over-year in Canada and the U.S., respectively.

Consolidated revenue improved 7.5% to \$2.2 billion in 2025 on higher sales volume in our Consumer business, the positive effect of selling price increases across our Consumer and Kruger PRO businesses, and a favourable foreign exchange impact.

Adjusted EBITDA<sup>(1)</sup> grew 20.2% year-over-year to \$318.2 million in line with revenue growth, lower pulp prices and a better absorption of manufacturing overhead costs. These factors were partially offset by additional investments at manufacturing sites, unfavourable Memphis mill performance, as well as higher warehousing and SG&A expenses.

Overall, our financial performance reflects sustained momentum from three consecutive years of profitable growth. In the first quarter of 2026, we continued driving profitability with Adjusted EBITDA<sup>(1)</sup> of \$86.9 million on revenue of \$544.6 million for an Adjusted EBITDA margin<sup>(1)</sup> of 16.0%. We intend to build on this solid foundation in 2026 despite a volatile economic environment.



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## NETWORK OPERATIONS

We made significant gains in operational efficiency in 2025. Production rates for our paper machines and converting operations exceeded annual targets across all sites. As a result, cost savings from paper insourcing have improved profitability.

At Memphis, our renewed asset strategy, focused on producing premium products, drove improvements against production targets in the second half of the year. As well, our new Memphis converting line for bathroom tissue and paper towels was launched on schedule in April 2026.

Our new TAD facility in the western United States, expected to have an annual production capacity of approximately 75,000 metric tonnes, will strengthen our ability to supply ultra-premium tissue products to the U.S. market. We anticipate making an official location announcement once all permits, incentives and financing are finalized.

Finally, we are proud to report that we achieved strong safety results across our manufacturing assets in 2025, with several sites achieving key milestones throughout the year.

## BRAND SUPPORT

In our Consumer segment, we developed equity-building campaigns behind leading brands, such as Cashmere®, Scotties® and SpongeTowels®, with a distinct Made-in-Canada positioning in 2025. Drawing on the patriotism of Canadians, our brands continued to perform well during a period of trade uncertainty.

Marketing initiatives, including our annual Cashmere Collection® fundraiser for breast cancer awareness, annual Scotties® Tournament of Hearts® activation related to the Canadian women's curling

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*Revenue increased 6.9% and 8.2% year-over-year in Canada and the U.S., respectively.*

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*Consolidated revenue improved 7.5% to \$2.2 billion in 2025.*

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championship, and Kruger Big Assist® program to make hockey more accessible for Canadian families, helped Kruger Products secure share gains across all three key product categories in 2025<sup>(1)</sup>. At year-end, we were ranked No. 1 in both the bathroom and facial tissue categories in Canada, while steadily improving our position as the No. 2 player in the paper towel category.

### **KRUGER PRO**

Kruger PRO, our Away-From-Home (AFH) business, has built a sustainable business model and is expected to continue to deliver profitable growth. In 2025, we delivered an Adjusted EBITDA margin<sup>(2)</sup> of 9.1% for this segment with a steady momentum as full production capacity from Sherbrooke drives improved profitability from paper in-sourcing.

Cashmere® and Scotties® continue to deliver growth in the commercial market. We also introduced TITAN® wipers and cloths to our Kruger PRO portfolio during the past year to meet the high-performance and reliability requirements of this business. With a bold new name and look, TITAN® reflects Kruger PRO's vision of being a trusted partner to our customers.

### **SUSTAINABILITY**

Reimagine 2030, our sustainable development plan, has been designed with the dual goals of growing our business and protecting our planet. Our four pillars supporting this strategy remain clear: Products Empower, Planet Conscious, Employee Impact and Community Embrace.

Sustainability is firmly embedded in every decision that we make and is an integral part of our corporate DNA. A new sustainability report was published in June 2026 to outline our progress.

<sup>(1)</sup> See page 3 of this Annual Report for market share data in the bathroom tissue, facial tissue and paper towel categories as at December 27, 2025.

<sup>(2)</sup> Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures. These measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similarly titled measures presented by other companies. Refer to the MD&A in this Annual Report for the definition and reconciliation of Adjusted EBITDA.

Reflecting this commitment, Kruger Products was named one of Canada's Best 50 Corporate Citizens by *Corporate Knights* for an eighth consecutive year in 2025. We were recognized with top-quartile scores for sustainable revenue, water and waste productivity, lost-time injury, and gender diversity among top executives.

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*Adjusted EBITDA<sup>(1)</sup> grew 20.2% year-over-year to \$318.2 million.*

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### **WRAP-UP**

In closing, I would like to thank our approximately 3,000 employees for their dedication in delivering three consecutive years of profitable growth. I would also like to express my gratitude to consumers and to our customers for their loyalty to our brands. Finally, I am thankful to the Kruger family and Board of Directors for their continued support and counsel.



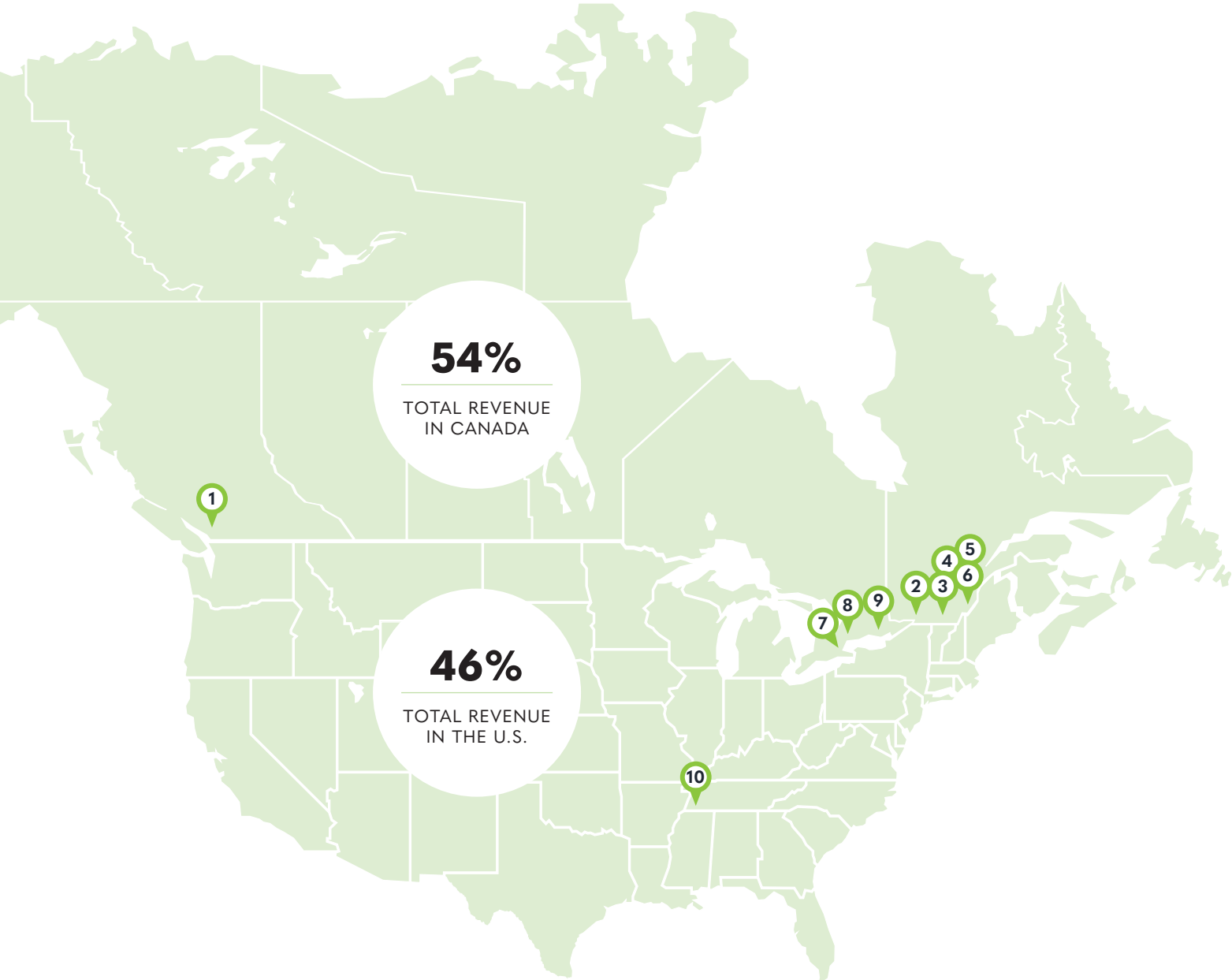
**Dino Bianco**

Chief Executive Officer

KP Tissue Inc. and Kruger Products Inc.

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# NORTH AMERICAN NETWORK



Kruger Products is the leader in Canada for annual production capacity of bathroom tissue, facial tissue, paper towels and napkins at approximately 422,000 metric tonnes, or 48% of the country's annual production capacity<sup>(1)</sup>.

At our Memphis, Tennessee manufacturing plant in the United States, we have an additional 70,000 metric tonnes annual capacity, raising our North American total to 492,000 metric tonnes per year.

We also announced plans for a new TAD facility in the western United States, with a new TAD paper machine and related converting lines. This state-of-the-art manufacturing facility, with annual production capacity of approximately 75,000 metric tonnes, will strengthen our ability to supply ultra-premium tissue products to the U.S. market.

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**1** PAPERMAKING & CONVERTING  
**NEW WESTMINSTER, BC**

Produce more than  
**74,000 MT**  
of tissue products every year

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**5** PAPERMAKING & CONVERTING  
**TAD SHERBROOKE, QC**

Produce more than  
**75,000 MT**  
of tissue products every year

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**2** PAPERMAKING & CONVERTING  
**GATINEAU, QC\***

Produce more than  
**97,000 MT**  
of tissue products every year

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**6** PAPERMAKING & CONVERTING  
**LDC SHERBROOKE, QC**

Produce more than  
**60,000 MT**  
of tissue products every year

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**3** DEINKING, PULPING, PAPERMAKING & CONVERTING  
**CRABTREE, QC**

Produce more than  
**92,000 MT**  
of tissue products every year

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**7** CORPORATE HEADQUARTERS  
**MISSISSAUGA, ON**

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**8** CONVERTING  
**SCARBOROUGH, ON**

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**9** CONVERTING  
**TRENTON, ON**

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**4** PAPERMAKING  
**LENOXVILLE (SHERBROOKE), QC**

Produce more than  
**24,000 MT**  
of tissue products every year

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**10** PAPERMAKING & CONVERTING  
**MEMPHIS, TENNESSEE**

Produce more than  
**70,000 MT**  
of tissue products every year

<sup>(1)</sup> Source: RISI data.

\* Laurier facility for papermaking and Richelieu facility for converting.

# BRAND SUPPORT

Building brand equity represents a key element to Kruger Products' success in the North American tissue market. Each of our brands – Bonterra®, Cashmere®, Purex®, Scotties®, SpongeTowels® and White Cloud® – provides a unique value proposition to targeted consumers. Find below a sampling of our marketing campaigns during the past year.



## CASHMERE COLLECTION®

We launched our 22nd Annual Cashmere Collection® in support of breast cancer awareness, prevention, and treatment programs. Inspired by the theme of “Tapestry of the North,” 16 of the top Canadian designers showcased garments made entirely of Cashmere® bathroom tissue at our Toronto fundraiser. The annual campaign has raised over \$5 million for the breast cancer cause since 2004 through the Canadian Cancer Society and the Quebec Breast Cancer Foundation.



## SCOTTIES® TOURNAMENT OF HEARTS®

We released the Scotties® Tournament of Hearts® campaigns related to the Canadian women's curling championship in Thunder Bay in 2025 and Mississauga in early 2026.

Kruger Products has been a proud sponsor of this iconic event for 45 years, enabling Canadian women to compete and grow this sport.



## SCOTT FOR SCOTTIES®

We introduced a “Scott for Scotties®” activation with Toronto Raptors star Scottie Barnes. The campaign featured a playful stunt on social media in which the NBA basketball player changed his first name to “Scotties®” with an “s” to promote our facial tissue brand across Canada.

Limited edition “Scotties®” Barnes boxes were also released as part of the promotion.



**SARAH RICHARDSON  
AND BONTERRA**

Canadian designer and TV personality, Sarah Richardson, recently collaborated with Kruger Products to launch a collection of nature-inspired, plastic-free Bonterra® facial tissue boxes. Featuring five abstract patterns based on her photography, the collection blends functional, eco-conscious products with stylish home decor.



**KRUGER BIG ASSIST®**

We unveiled the sixth edition of the Kruger Big Assist® program, which has made hockey more accessible to Canadian families through \$1 million in donations to-date.

This program was highlighted in a “Parent Assist” TV commercial that aired during CBC’s broadcast of the Olympic Winter Games in Milano-Cortina. The ad celebrated the dedication and sacrifice of minor hockey parents across the country.

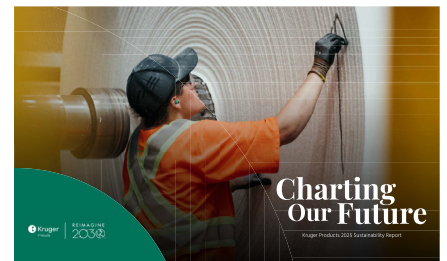


# REIMAGINE 2030

We have embarked on the second half of our 10-year sustainability plan, Reimagine 2030, with determination and optimism to deliver transformative growth and sustainable innovation. Our sustainability mission prioritizes the environment and social impact to make everyday life more comfortable.

Our strategy revolves around four key pillars — products, planet, people and communities — as well as a broadened set of material issues covering our most significant impacts.

A new sustainability report was published in June 2026 to outline our progress. Find summary results from the newly released report on these pages.



To view the complete report, go to:  
<https://www.krugerproducts.ca/en-ca/resources-and-reports>



## PROGRESS MADE IN 2025

**31%** REDUCTION IN GHG EMISSIONS <sup>(1)</sup>

**40%** REDUCTION OF WATER EFFLUENT <sup>(1)</sup>

**6.1%** REDUCTION IN VIRGIN PLASTICS PACKAGING IN BRANDED PRODUCTS <sup>(2)</sup>

**100%** USE OF THIRD-PARTY CERTIFIED FIBERS

**81%** IMPROVEMENT IN EMPLOYEE HEALTH & SAFETY <sup>(3)</sup>

**320+** THIRD PARTY CERTIFIED PRODUCTS IN NORTH AMERICA

## KEY TARGETS TO ACHIEVE BY 2030

**35%** REDUCTION IN GHG EMISSIONS <sup>(1)</sup>

**45%** REDUCTION OF WATER EFFLUENT <sup>(1)(4)</sup>

**25%** REDUCTION IN VIRGIN PLASTICS PACKAGING IN BRANDED PRODUCTS <sup>(2)(5)</sup>

**100%** USE OF THIRD-PARTY CERTIFIED FIBERS

<sup>(4)</sup> We have already exceeded our 35% intensity reduction goal for water from the 2015 baseline, driven by process improvements and the deployment of new technologies that use far less water than older assets. In light of this progress, we are raising our water target to a more ambitious 45% reduction from the baseline.

<sup>(5)</sup> Despite our teams' tremendous effort, progress has been slower than we had hoped due to a host of challenges. Post-consumer recycled (PCR) content is still more costly, more difficult to source consistently and creates quality and operational challenges. We are therefore adjusting our 2030 target for virgin plastic reduction in branded packaging from 50% to 25%, which we believe still represents meaningful progress in light of these headwinds and the broader industry context.

<sup>(1)</sup> Intensity-based versus 2015 baseline.

<sup>(2)</sup> Intensity-based versus 2020 baseline.

<sup>(3)</sup> OSHA total incidence rate of 0.77, an 81% improvement versus 2015 baseline.

# AWARDS AND RECOGNITIONS

Every year, Kruger Products adds awards to its collection, supported by an increasingly progressive and purpose-driven culture. Our workplace environment enables employees to reach their full potential, encourages creative thinking, and celebrates diversity of thought.

Yet nothing would be possible without the buy-in and hard work of our people. These awards are dedicated to the approximately 3,000 employees who represent our greatest strength.



Platinum member

Canada's Best Managed Companies for 8<sup>th</sup> consecutive year, Platinum Member



Corporate Knights' Best 50 Corporate Citizens in Canada for 8<sup>th</sup> consecutive year



Greater Toronto Area Top Employer for 13<sup>th</sup> consecutive year



Ranked #1 Consumer Packaged Goods Supplier by Canadian retailers for 6<sup>th</sup> consecutive year



Corporate Knights' 25 Most Sustainable Private Corporations in the World inaugural list



Time's Canada Best Companies



**KP TISSUE INC. AND KRUGER PRODUCTS INC.**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## **OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

**DATED FEBRUARY 18, 2026**

**FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED DECEMBER 31, 2025**

**KP Tissue Inc. and Kruger Products Inc.**

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The following Management's Discussion and Analysis (MD&A) dated February 18, 2026 for KP Tissue Inc. (KPT) and Kruger Products Inc. (Kruger Products) is intended to assist the readers in understanding the business environment, strategies, performance and risk factors relating to KPT and Kruger Products. It should be read in conjunction with the financial statements of KPT for the years ended December 31, 2025 and December 31, 2024, respectively, and the consolidated financial statements of Kruger Products for the years ended December 31, 2025 (Fiscal 2025) and December 31, 2024 (Fiscal 2024), respectively.

#### **About KP Tissue Inc.**

KPT was created to acquire, and its business is limited to holding, an equity interest in Kruger Products, which is accounted for as an investment in an associate using the equity method of accounting. As of December 31, 2025, KPT held 12.1% of the Kruger Products Class B Common Shares (the Kruger Products Common Shares). The following MD&A provides discussion and analysis related to KPT to the extent necessary to understand the equity method of accounting. However, the majority of the discussion and analysis relates to Kruger Products and to KPT's investment in Kruger Products.

#### **CAUTIONARY FORWARD LOOKING STATEMENT**

Certain statements in this MD&A about KPT's and Kruger Products' current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, items such as plans to build a new TAD tissue plant and its expected annual production capacity, expected date for starting production, the expected financing structure of the project and certain anticipated benefits of the project. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. The forward-looking statements are based on certain key expectations and assumptions made by KPT or Kruger Products, in respect of the plans to build a new TAD tissue plant, and obtaining financing on acceptable terms for the project. Although KPT and Kruger Products believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that such expectations and assumptions will prove to be correct. Many factors could cause Kruger Products' actual results, level of activity, performance or achievements or future events or developments (which could in turn affect the economic benefits derived from KPT's economic interest in Kruger Products) to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the "Risk Factors – Risks Related to Kruger Products' Business" section of the KPT Annual Information Form dated February 18, 2026 available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) (the Annual Information Form): Kruger Inc.'s influence over Kruger Products; Kruger Products' reliance on Kruger Inc.; consequences of an event of insolvency relating to Kruger Inc.; risks associated with the ownership of the TAD Sherbrooke Project; risks associated with the operation of the TAD Sherbrooke Project; operational risks; significant increases in input costs; reduction in supply of fibre; increased pricing pressure and intense competition; Kruger Products' inability to innovate effectively; adverse economic conditions; dependence on key retail trade customers; damage to the reputation of Kruger Products or Kruger Products' brands; Kruger Products' sales being less than anticipated; Kruger Products' failure to implement its business and operating strategies; Kruger Products' obligation to make regular capital expenditures; Kruger Products entering into unsuccessful acquisitions; Kruger Products' dependence on key personnel; Kruger Products' inability to retain its existing customers or obtain new customers; Kruger Products' loss of key suppliers; Kruger Products' failure to adequately protect its intellectual property rights; Kruger Products' reliance on third party intellectual property licenses; adverse litigation and other claims affecting Kruger Products; material expenditures due to comprehensive environmental regulation affecting Kruger Products' cash flow; Kruger Products' pension obligations are significant and can be materially higher than predicted if Kruger Products Management's underlying assumptions are incorrect; labour disputes adversely affecting Kruger Products' cost structure and Kruger Products' ability to run its plants; exchange rate and U.S. competitors; Kruger Products' inability to service all of its indebtedness; exposure to potential consumer product liability; covenant compliance; interest rate and refinancing risk; information technology; cyber-security; insurance; internal controls; trade related and tax.

These factors are not intended to represent a complete list of the factors that could affect KPT and/or Kruger Products; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein or in the documents reproduced herein. KPT and Kruger Products cannot guarantee future results, levels of activity, performance, or achievements. Moreover, KPT and Kruger Products do not assume responsibility for the accuracy and completeness of the forward-looking statements. KPT and/or Kruger Products' actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that KPT and/or Kruger Products will derive therefrom.

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlooks within the meaning of securities laws, such information is being provided to demonstrate the potential benefits and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks are, without limitation, based on the assumptions and subject to the risks set out above.

The forward-looking information contained herein is made as of the date of this MD&A and KPT and Kruger Products disclaim any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, unless required by applicable law.

## OVERVIEW

### Business Overview

Kruger Products is Canada's leading tissue products supplier by overall dollar and volume market share. It produces, distributes, markets and sells a wide range of disposable tissue products, including bathroom tissue, facial tissue, paper towels and napkins, for both the Consumer and the Away-From-Home (AFH) markets (in each case, as defined below). While its principal focus is on the Canadian consumer-branded tissue products market, Kruger Products commercial division (Kruger Pro) is also a leader in the Canadian AFH market and has a considerable presence in the U.S. branded and private label tissue market. The Consumer segment consists of well recognized brands such as *Cashmere*, *Purex*, *Scotties*, *SpongeTowels* and *Bonterra* in Canada and *White Cloud* in the United States.

Kruger Products is headquartered in Mississauga, Ontario and has approximately 3,000 employees across Canada and the United States. Kruger Products' Canadian paper manufacturing facilities, consisting of five tissue plants in Québec and one plant in British Columbia, have a combined annual tissue production capacity of approximately 422,000 metric tonnes. In the U.S., Kruger Products operates a manufacturing facility in Memphis, Tennessee held in its wholly owned subsidiary K.T.G. (USA) Inc. (KTG), which currently has an aggregate production capacity of 70,000 metric tonnes.

Pursuant to its Articles, KPT's business is limited to (i) the investment in, holding of and disposition of limited partnership interests, units, shares or other securities of Kruger Products, (ii) the acquisition of, holding, operation and disposition of any assets, liabilities, operations or business of such entities, and (iii) all activities related, incidental or ancillary to any of the foregoing.

As of the date of the MD&A and following the participation by Kruger Products' shareholders in the Kruger Products DRIP on January 15, 2026, KPT held 12.1% of the Kruger Products Common Shares.

### Basis of Presentation

The consolidated financial statements of Kruger Products presented for Fiscal 2025 and Fiscal 2024 and the financial statements of KPT presented for the years ended December 31, 2025 and 2024, respectively, have each been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## Accounting Periods

This MD&A includes financial information for the 3-month periods ended December 31, 2025 (Q4 2025) and December 31, 2024 (Q4 2024), respectively, and Fiscal 2025 and Fiscal 2024.

## Non-GAAP Financial Measures

This MD&A refers to “Adjusted EBITDA”, a measure which does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other companies. Kruger Products believes that this measure provides useful information to management of Kruger Products and the readers of the financial information in measuring the financial performance and financial condition of Kruger Products.

“Adjusted EBITDA” is calculated by Kruger Products as net income (loss) before (i) interest expense and other finance costs, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) loss on sale of non-financial assets, (vi) loss (gain) on disposal of property, plant and equipment, (vii) foreign exchange loss (gain), (viii) costs related to restructuring activities and (ix) changes in amortized cost of Partnership units liability. We use “Adjusted EBITDA” to evaluate the performance of our business as it reflects its ongoing profitability. This MD&A contains a reconciliation of Adjusted EBITDA to net income (loss), the most comparable GAAP measure, on page [7](#).

## Outlook

Kruger Products is committed to building its consumer brands and developing innovative products for its retail and commercial customers. Kruger Products’ strategy is to maintain its leadership position in the Canadian market. Though the Canadian tissue market is expected to remain competitive, Kruger Products believes that its brands and products are well positioned for continued growth. Kruger Products will aim to sustain its consumer and AFH leadership position in the Canadian tissue industry by driving marketing and sales excellence, extending product lines, continuing to leverage product development and manufacturing technology to drive product superiority and cost savings, and emphasizing manufacturing quality and efficiency.

Kruger Products also expects to continue to grow by leveraging its Through Air Dry (TAD) product capabilities in Canada and the United States and focusing on the high-end private label business in the U.S. market. Kruger Products’ U.S. strategy also includes the expansion of the White Cloud brand to additional U.S. retailers.

Following the successful start-up of the manufacturing plant at Sherbrooke in 2024, Kruger Products is currently evaluating the construction of a new manufacturing facility that would contain a state-of-the-art TAD paper machine and three converting lines. The new plant is expected to support Kruger Products continued focus to grow revenue, protect market share, and offer high-quality tissue products to customers across North America. Refer to Business Highlights, Sherbrooke Expansion Project for additional details.

## **Factors Affecting the Results of Operations**

### ***Revenue***

Kruger Products generates revenue on the sale of branded, private label and AFH tissue products in Canada and the United States. Revenue is reported on a net basis, after deducting rebates and allowances. Kruger Products' revenue is impacted by advertising, discounts and promotions, merchandising, packaging, the availability of shelf and display space at retail customers, the timing of new product launches and line extensions and competitive pricing, all of which have a significant impact on consumer buying decisions. Continued growth of our revenue will depend substantially on the continued strength of our brands, retail support and our ability to effectively maintain sufficient product supply to meet customer demand.

Kruger Products has two reportable business segments: (i) consumer products sold through traditional retail channels such as grocery stores, mass merchandisers, club stores, drug stores and convenience stores (Consumer) and (ii) AFH. The Consumer segment includes sales of branded tissue products such as *Cashmere*, *Purex*, *Scotties*, *SpongeTowels*, *Bonterra* and *White Cloud*. AFH sells commercial tissue products primarily through distributors to businesses involved in property management, health care, food service, manufacturing and lodging, and to other public facilities. Certain management overhead costs not directly attributable to the business segments are reported as Corporate and other costs.

Kruger Products' current sales focus includes all regions of Canada and the United States. Kruger Products is partially exposed to fluctuations in the U.S. dollar against the Canadian dollar, as sales made to U.S. customers are made in U.S. dollars. To manage this foreign exchange risk, Kruger Products may enter into foreign exchange swaps and foreign exchange forwards.

### ***Cost of Sales***

Cost of sales includes fixed and variable costs to manufacture Kruger Products' products, freight, and warehousing and handling costs. Input costs associated with the manufacturing of tissue paper are primarily variable. Fibre, labour, and energy costs are the largest components, representing 50% to 80% of total cost of sales, depending on the type of fibre and paper making technology being used. Pulp is a world-wide commodity. Though underlying pulp costs can fluctuate based on worldwide shifts in supply and demand, there has historically been an ability to pass along fluctuations to end customers and consumers. However, the ability to pass through the full amount of pulp cost increases may be affected by the competitive market situation at the time of the fluctuation. Kruger Products has historically entered into fibre commodity contracts to reduce exposure to fluctuations in this key input cost and may continue to do so going forward. Kruger Products has historically targeted commodity contracts to cover almost all total fibre purchases. Kruger Products is exposed to fluctuations in the U.S. dollar against the Canadian dollar on production inputs, U.S. dollar denominated debt and other operating costs denominated in U.S. dollars. To manage this foreign exchange risk, Kruger Products may enter into foreign exchange swaps and foreign exchange forwards. Fixed costs at the plants include plant maintenance, overhead, insurance, property taxes, information technology, as well as depreciation and amortization (substantially all depreciation and amortization is included in Cost of sales).

Freight and handling costs vary based on sales volume, the geographical mix of the product shipped, and the cost of fuel used by freight carriers. Freight costs can also be subject to fluctuations based on North American shifts in supply and demand. Freight rates and the availability of transportation assets have been favourably impacted as supply constraints and inflation have moderated.

### ***Selling, General and Administrative Expenses***

Kruger Products' selling, general and administrative expenses include marketing, selling, general and administrative costs, which include a very small portion of the overall depreciation and amortization.

Selling costs include the costs related to sales including selling expenses, commissions and other related costs. Marketing costs include the costs related to marketing activities including advertising and promotion and market research. General and administrative expenses consist of costs related to operations oversight, logistics and customer service, finance, information technology, product development, legal, human resources, executive administration and other corporate expenses. It also includes foreign exchange gains and losses realized during the period.

#### ***Interest Expense and Other Finance Costs***

Interest expense and other finance costs are derived from the financing activities of Kruger Products. Kruger Products is a borrower under certain credit facilities. Kruger Products also records amortization related to deferred financing fees, interest expense on lease liabilities and interest costs related to pensions and post-retirement benefits in interest expense and other finance costs.

#### ***Other Income (Expense)***

Other income (expense) includes foreign exchange gains and losses related to U.S. dollar denominated debt and other items deemed to be non-operational in nature.

#### ***Income Taxes***

The income taxes recorded in the consolidated financial statements of Kruger Products for Fiscal 2025 relate to the income taxes for its incorporated subsidiaries in the U.S. and Canada.

### **BUSINESS HIGHLIGHTS**

#### **Sherbrooke Expansion Project**

In 2021, Kruger Products announced an investment totaling \$351.5 million to expand the Sherbrooke operations with a Light Dry Crepe (LDC) tissue machine and two new production lines as well as the construction of a new tissue manufacturing facility (the Sherbrooke Expansion Project) over the following three years. As a result of significant inflation across the supply chain and interest rate increases during construction, the cost of the project was forecasted to be \$377.5 million, excluding start-up expenses and working capital. The first stage of this project, a new bathroom tissue converting line, successfully started-up in February 2023. The second stage is comprised of the construction of a new tissue manufacturing facility that includes a new facial tissue converting line that started up in February 2024 and a LDC paper machine that started up in September 2024. The project has increased Kruger Products' annual output by at least 60,000 metric tonnes at maturity. The project was completed on time and on budget.

#### **Memphis Site Investment**

During Q2 2025, Kruger Products completed the shutdown of the remaining LDC assets at its Memphis, TN site. On July 9, 2025, Kruger Products also announced that its subsidiary, K.T.G. (USA) Inc., will be investing approximately USD\$35 million in a new converting line for bathroom tissue and paper towels at its site in Memphis, TN. These actions together will drive efficiency in our Memphis site by shutting down older assets and focusing on premium products and modern equipment.

### **New Tissue Plant Investment**

After investing more than \$1 billion in Canada since 2018 to increase tissue capacity and accelerate the growth of our business, Kruger Products also announced plans to build a new state-of-the-art tissue plant featuring the most modern through-air-dry (TAD) machine and related converting lines in the western United States. This facility will allow Kruger Products to better service its fast-growing U.S. business with ultra-premium tissue products. Location selection is in the final stages and will be announced along with project scope and financing details at a later date. This new TAD machine will have annual production capacity of approximately 75,000 metric tonnes and is estimated to start production in 2028. This new tissue investment will be made within an unrestricted subsidiary of Kruger Products and is subject to obtaining financing on satisfactory terms. The project is currently expected to be financed 40% by equity and incentives as well as 60% by project finance debt. This new facility, along with our Memphis plant and 9 existing Canadian plants, gives us a strong network to service our growing North American business.

### **Financing Activity**

On December 10, 2025, Kruger Products announced that it had closed an issuance of \$165 million principal amount of 6.250% Senior Unsecured Notes due December 10, 2032 by way of private placement. Interest on the notes is payable semi-annually in arrears on June 10th and December 10th of each year, commencing on June 10, 2026. Kruger Products used the net proceeds of the financing to fully settle the then-outstanding \$160.0 million senior credit facilities of Kruger Products SB Inc. ("KPSB") and for general corporate purposes.

### **KPSB Reorganization**

As of December 10, 2025, in connection with the financing and repayment of the KPSB Senior Credit Facility described above, KPSB became a restricted subsidiary under Kruger Products senior credit facility, the indenture governing the Notes and the indentures governing Kruger Products outstanding notes. Effective January 1, 2026, KPSB completed a corporate reorganization (the "KPSB Reorganization") pursuant to which it was effectively converted from a corporation into a limited partnership. See "Intercorporate Relationships" for updated corporate structure.

## RESULTS OF OPERATIONS

### Results of Operations of Kruger Products

(C\$ millions, unless otherwise noted)	\$ Change				
	Fiscal 2025	Fiscal 2024	Fiscal 2023	Fiscal 2025 vs. Fiscal 2024	Fiscal 2024 vs. Fiscal 2023
<b>Statement of Operations Data:</b>					
Revenue	2,203.4	2,049.9	1,873.0	153.5	176.9
Cost of sales	(1,825.1)	(1,721.7)	(1,571.6)	(103.4)	(150.1)
Selling, general and administrative expenses	(201.6)	(178.2)	(167.2)	(23.4)	(11.0)
Restructuring costs, net	(3.8)	(0.2)	(1.6)	(3.6)	1.4
<b>Operating income</b>	<b>172.9</b>	<b>149.8</b>	<b>132.6</b>	<b>23.1</b>	<b>17.2</b>
Interest expense and other finance costs	(86.8)	(72.5)	(70.3)	(14.3)	(2.2)
Other income (expense)	18.4	(31.9)	9.4	50.3	(41.3)
<b>Income before income taxes</b>	<b>104.5</b>	<b>45.4</b>	<b>71.7</b>	<b>59.1</b>	<b>(26.3)</b>
Income taxes:					—
Income tax expense at statutory rate	(27.2)	(11.8)	(18.6)	(15.4)	
Other	7.6	(7.6)	(54.8)	15.2	47.2
Income tax expense	(19.6)	(19.4)	(73.4)	(0.2)	54.0
<b>Net income (loss) including non-controlling interest</b>	<b>84.9</b>	<b>26.0</b>	<b>(1.7)</b>	<b>58.9</b>	<b>27.7</b>
Net income attributable to non-controlling interest	9.4	2.2	3.6	7.2	(1.4)
<b>Net income (loss) attributable to Kruger Products</b>	<b>75.5</b>	<b>23.8</b>	<b>(5.3)</b>	<b>51.7</b>	<b>29.1</b>

(C\$ millions, unless otherwise noted)	\$ Change				
	Fiscal 2025	Fiscal 2024	Fiscal 2023	Fiscal 2025 vs. Fiscal 2024	Fiscal 2024 vs. Fiscal 2023
<b>Reconciliation of Adjusted EBITDA<sup>1</sup> to Net income (loss):</b>					
Net income (loss) including non-controlling interest	84.9	26.0	(1.7)	58.9	27.7
Interest expense and other finance costs	86.8	72.5	70.3	14.3	2.2
Income tax expense	19.6	19.4	73.4	0.2	(54.0)
Depreciation and amortization	141.4	114.2	101.4	27.2	12.8
Foreign exchange loss (gain)	(18.4)	32.8	(9.4)	(51.2)	42.2
Change in amortized cost of Partnership unit liability	—	(0.9)	—	0.9	(0.9)
Loss on disposal of property, plant and equipment	0.1	0.6	3.0	(0.5)	(2.4)
Restructuring costs, net	3.8	0.2	1.6	3.6	(1.4)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>318.2</b>	<b>264.8</b>	<b>238.6</b>	<b>53.4</b>	<b>26.2</b>

### Results of Operations Fiscal 2025 compared to Fiscal 2024

#### Revenue

Revenue was \$2,203.4 million in Fiscal 2025 compared to \$2,049.9 million in Fiscal 2024, an increase of \$153.5 million or 7.5%. The increase in revenue was primarily due to higher sales volume in the Consumer segment and favourable selling prices across both segments, partially offset by somewhat lower sales volume in the AFH segment from the first half of 2025. Revenue was also favourably impacted by foreign exchange fluctuations on U.S. dollar sales (USD average 1.40 in Fiscal 2025 compared to 1.37 in Fiscal 2024). From a geographic perspective, revenue in Canada increased \$76.8 million or 6.9%, while revenue in the U.S. increased \$76.6 million, or 8.2%.

<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

### *Cost of Sales*

Cost of sales was \$1,825.1 million in Fiscal 2025 compared to \$1,721.7 million in Fiscal 2024, an increase of \$103.4 million or 6.0%. The increase in cost of sales was primarily due to higher sales volume along with the unfavourable impact of foreign exchange fluctuations on U.S. dollar costs, unfavourable mill performance at our Memphis site primarily in the first half of 2025 and additional manufacturing overhead spend to invest in our sites, partially offset by lower pulp costs, lower manufacturing overhead cost absorption resulting from higher inventory levels at the end of the year and costs related to the Q2 2024 labour disruption that did not recur in Fiscal 2025. Warehousing costs increased primarily as a result of handling costs related to higher sales volume. As a percentage of revenue, cost of sales was 82.8% in Fiscal 2025 compared to 84.0% in Fiscal 2024.

### *Selling, General and Administrative Expenses*

Selling, general and administrative (SG&A) expenses were \$201.6 million in Fiscal 2025 compared to \$178.2 million in Fiscal 2024, an increase of \$23.4 million or 13.1%. The increase was primarily due to additional headcount and related compensation costs that resulted in lower contracting costs, additional investment in IT, higher selling expenses related to higher sales volume, foreign exchange losses in Fiscal 2025 compared to gains in Fiscal 2024 and a tax adjustment in a U.S. entity in Fiscal 2024 that did not recur in Fiscal 2025, partially offset by lower operational and corporate initiatives compared to the prior year. As a percentage of revenue, SG&A expenses were 9.1% in Fiscal 2025 compared to 8.7% in Fiscal 2024.

### *Adjusted EBITDA*

Adjusted EBITDA<sup>1</sup> was \$318.2 million in Fiscal 2025 compared to \$264.8 million in Fiscal 2024, an increase of \$53.4 million or 20.2%. The increase was primarily due to higher sales volumes and selling prices along with lower pulp prices and favourable manufacturing overhead cost absorption, partially offset by additional manufacturing overhead spend to invest in our sites and unfavourable mill performance at our Memphis site, along with higher warehousing and SG&A expenses.

### *Interest Expense and Other Finance Costs*

Interest expense and other finance costs were \$86.8 million in Fiscal 2025 compared to \$72.5 million in Fiscal 2024, an increase of \$14.3 million. The increase was primarily due to interest expense related to financing of the Sherbrooke Expansion Project that is no longer being capitalized, refinancing of the 2031 Senior Notes, higher interest expense related to leases and a loss on extinguishment of the KPSB Credit Facility, partially offset by lower interest related to the factoring program resulting from renegotiation of the agreement.

### *Foreign Exchange Gain (Loss)*

Foreign exchange gain was \$18.4 million in Fiscal 2025 compared to a loss of \$32.8 million in Fiscal 2024 due to the favourable impact of foreign exchange fluctuations on USD denominated debt. The foreign exchange gains and losses were recorded in Other income (expense) in the consolidated statements of income (loss).

### *Income Taxes*

An income tax expense of \$19.6 million was recorded in Fiscal 2025 compared to \$19.4 million in Fiscal 2024. The income taxes in YTD 2025 and YTD 2024 resulted from taxable income and losses in Kruger Product's incorporated operating entities in the U.S. and Canada, the significant majority of which represents deferred income tax expense.

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<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

### Net Income (Loss) Attributable to Kruger Products

Net income was \$75.5 million in Fiscal 2025 compared to a net income \$23.8 million in Fiscal 2024, an improvement of \$51.7 million. The improvement was primarily due to higher Adjusted EBITDA<sup>1</sup> of \$53.4 million, a foreign exchange gain difference of \$51.2 million, partially offset by higher depreciation expense resulting from the Sherbrooke Expansion Project and a one-time expense related to the restructuring activity in our Memphis site of \$27.2 million, higher interest expense and other finance costs of \$14.3 million, higher income from non-controlling interest of \$7.2 million, higher restructuring costs of \$3.6 million and higher income tax expense of \$0.2 million in YTD 2025.

### Results of Operations of KPT

(C\$ millions, unless otherwise noted)	Fiscal 2025	Fiscal 2024
<b>Statement of Operations Data:</b>		
Share of income	9.2	3.0
Depreciation of fair value increments	(1.1)	(1.1)
<b>Equity income</b>	<b>8.1</b>	<b>1.9</b>
Dilution gain	0.4	0.6
<b>Income before income taxes</b>	<b>8.5</b>	<b>2.5</b>
Current tax expense	—	(0.1)
<b>Income tax expense</b>	<b>—</b>	<b>(0.1)</b>
<b>Net income</b>	<b>8.5</b>	<b>2.4</b>
<b>Basic earnings per share (dollars)</b>	<b>0.85</b>	<b>0.24</b>

The financial information presented above is based on KPT's interest in Kruger Products for Fiscal 2025 and Fiscal 2024. The share of income relates to KPT's share of income of Kruger Products. Refer to Results of Operations of Kruger Products above for an explanation of the results. The depreciation of fair value increments relates to adjustments to the carrying amount of certain assets of Kruger Products on its acquisition by KPT. Refer to note 5 in KPT's financial statements for additional details.

### SEGMENT INFORMATION

#### Segment Operating Income

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), (viii) costs related to restructuring activities and (ix) changes in amortized cost of Partnership units liability. "Consumer Segment Adjusted EBITDA<sup>1</sup>" and "AFH Segment Adjusted EBITDA<sup>1</sup>" means in each case the Segment operating income for the referring respective segment of Kruger Products.

## Segment Results

(C\$ millions, unless otherwise noted)	Fiscal 2025	Fiscal 2024	Fiscal 2023	Fiscal 2025 vs Fiscal 2024		Fiscal 2024 vs Fiscal 2023	
				\$ Change	% Change	\$ Change	% Change
<b>Segment Revenue</b>							
Consumer	1,855.0	1,708.1	1,551.2	146.9	8.6 %	156.9	10.1 %
AFH	348.4	341.8	321.8	6.6	1.9 %	20.0	6.2 %
<b>Total segment revenue</b>	<b>2,203.4</b>	<b>2,049.9</b>	<b>1,873.0</b>	<b>153.5</b>	<b>7.5 %</b>	<b>176.9</b>	<b>9.4 %</b>
<b>Adjusted EBITDA<sup>1</sup></b>							
Consumer	301.6	249.3	230.3	52.3		19.0	
AFH	31.8	28.6	20.8	3.2		7.8	
Corporate and other costs	(15.2)	(13.1)	(12.5)	(2.1)		(0.6)	
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>318.2</b>	<b>264.8</b>	<b>238.6</b>	<b>53.4</b>		<b>26.2</b>	

### Consumer Segment

#### *Fiscal 2025 compared to Fiscal 2024*

Consumer segment revenue was \$1,855.0 million in Fiscal 2025 compared to \$1,708.1 million in Fiscal 2024, an increase of \$146.9 million or 8.6%. The increase in revenue was due to higher sales volume in both the U.S. and Canada along with higher selling prices across the segment. Revenue was also favourably impacted by foreign exchange fluctuations on U.S. dollar sales. Consumer segment revenue increased in both Canada and the U.S.

Consumer Segment Adjusted EBITDA<sup>1</sup> was \$301.6 million in Fiscal 2025 compared to \$249.3 million in Fiscal 2024, an increase of \$52.3 million. The increase was primarily due to higher sales volumes and selling prices along with the favourable impact of manufacturing overhead cost absorption, partially offset by higher manufacturing overhead spend and higher warehousing and SG&A expenses.

### AFH Segment

#### *Fiscal 2025 compared to Fiscal 2024*

AFH segment revenue was \$348.4 million in Fiscal 2025 compared to \$341.8 million in Fiscal 2024, an increase of \$6.6 million or 1.9%. The increase was primarily due to higher selling prices and the favourable impact of foreign exchange fluctuations on U.S. dollar sales, as sales volume remained essentially flat. AFH segment revenue increased in Canada while decreasing in the U.S.

AFH Segment Adjusted EBITDA<sup>1</sup> was \$31.8 million in Fiscal 2025 compared to \$28.6 million in Fiscal 2024, an increase of \$3.2 million. The increase was primarily due to higher selling prices and improved productivity, partially offset by higher manufacturing overhead spend and SG&A expenses.

### Corporate and Other Costs

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

<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

### *Fiscal 2025 compared to Fiscal 2024*

Corporate and other costs were \$15.2 million in Fiscal 2025 compared to \$13.1 million in Fiscal 2024, an increase of \$2.1 million. The costs in each period related primarily to management fees and foreign exchange gains and losses related to working capital.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

Kruger Products' principal uses of funds are for operating costs, working capital, capital expenditures, pension contributions and dividends (together, the Funding Requirements). To date, Kruger Products has met the Funding Requirements by using cash generated from operating activities and the Dividend Reinvestment Plan and borrowings under its various debt facilities. Kruger Products is required to make funding contributions to the sponsored, registered defined benefit pension plans (RDBPP) over the next ten years. Kruger Products Management believes that cash generated from operations and the Dividend Reinvestment Plan, together with amounts available under the various debt facilities will be sufficient to meet its future Funding Requirements. However, Kruger Products' ability to meet future Funding Requirements and its ability to make scheduled payments of interest and principal on its debt facilities and to satisfy any of its other present or future debt obligations will depend on its future operating performance, which will be affected by general economic, financial, and other factors including factors beyond its control. Kruger Products Management reviews investment opportunities in the normal course of its business and may, if suitable opportunities arise, make selected investments to implement Kruger Products' business strategy. Historically, the funding for any such investments has come from cash flows from operations and/or additional debt.

On December 10, 2025, Kruger Products, as borrower, entered into the tenth amended and restated credit agreement with the lenders party thereto and National Bank of Canada, as administrative agent, to principally increase the Kruger Products Senior Credit Facility to \$250 million from \$230 million.

As of December 31, 2025, Kruger Products was in compliance with all of its financial covenants under all of its outstanding credit facilities. As of December 31, 2025, Kruger Products had no draws from the \$250 million committed amount under the Kruger Products Senior Credit Facility and had \$11.0 million of letters of credit outstanding, resulting in \$239.0 million available from the Kruger Products Senior Credit Facility, subject to covenant limitations. As of December 31, 2025, Kruger Products had two revolving loans available under the TAD Sherbrooke Project Facility. The US\$10 million (\$13.7 million) revolving loan (KTG) had no draws and the \$12.5 million revolving loan (KPSI) had no draws and outstanding letters of credit of \$5.1 million, resulting in \$21.1 million available from the revolving loans. As of December 31, 2025, Kruger Products had total liquidity of \$451.3 million (December 31, 2024 - \$344.6 million) representing cash and cash equivalents and availability under the Kruger Products Senior Credit Facility and the revolving loans available under the TAD Sherbrooke Project Facility within the covenant limitations. In addition, \$4.9 million (December 31, 2024 - \$16.6 million) of cash and cash equivalents were held by Kruger Products for the Sherbrooke Expansion project related to vendor holdbacks.

As it pertains to capital expenditures, approximately \$25 million annually relates to maintenance projects and the remaining expenditures are focused on strategic and growth projects aimed at reducing costs and offsetting annual inflation or increasing production capacity. Regular growth projects focused on performance improvement generally have a 3 to 4 year payback. Capital expenditures were \$78.0 million in Fiscal 2025, including \$20.5 million related to the Sherbrooke Expansion Project. Capital expenditures are expected to be approximately \$100 million to \$120 million in Fiscal 2026, including vendor holdbacks related to the Sherbrooke Expansion Project, the new tissue plant investment, and the Memphis site investment.

The tissue industry is generally characterized by high sales volume and rapid turnover of inventories and accounts receivable. In general, accounts receivable and inventories are readily convertible into cash. Investment in working capital may be affected by fluctuations in the prices of pulp and other supply costs, vendor terms and timing of collection of accounts receivable. Kruger Products participates in a factoring program to assist in managing working capital. Under the program, Kruger Products derecognizes certain receivables upon sale.

## Cash Flows

(C\$ millions, unless otherwise noted)	\$ Change				
	Fiscal 2025	Fiscal 2024	Fiscal 2023	Fiscal 2025 vs Fiscal 2024	Fiscal 2024 vs. Fiscal 2023
Net cash flows from operating activities	328.9	212.1	344.3	116.8	(132.2)
Net cash flows used in investing activities	(73.5)	(185.5)	(182.8)	112.0	(2.7)
Net cash flows used in financing activities	(177.2)	(46.9)	(95.9)	(130.3)	49.0
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(1.6)	4.0	(1.2)	(5.6)	5.2
Increase (decrease) in cash and cash equivalents	76.6	(16.3)	64.4	92.9	(80.7)
Beginning cash and cash equivalents, net	119.5	135.7	71.3	(16.2)	64.4
Ending cash and cash equivalents, net	196.1	119.4	135.7	76.7	(16.3)

### ***Net Cash Flows from Operating Activities***

Net cash from operating activities was \$328.9 million in Fiscal 2025 compared to \$212.1 million in Fiscal 2024. Cash from operating activities in Fiscal 2025 was primarily driven by Adjusted EBITDA<sup>1</sup> of \$318.2 million (Fiscal 2024 - \$264.8 million), pension and post-retirement benefit contributions below expense of \$7.7 million (Fiscal 2024 - \$7.8 million below expense), a decrease in working capital of \$5.5 million (Fiscal 2024 – an increase of \$58.6 million), partially offset by provisions paid of \$4.7 million (Fiscal 2024 – \$3.7 million), and net income tax payments of \$2.3 million (Fiscal 2024 - \$3.8 million).

### ***Net Cash Flows used in Investing Activities***

Net cash used in investing activities was \$73.5 million in Fiscal 2025 compared to \$185.5 million in Fiscal 2024. Cash used in investing activities related to capital expenditures of \$78.0 million (including \$20.5 million for the Sherbrooke Expansion Project) in Fiscal 2025 compared to \$185.5 million (including \$137.4 million for the Sherbrooke Expansion Project) in Fiscal 2024, partially offset by government assistance received of \$4.1 million in Fiscal 2025.

### ***Net Cash Flows used in Financing Activities***

Net cash used in financing activities was \$177.2 million in Fiscal 2025 compared to \$46.9 million in Fiscal 2024. Net cash used in financing activities in Fiscal 2025 was primarily due to interest paid of \$61.2 million (Fiscal 2024 - \$54.7 million), repayments of debt net of proceeds of \$41.5 million (Fiscal 2024 – proceeds from debt net of repayments \$115.5 million), lease payments of \$35.1 million (Fiscal 2024 - \$36.2 million), net dividends paid of \$25.7 million (Fiscal 2024 - \$30.5 million), payment to related party of \$5.8 million (Fiscal 2024 – \$5.8 million), deferred financing fees paid of \$3.6 million (Fiscal 2024 - \$4.5 million) and partially offset by a decrease in Restricted cash of \$2.3 million (Fiscal 2024 - increase of \$35.9 million)

<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

## Contractual Obligations

(C\$ millions, unless otherwise noted)	Fiscal 2026	Fiscal 2027	Fiscal 2028	Fiscal 2029	Thereafter	Total
<b>Contractual obligations</b>						
Senior Unsecured Notes due April 9, 2029, principal repayments	—	—	—	135.0	—	135.0
Senior Unsecured Notes due November 1, 2031, principal repayments	—	—	—	—	135.0	135.0
Senior Unsecured Notes due December 10, 2032, principal repayments	—	—	—	—	165.0	165.0
AgCredit Term A Credit Facility, principal repayments	13.0	13.6	14.3	15.0	128.3	184.2
AgCredit Term B Credit Facility, principal repayments	14.5	18.4	19.2	20.2	175.2	247.5
AgCredit Term D Credit Facility, principal repayments	31.3	11.1	11.8	12.6	31.8	98.6
KPSI IQ Debenture, principal repayments	16.7	16.7	14.7	—	—	48.1
KPSB IQ Debenture, principal repayments	2.5	9.9	9.9	9.9	46.0	78.2
Nordea2 Credit Facility, principal repayments	7.9	7.9	7.9	7.9	—	31.6
IQ Bathroom Tissue Loan, principal repayments	6.8	6.8	6.8	6.8	19.3	46.5
IQ Facial Tissue Loan, principal repayments	5.5	5.5	5.5	5.5	19.4	41.4
Quebec PM Loan, principal repayments	—	0.7	1.0	1.0	3.5	6.2
Ontario Loan, principal repayments	0.5	—	—	—	—	0.5
Interest Payments	58.1	55.3	51.8	44.7	112.5	322.4
Right-of-use lease payments	43.6	43.1	39.6	28.8	66.9	222.0
Contribution Undertaking Agreement, Contributions	5.8	5.8	5.8	5.8	17.4	40.6
Service contract payments	17.7	15.0	6.1	4.1	33.2	76.1
<b>Total contractual obligations</b>	<b>223.9</b>	<b>209.8</b>	<b>194.4</b>	<b>297.3</b>	<b>953.5</b>	<b>1,878.9</b>

Kruger Products' contractual obligations consist of long-term debt (principal repayments and interest payments), pensions and right-of-use leases for the rental of property, equipment and motor vehicles.

Kruger Products' cash pension contribution for defined benefit pension arrangements in Fiscal 2025 was \$1.6 million, while its post-retirement benefits contribution was \$2.0 million. In addition, as of December 31, 2025, Kruger Products had \$7.7 million of letters of credit related to pensions outstanding. Pension contributions for Fiscal 2026 are expected to be \$1.8 million and post-retirement contributions for Fiscal 2026 are expected to be \$2.0 million.

Pursuant to the Exchange Agreement, KPT has granted Kruger Inc. the right to exchange Kruger Products common shares it holds from time to time for common shares of KPT (the KPT Common Shares) issued by KPT on the basis of one Kruger Products common share for one KPT Common Share, subject to adjustment upon the occurrence of certain events that would result in the indirect economic interest in Kruger Products represented by a KPT Common Share diverging from the direct economic interest in Kruger Products represented by a Kruger Products Common Share, including splits or consolidations of the KPT Common Shares without a corresponding split or consolidation of the Kruger Products Common Shares, issuances or repurchases of the KPT Common Shares without corresponding issuances or repurchases of Kruger Products Common Shares, acquisition of assets by KPT other than Kruger Products Common Shares or incurrence of liabilities other than ordinary course liabilities, or special distributions by KPT, certain other securities, debt or assets to all shareholders. If at any time the Kruger Inc. aggregate ownership interest is less than 20% in Kruger Products, KPT may require the exchange of all outstanding Kruger Products Common Shares held by Kruger Inc. or its affiliates in return for KPT Common Shares on the basis of one Kruger Products Common Share for one KPT Common Share subject to adjustment as set forth above. As of December 31, 2025, no Kruger Products Common Shares had been exchanged for KPT Common Shares.

Pursuant to the Administration Agreement, Kruger Products, as administrator (the Administrator) has full power and authority to administer, subject to the general supervision and any specific instructions of the KPT Board, all of the ongoing operations and affairs of KPT in order for KPT to carry on its activities as a public company. The Administrator shall directly bear and pay for all KPT's normal operating expenses incurred in connection with the ordinary course operation of a company that is a reporting issuer. The Administrator may also advance funds to KPT in an amount equal to pay for any expenses of KPT that are outside of such ordinary course expenses, by way of non-recourse, interest-free loans, repayable upon payment by the Administrator of distributions to KPT. As KPT's agent, the Administrator will also bear and pay all outlays and expenses to third parties incurred by the Administrator in the administration of the affairs of KPT and the performance by the Administrator of its duties under the Administration Agreement.

## **Indebtedness**

### ***Kruger Products Senior Credit Agreement***

On December 10, 2025, Kruger Products entered into the tenth amended and restated credit agreement to increase the Kruger Products Senior Credit Facility to \$250 million from \$230 million and increase the accordion feature from CDN \$75 million to CDN \$100 million.

As of December 10, 2025, in connection with the financing and repayment of the KPSB Senior Credit Facility, KPSB became a restricted subsidiary under Kruger Products senior credit facility, the indenture governing the Notes and the indentures governing Kruger Products outstanding notes. Effective January 1, 2026, KPSB completed a corporate reorganization (the "KPSB Reorganization") pursuant to which it was effectively converted from a corporation into a limited partnership.

### ***Senior Unsecured Notes***

On December 10, 2025, Kruger Products issued \$165 million aggregate principal amount of 6.250% senior unsecured notes due December 10, 2032 (the "Senior Unsecured Notes due December 10, 2032" or the "2032 Notes") by way of private placement. Interest on the Notes is payable semi-annually on June 10 and December 10 of each year.

Under the 2032 Notes, "Restricted Subsidiaries" means any subsidiary of Kruger Products that is not an Unrestricted Subsidiary as defined in the 2032 Indenture (which Unrestricted Subsidiaries include, K.T.G. US Holdco Inc., K.T.G. (USA) Inc., KPSI, TAD2 GP ULC, TAD2 US LP, TAD1 Canco I Inc., TAD1 GP ULC, TAD1 US LP, TAD1 Canco II Inc., Community Benefit Partners LLC (including any successor thereto), Kruger Sherbrooke Water Treatment Inc., Westminster Paper Company Limited, and Non-Material Subsidiaries as defined in the 2032 Indenture).

The 2032 Notes are senior unsecured obligations of Kruger Products. The 2032 Notes rank senior in right of payment to all existing and future subordinated indebtedness of Kruger Products and equal in right of payment to all indebtedness of Kruger Products that is not subordinated in right of payment to the 2032 Notes other than any indebtedness that ranks senior to the 2032 Notes by operation of law. The 2032 Notes will be effectively subordinated to all existing and future secured indebtedness of Kruger Products, to the extent of the assets securing such indebtedness.

The 2032 Notes are unconditionally guaranteed, jointly and severally, by all existing and future Restricted Subsidiaries (the "Guarantors"). The guarantees are senior unsecured obligations of each of the Guarantors and will rank senior in right of payment to all existing and future subordinated indebtedness.

The 2032 Indenture contains certain restrictive covenants of Kruger Products, including, but not limited to, limitations on making certain restricted payments by Kruger Products or its Restricted Subsidiaries, restrictions on incurring certain indebtedness by Kruger Products or its Restricted Subsidiaries, restrictions on incurring certain liens by Kruger Products or its Restricted Subsidiaries, certain restrictions on transactions with affiliates, limitations on engaging in any line of business other than the businesses in which Kruger Products and the Restricted Subsidiaries were engaged on the date of issuance of the 2032 Notes, and any business reasonably related, incidental, complementary or ancillary thereto, limitations on creating

any contractual restrictions on the ability of Kruger Products or its Restricted Subsidiaries to take certain actions, such as the payment of dividends or making of distributions, restrictions on consolidating, amalgamating or merging into any other person and restrictions on selling, transferring, assigning, leasing, conveying or otherwise disposing of all or substantially all of the property of Kruger Products and the Restricted Subsidiaries taken as a whole.

On December 10, 2025, Kruger Products used the net proceeds of the financing to fully settle then-outstanding \$160.0 million senior credit facilities of KPSB (the “Extinguished Debt”) and for general corporate purposes. The settlement represented a full repayment of the existing facilities.

The extinguishment was accounted for as a derecognition of the existing financial liability. The carrying value of the Extinguished Debt immediately prior to settlement was \$157.0 million. Kruger Products paid \$160.0 million to fully extinguish the liability. As the settlement amount exceeded the carrying value, Kruger Products recognized a loss on extinguishment of debt of \$3.0 million, which has been recorded in profit or loss for the period.

#### ***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 30, 2025, \$39.8 million (US\$28.7 million) was deposited in the KPSI Dedicated Account, of which \$15.1 million (US\$10.0 million) was used to prepay the Term D Credit Facility. On September 26, 2025, \$34.5 million (US\$25 million) was released from the KPSI Dedicated Account, and an equity injection was made into KTG to support the investment in a new converting line for bathroom tissue and paper towels at the Memphis site.

#### ***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 \$18.4 million for year ended December 31, 2025. As of December 31, 2025, Kruger Inc. held a 12.0% non-controlling interest directly in KPSI (December 31, 2024 – 13.2%). As a result, a non-controlling interest of \$39.3 million was recorded in the consolidated statement of financial position (December 31, 2024 – \$30.0 million).

### ***KPSB IQ Debenture***

Borrowings under the KPSB IQ Debenture bear interest at a fixed capitalized interest rate of 2.0% per annum, calculated monthly.

The KPSB IQ Debenture is redeemable on a monthly basis (proportionately based on the number of months remaining until maturity) commencing 24 months following September 1, 2024, which payments KPSB undertakes to cause Kruger Products to make. Pursuant to a repayment agreement entered into by Kruger Products, KPSB and IQ on May 21, 2021 (as amended effective as of January 1, 2023), Kruger Products agreed to make the required monthly redemption payments to IQ. The KPSB IQ Debenture matures ten years from September 1, 2024.

In the event Kruger Products is in default under the Kruger Products Contribution Undertaking Agreement, the interest rate increases from 2.0% per annum to 6.0% per annum from the date of such default until cured to the satisfaction of IQ. If the default is not remedied within twelve months, the 6.0% rate continues to apply permanently.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

### **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Kruger Products' financial instruments exposed to credit risk as of December 31, 2025, included cash and cash equivalents, restricted cash, trade and other receivables and receivables from related parties. Kruger Products places its cash and cash equivalents and restricted cash with financial institutions of high creditworthiness.

Kruger Products sells its products to a variety of customers under certain credit terms and therefore is exposed to credit risks. Normal trade receivables are due within 30 days from the invoice date and amounts in excess of 90 days past the invoice date are considered delinquent. Kruger Products routinely assesses the financial strength of its customers and mitigates against identified exposure primarily by lowering credit limits with high-risk accounts. Kruger Products' customers are well established companies and accordingly, Kruger Products has experienced limited financial loss with respect to credit risk. As a result, Kruger Products believes that its exposure to credit risk is limited.

Kruger Products is party to a factoring arrangement, whereby Kruger Products sells to the Bank of Nova Scotia, on a non-recourse basis, eligible trade receivables owing by certain key customers with a facility limit of \$50 million. The factoring arrangement bears interest at a floating interest rate based on CORRA plus applicable margin. On July 16, 2025 Kruger Products amended and restated its receivables purchase agreement dated December 15, 2022. Under the revised terms, the effective margin was temporarily reduced by approximately 90 basis points. Additionally, collections from receivables are now remitted to Scotiabank on the maturity date of the receivable, rather than the first settlement date after collection.

### **Currency Risk**

Currency risk is the risk that Kruger Products' earnings may fluctuate due to changes in Canadian to U.S. dollar exchange rates, as the financial results are reported in Canadian dollars. Kruger Products sells certain of its products in U.S. dollars at prevailing U.S. dollar prices. The currency exposure is partially offset by U.S. dollar costs and expenses and the U.S. dollar denominated debt.

As of December 31, 2025, Kruger Products had net liabilities denominated in U.S. dollars of \$304.9 million (December 31, 2024 - \$371.7 million). Assuming the Canadian dollar strengthened (weakened) by 5% against the U.S. dollar, with all other variables held constant, the hypothetical result on net income before income tax for the year ended December 31, 2025 would have been an increase (decrease) of \$15.2 million (2024 - \$18.6 million).

## **Liquidity Risk**

The purpose of liquidity risk management is to maintain sufficient cash and cash equivalents and to ensure Kruger Products has sufficient authorized credit facilities to maintain liquidity and meet its future obligations as they come due.

The Company had unused lines of credit available of \$260.1 million as of December 31, 2025 (December 31, 2024 - \$241.7 million). The Company prepares projections to ensure it has sufficient funds to fulfill its obligations. The Company monitors the covenants on its credit facilities in the normal course of business. As of December 31, 2025, the Company was in compliance with all of its financial covenants under all of its outstanding credit facilities. Refinancing risks are minimized by ensuring the Company's lines of credit will not mature for at least two years.

The Company is subject to financial covenants on certain facilities. Compliance with these covenants is a key factor in managing liquidity risk and is dependent on the Company's continued achievement of financial plans. In the event of a breach, lenders have the right to accelerate repayment of outstanding balances. Management monitors its compliance with financial covenants to ensure that appropriate measures are implemented on a timely basis to manage this risk, including the possible impact of ongoing tariffs.

The ability to pay its obligations relies on Kruger Products collecting its trade receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs. Kruger Products' trade and other payables of \$350.8 million as of December 31, 2025 (December 31, 2024 - \$346.3 million) are all due for payment within twelve months of the dates of the consolidated statements of financial position.

Refer to Liquidity and Capital Resources, Overview for additional details.

## **Interest Rate Risk**

Kruger Products' interest rate risk arises from its variable rate debt related to the Kruger Products Senior Credit Facility, certain credit facilities made available as part of the TAD Sherbrooke Project Facility and the KPSB Senior Credit Facility which bear interest at floating interest rates plus an applicable margin as determined by specific financial ratios in accordance with its credit agreements. As of December 31, 2025, Kruger Products had no variable rate debts excluding deferred financing fees (December 31, 2024 - \$161.1 million).

## **Commodity Price Risk**

Commodity price risk is the risk that future cash flows associated with purchasing required raw materials will fluctuate due to changes in commodity prices, which can be affected by foreign exchange and other trade related risks. Kruger Products is subject to commodity price fluctuations since Kruger Products' main raw material is fibre, which changes price due to market conditions, and therefore can result in periodic earnings volatility in the short term. Historically, the industry has generally been able to mitigate its exposure to commodity price risk over the medium term by passing increases in its supply costs onto its customers through incremental price increases, depending on the supply and demand balance. The ability to eventually pass through the full amount of pulp and other commodity cost increases can be impacted by the competitive market situation. There can be no assurance that the historical ability to pass through increases in costs will continue to occur in the future.

## TRANSACTIONS WITH RELATED PARTIES

Kruger Products and Kruger are parties to a Third Amended and Restated Management Services Agreement dated as of November 15, 2019 with effect as of January 1, 2020 (the Management Services Agreement) pursuant to which Kruger provides certain management and support services to Kruger Products, including corporate management support and administrative support services; accounting and tax support; corporate financing and treasury support; benefits and human resources support services; corporate insurance; corporate procurement services complementary to Kruger Products procurement; project development and management services, corporate development support, environmental support and corporate engineering support services.

Kruger Inc. is also providing certain management and support services related to the Sherbrooke Expansion Project including project management services, and engineering, construction, accounting and corporate finance support services.

Kruger Products purchases certain supplies and services from Kruger Inc. and its affiliates, including fibre and small quantities of pulp and packaging. These transactions generally take place on arm's-length terms. Kruger Products also has the ability to procure these goods and services from third party suppliers.

Goods are sold to Kruger Inc. and subsidiaries of Kruger Inc. based on the price lists in force and terms that would be available to third parties.

(C\$ millions, unless otherwise noted)	Fiscal 2025	Fiscal 2024
Sale of goods to Kruger Inc.	0.1	0.2
Sale of goods to subsidiaries of Kruger Inc.	1.7	4.2
Purchase of goods from Kruger Inc.	0.6	0.4
Purchase of goods and services from subsidiaries of Kruger Inc.	85.5	62.8
Management fees to Kruger Inc.	10.7	10.6

During Fiscal 2025, in connection with the contribution undertaking agreement, Kruger Products made its annual payment of \$5.8 million to Kruger Brompton L.P., a subsidiary of Kruger Inc. Also, during Fiscal 2025, the increase in Fiscal 2025 in the obligation due to passage of time was \$1.9 million and was recognized as Interest expense and other finance costs in the consolidated statement of income.

## OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

Kruger Products has entered into right-of-use lease commitments related to land, buildings, IT services, vehicles and other machines and equipment. Refer to Liquidity and Capital Resources, Contractual Obligations for additional details on contractual obligations including these right-of-use leases.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of these 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 consolidated financial statements and the disclosure of contingencies at the dates of the 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 following are the estimates and judgement applied by management that most significantly affect the consolidated financial statements.

## **Pension and Post-Retirement Benefit Obligations**

The cost and accrued benefit obligations of Kruger Products' defined benefit pension plans—including the RDBPP, supplementary retirement arrangements, the Annuity Arrangement, and other post-retirement benefit plans—are determined using actuarial valuations based on assumptions established by Kruger Products Management. These valuations apply the projected unit credit method and incorporate management's best estimates of the discount rate, salary escalation, retirement ages, mortality rates, and expected growth in health-care costs, as well as expected investment performance for funded plans. The discount rate, which is one of the most significant assumptions along with expected health-care cost trends, is based on market yields of high-quality Canadian corporate fixed-income investments with cash flows that match expected benefit payments. All assumptions are reviewed quarterly by Management and Kruger Products' actuaries.

## **Equity Method of Accounting**

The equity method of accounting is being applied by KPT as it relates to its investment in Kruger Products. The conclusion to account for an investment using the equity method, particularly when the percentage of ownership is below 20%, is based on an assessment of several facts and circumstances and ultimately requires significant judgement in reaching a conclusion. Management has reviewed the agreements and made an assessment of the rights of KPT. Based on KPT having four of ten seats on the board of directors of KPGP, KPT Management has concluded that KPT has the ability to exercise significant influence over Kruger Products.

## **Impairment Tests**

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within Kruger Products at which the goodwill is monitored for internal management purposes. The carrying value of the CGU is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Additional assumptions include estimates of the discount rate, growth rates and selling price to customer. Any goodwill impairment is recognized immediately as an expense and is not subsequently reversed. Management completed the annual impairment test for goodwill related to the Consumer Canada CGU, utilizing future forecasts. A quantitative impairment analysis was performed as of September 30, 2025, and management concluded that the recoverable amount exceeded the carrying amount as of September 30, 2025. In addition, management performed a qualitative reassessment as of December 31, 2025, and determined that no events or changes in circumstances had occurred that would alter the results of the previous analysis. Accordingly, no impairment was recorded.

Impairment reviews for indefinite lived trademarks are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, recoverable amounts related to indefinite lived trademarks are determined based on management's best estimate using a relief from royalty model. The estimates of relief from royalty are based on the royalties that would have to be paid based on market royalty rates and projected sales volumes. Additional assumptions include estimates of the discount rate, growth rates, selling price to customer and foreign exchange rates. Management completed the annual impairment test for indefinite lived trademarks and concluded that current and projected sales volumes support the recoverable amount of the indefinite lived trademarks as of December 31, 2025, and no impairment was recorded.

The carrying values of non-financial assets with finite lives, such as property, plant and equipment and intangible assets with finite useful lives are assessed for impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. Where indicators of impairment are identified, an impairment test is performed to determine the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use (which is the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. As of December 31, 2025, there were no indicators of impairment and as a result no need to perform impairment testing.

KPT is required to perform an impairment test on its investment in Kruger Products if there is objective evidence that the investment may be impaired. Management concluded the future forecasts that support the investment value had not changed significantly and therefore there was no indication of impairment.

### **Income Taxes**

Kruger Products computes its income taxes in each jurisdiction in which its subsidiaries operate. Estimation of income taxes includes evaluating the recoverability of the deferred tax assets and the income taxes recoverable based on an assessment of the ability to use the underlying tax deductions and credits against future taxable income. The assessment requires an estimate of future taxable income compared to the net operating loss carry-forwards and U.S. State tax credits. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. Management exercises judgement to determine the extent to which realization of future taxable benefits is probable, considering factors such as the number of years to include in the forecast period and the history of taxable profits. During Fiscal 2025, Kruger Products assessed the ability to utilize its U.S. State tax credits, net operating loss carry-forwards and additional Quebec net operating loss carry-forwards.

### **Leases**

The application of IFRS Accounting Standards 16 requires a number of critical judgements, including identifying whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in an arrangement, and determining the stand-alone selling price of lease and non-lease components. The application of IFRS Accounting Standards 16 also involves a number of key estimates, including estimating the lease term, determining the appropriate rate to discount lease payments, and assessing whether a Right-of-use asset is impaired

## ACCOUNTING CHANGES AND FUTURE ACCOUNTING STANDARDS

### Accounting standard implemented effective January 1, 2025

#### *IFRS 8, Operating Segments*

In July 2024, IFRIC published an agenda decision that addresses which items listed in IFRS 8 must be disclosed even when they are not separately reviewed by the chief operation decision maker. The agenda decision also provides guidance on how to identify the additional material items that IFRS 8 requires to be disclosed. Company modified the segment presentation in note 20 to provide qualitative disclosure on the material items included in net income.

#### IAS 12, Global Implementation of Pillar Two.

In June 2024, the principal components of Canada's Pillar Two global minimum tax rules were enacted into law. The rules are generally effective as of January 1, 2024, and are intended to ensure that multinational enterprises pay a minimum of 15% tax in each jurisdiction in which they operate. In May 2023, the IASB issued amendments to IAS 12 Income Taxes to provide temporary relief from accounting and disclosure for deferred taxes arising from the implementation of Pillar Two rules. The Company retrospectively adopted this amendment during the year ended December 31, 2023 and has applied the exception to recognizing and disclosing information regarding Pillar Two deferred income tax assets and liabilities.

### 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 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.

#### *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.

## SELECTED ANNUAL FINANCIAL INFORMATION

The following table provides selected financial information for KPT and Kruger Products:

(C\$ millions, unless otherwise noted)	December 31, 2025	December 31, 2024
<b>KPT Financial Information</b>		
Total assets	71.6	71.3
Total liabilities	1.8	1.8
<b>Kruger Products Financial Information</b>		
Total assets	2,608.7	2,597.3
Total liabilities	1,902.2	1,935.1

## SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes quarterly financial results for Kruger Products for the last eight quarters:

(C\$ millions, unless otherwise noted)	2025				2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Number of days in the period</b>	92	92	91	90	92	92	91	91
Revenue	560.1	561.1	536.1	546.1	539.6	521.1	509.8	479.4
Net income (loss) including non-controlling interest	26.4	15.4	26.1	16.9	(15.4)	19.6	11.7	10.1
<b>Reconciliation of Net income (loss) to Adjusted EBITDA<sup>1</sup></b>								
<b>Net income (loss) including non-controlling interest</b>	<b>26.4</b>	<b>15.4</b>	<b>26.1</b>	<b>16.9</b>	<b>(15.4)</b>	<b>19.6</b>	<b>11.7</b>	<b>10.1</b>
Interest expense and other finance costs	23.0	21.6	21.3	20.9	21.4	18.0	16.9	16.3
Income tax expense (recovery)	8.3	9.4	(4.5)	6.4	4.5	5.0	3.6	6.2
Depreciation and amortization	31.3	32.5	45.8	31.9	31.2	28.4	29.2	25.5
Foreign exchange loss (gain)	(5.0)	6.8	(19.9)	(0.3)	24.7	(5.3)	3.9	9.4
Change in amortized cost of Partnership units liability	—	—	—	—	—	—	—	(0.9)
Loss on sale of property, plant and equipment	0.1	—	—	—	0.4	—	—	0.3
Restructuring costs, net	0.1	—	3.7	—	—	—	—	0.2
<b>Adjusted EBITDA<sup>1</sup></b>	<b>84.2</b>	<b>85.7</b>	<b>72.5</b>	<b>75.8</b>	<b>66.8</b>	<b>65.7</b>	<b>65.3</b>	<b>67.1</b>

<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

## **Results of Operations Q4 2025 compared to Q4 2024**

### *Revenue*

Revenue was \$560.1 million in Q4 2025 compared to \$539.6 million in Q4 2024, an increase of \$20.5 million or 3.8%. The increase in revenue was primarily due to higher sales volume across both segments. From a geographic perspective, revenue in Canada increased \$15.0 million or 5.1%, while revenue in the U.S. increased \$5.5 million, or 2.2%.

### *Cost of Sales*

Cost of sales was \$451.9 million in Q4 2025 compared to \$459.3 million in Q4 2024, a decrease of \$7.4 million or 1.6%. The decrease in cost of sales was primarily due to lower pulp prices compared to the year ago quarter and favourable productivity across our manufacturing sites, partially offset by higher sales volume and additional manufacturing overhead spend to invest in our sites. Freight rates were lower compared to Q4 2024 while warehousing expenses remained essentially flat. As a percentage of revenue, cost of sales was 80.7% in Q4 2025 compared to 85.1% in Q4 2024.

### *Selling, General and Administrative Expenses*

Selling, general and administrative (SG&A) expenses were \$55.3 million in Q4 2025 compared to \$45.1 million in Q4 2024, an increase of \$10.2 million or 22.6%. The increase was primarily due to additional headcount and related compensation costs that resulted in lower contracting costs, higher selling expenses related to higher sales volume, foreign exchange losses in Q4 2025 compared to gains in Q4 2024 and a favourable business tax adjustment in a U.S. entity in Q4 2024 that did not recur in Q4 2025. As a percentage of revenue, SG&A expenses were 9.9% in Q4 2025 compared to 8.4% in Q4 2024.

### *Adjusted EBITDA*

Adjusted EBITDA<sup>1</sup> was \$84.2 million in Q4 2025 compared to \$66.8 million in Q4 2024, an increase of \$17.4 million or 26.0%. The increase was primarily due to higher sales volumes and favourable productivity in our manufacturing sites, along with lower pulp costs and freight rates, partially offset by higher manufacturing overhead spend and SG&A expenses.

### *Interest Expense and Other Finance Costs*

Interest expense and other finance costs were \$23.0 million in Q4 2025 compared to \$21.4 million in Q4 2024, an increase of \$1.6 million. The increase was primarily due to a loss on extinguishment of the KPSB Credit Facility, partially offset by lower interest related to the factoring program resulting from renegotiation of the agreement.

### *Foreign Exchange Gain (Loss)*

Foreign exchange gain was \$5.0 million in Q4 2025 compared to a loss of \$24.7 million in Q4 2024 due to the favourable impact of foreign exchange fluctuations on USD denominated debt. The foreign exchange gains and losses were recorded in Other income (expense) in the consolidated statements of income.

### *Income Taxes*

An income tax expense of \$8.3 million was recorded in Q4 2025 compared to an expense of \$4.5 million in Q4 2024. The income taxes in Q4 2025 and Q4 2024 resulted from taxable income in Kruger Product's incorporated operating entities in the U.S. and Canada, the majority of which represents deferred income tax expense.

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<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures section of this MD&A for more information on these measures.

### Net Income (Loss) Attributable to Kruger Products

Net income was \$23.4 million in Q4 2025 compared to a net loss of \$13.7 million in Q4 2024, an increase of \$37.1 million. The increase was primarily due to a foreign exchange difference of \$29.7 million and higher Adjusted EBITDA<sup>1</sup> of \$17.4 million, partially offset by higher income tax expense of \$3.8 million, higher income from non-controlling interest of \$4.7 million and higher interest expense and other finance costs of \$1.6 million.

### Segment Information Q4 2025 compared to Q4 2024

(C\$ millions, unless otherwise noted)	Q4 2025 vs Q4 2024			
	Q4 2025	Q4 2024	\$ Change	% Change
<b>Segment Revenue</b>				
Consumer	472.3	452.7	19.6	4.3 %
AFH	87.8	86.9	0.9	1.0 %
<b>Total segment revenue</b>	<b>560.1</b>	<b>539.6</b>	<b>20.5</b>	<b>3.8 %</b>
<b>Adjusted EBITDA<sup>1</sup></b>				
Consumer	78.1	64.0	14.1	22.0 %
AFH	9.7	4.6	5.1	110.9 %
Corporate and other costs	(3.6)	(1.8)	(1.8)	100.0 %
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>84.2</b>	<b>66.8</b>	<b>17.4</b>	<b>26.0 %</b>

#### Consumer Segment

##### Q4 2025 compared to Q4 2024

Consumer segment revenue was \$472.3 million in Q4 2025 compared to \$452.7 million in Q4 2024, an increase of \$19.6 million or 4.3%. The increase in revenue was due to higher sales volume in both Canada and the U.S. Consumer segment revenue increased in both Canada and the U.S.

Consumer Segment Adjusted EBITDA<sup>1</sup> was \$78.1 million in Q4 2025 compared to \$64.0 million in Q4 2024, an increase of \$14.1 million. The increase was primarily due to higher sales volumes and selling prices along with favourable freight rates, partially offset by higher manufacturing overhead spend, warehousing costs and SG&A expenses.

#### AFH Segment

##### Q4 2025 compared to Q4 2024

AFH segment revenue was \$87.8 million in Q4 2025 compared to \$86.9 million in Q4 2024, an increase of \$0.9 million or 1.0%. The increase was primarily due to somewhat higher sales volume in Canada and the U.S. AFH segment revenue increased in Canada while decreasing in the U.S.

AFH Segment Adjusted EBITDA<sup>1</sup> was \$9.7 million in Q4 2025 compared to \$4.6 million in Q4 2024, an increase of \$5.1 million. The increase was primarily due to high sales volume, improved productivity compared to the year ago quarter and, partially offset by higher manufacturing overhead spend and SG&A expenses.

#### Corporate and Other Costs

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

<sup>1</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

#### *Q4 2025 compared to Q4 2024*

Corporate and other costs were \$3.6 million in Q4 2025 compared to \$1.8 million in Q4 2024, an increase of \$1.8 million. The costs in each period related primarily to management fees and foreign exchange gains and losses related to working capital.

### **SHARE INFORMATION**

KPT's authorized share capital consists of an unlimited number of KPT Common Shares. As of February 18, 2026, there were 10,022,337 KPT Common Shares issued and outstanding. Pursuant to the Exchange Agreement, Kruger Inc. has the right to exchange Kruger Products Common Shares it holds from time to time for KPT Common Shares on the basis of one Kruger Products Common Share for one KPT Common Share, subject to adjustment as set out in the Exchange Agreement. If Kruger Inc. were to exchange all Kruger Products Common Shares held by it as of February 18, 2026 for KPT Common Shares, it would hold approximately 87.9% of the issued and outstanding KPT Common Shares. As of February 18, 2026, there were no potentially dilutive instruments outstanding.

Pursuant to the Shareholders' Agreement, Kruger Products is authorized to issue an unlimited number of common shares and an unlimited number of Kruger Products Common Shares. As of February 18, 2026, there were 82,907,893 Kruger Products Common Shares issued and outstanding.

### **RISK FACTORS**

For a detailed description of risk factors associated with KPT and Kruger Products, refer to the "Risk Factors" section of the 2025 Annual Information Form dated February 18, 2026 available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Kruger Products Management is not aware of any significant changes to the risk factors associated with KPT and Kruger Products from those disclosed at that time.

### **CONTROLS AND PROCEDURES**

#### ***Disclosure Controls and Procedures and Internal Control over Financial Reporting***

Disclosure controls and procedures within KPT and Kruger Products (collectively, the Corporations) have been designed to provide reasonable assurance that all relevant information is identified to its Chief Executive Officer (CEO), its Chief Financial Officer (CFO) and its Disclosure Policy Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by Management, under the supervision of, and with the participation of the Corporations' CEO and CFO, to provide reasonable assurance regarding the reliability of the Corporations' financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

The Corporations will file certifications, signed by the Corporations' CEO and CFO, with the Canadian Securities Administrators (CSA) upon filing of the Corporations' Annual Information Form. In those filings, the Corporations' CEO and CFO will certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporations' disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting. The Corporations' CEO and CFO also certify the appropriateness of the financial disclosures in the Corporations' interim filings with securities regulators. In those interim filings, the Corporations' CEO and CFO also certify the design of the Corporations' disclosure controls and procedures and the design of internal controls over financial reporting.

The Corporations' Audit Committees reviewed this MD&A and the financial statements and notes of KPT and the consolidated financial statements and notes of Kruger Products, and the Corporations' Boards of Directors approved these documents prior to their release.

***Changes in Internal Controls over Financial Reporting***

There have been no changes to the Corporations' internal controls over financial reporting during Q4 2025 that have materially affected, or are reasonably expected to materially affect, its internal controls over financial reporting.

***Management's Report on Disclosure Controls and Procedures***

Management, under the supervision of and with the participation of the Corporations' CEO and CFO, evaluated the effectiveness of the Corporations' disclosure controls and procedures (as defined under National Instrument 52-109) and concluded, as of December 31, 2025, that such disclosure controls and procedures were effective.

***Management's Report on Internal Controls over Financial Reporting***

Management, under the supervision of and with the participation of the Corporations' CEO and CFO, evaluated the effectiveness of the Corporations' internal controls over financial reporting (as defined under National Instrument 52-109). In making this evaluation, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commissions (COSO) in Internal Control - Integrated Framework (2013). Based on that evaluation, Management and the CEO and CFO have concluded that, as of December 31, 2025, the Corporations' internal controls over financial reporting were effective. This evaluation took into consideration the Corporations' Corporate Disclosure Policy and the functioning of its Disclosure Policy Committee.

**ADDITIONAL INFORMATION**

Additional information relating to KPT and Kruger Products, including the Annual Information Form, is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).



**KP TISSUE INC.**

# AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND DECEMBER 31, 2024

**KP Tissue Inc.**

2 Prologis Blvd., Suite 500,  
Mississauga, Ontario  
L5W 0G8

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# Independent auditor's report

To the Shareholders of KP Tissue Inc.

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## Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KP Tissue Inc. (the Corporation) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## What we have audited

The Corporation's financial statements comprise:

- the statements of financial position as at December 31, 2025 and 2024;
- the statements of income and other comprehensive income (loss) for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

PricewaterhouseCoopers LLP  
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment indicator assessment on the equity accounted investment in Kruger Products Inc.</b></p> <p>Refer to note 1 – General information, note 3 – Summary of material accounting policies, note 4 – Critical accounting estimates and judgments, note 5 – Investment in associate, and note 9 – Economic dependence to the financial statements.</p> <p>The Corporation was created to acquire, and its business is limited to holding, an interest in Kruger Products Inc. (KPI), which is accounted for as an investment in an associate using the equity method of accounting. As at December 31, 2025, the Corporation held a 12.1% interest in KPI and the carrying amount of the Corporation's equity accounted investment in KPI amounted to \$69.7 million. Management assesses at each reporting period whether there is any objective evidence that indicates an impairment related to the investment in KPI. Management applies judgment when assessing whether there is any objective evidence that would require an impairment test to be performed, including whether (i) KPI has recognized</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Evaluated the reasonableness of management's impairment indicator assessment on the equity accounted investment in KPI by:<ul style="list-style-type: none"><li>– performing an audit of the consolidated financial statements of KPI as at December 31, 2025. This included:<ul style="list-style-type: none"><li>▪ considering the financial performance of KPI and the impact of recognized impairment losses, if any, in the consolidated financial statements of KPI on the carrying amount of the Corporation's investment in KPI;</li><li>▪ comparing the recoverable amounts of KPI's cash generating units tested for impairment to the carrying amount of the Corporation's basis</li></ul></li></ul></li></ul>

## Key audit matter

impairment losses in its financial results; (ii) the recoverable amounts of KPI's cash generating units tested for impairment have declined below the carrying amount of the Corporation's basis in KPI's assets included in the investment in KPI after taking into account the fair value increment for identifiable assets recorded on acquisition of interests in KPI; or (iii) there is a significant decline in the market capitalization of the Corporation compared to its net assets. Management did not perform an impairment test as at December 31, 2025, as there was no objective evidence that indicated that an impairment test was required.

We considered this a key audit matter due to the significance of the equity accounted investment in KPI's carrying amount and the judgment applied by management when assessing whether there was any objective evidence that would require an impairment test to be performed. This resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to management's impairment indicator assessment.

## How our audit addressed the key audit matter

- in KPI's assets included in the investment in KPI after taking into account the fair value increment for identifiable assets recorded on acquisition of interests in KP; and
- evaluating the completeness of management's impairment indicator assessment of whether there was any other objective evidence that indicates an impairment related to the investment in KPI.
- recalculating and comparing the Corporation's market capitalization to its net assets as at December 31, 2025.

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## Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John Donnelly.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

February 17, 2026

**KP Tissue Inc.**  
**Statements of Financial Position**

(tabular amounts are in thousands of Canadian dollars)

	Note	December 31, 2025 \$	December 31, 2024 \$
<b>Assets</b>			
<b>Current assets</b>			
Dividends receivable		1,803	1,798
		1,803	1,798
<b>Non-current assets</b>			
Investment in associate	5	69,799	69,517
<b>Total assets</b>		<b>71,602</b>	<b>71,315</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Dividend payable	7	1,803	1,798
<b>Total liabilities</b>		<b>1,803</b>	<b>1,798</b>
<b>Equity</b>			
Common Shares	7	23,001	22,762
Contributed surplus		144,819	144,819
Deficit		(114,985)	(116,673)
Accumulated other comprehensive income		16,964	18,609
<b>Total equity</b>		<b>69,799</b>	<b>69,517</b>
<b>Total liabilities and equity</b>		<b>71,602</b>	<b>71,315</b>

**Approved by the Board of Directors**

/s/ James Hardy  
 Director

/s/ Jay Wright  
 Director

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

## KP Tissue Inc.

### Statements of Income and Other Comprehensive Income (Loss)

For the years ended December 31, 2025 and December 31, 2024

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

	Note	2025 \$	2024 \$
Share of income		9,165	2,993
Depreciation of fair value increments		(1,094)	(1,123)
<b>Equity income</b>		<b>8,071</b>	<b>1,870</b>
Dilution gain		433	619
<b>Income before income taxes</b>		<b>8,504</b>	<b>2,489</b>
Current tax expense		—	56
<b>Income tax expense</b>	6	<b>—</b>	<b>56</b>
<b>Net income</b>		<b>8,504</b>	<b>2,433</b>
<b>Other comprehensive income (loss) net of income tax expense (recovery)</b>	8		
Items that will not be reclassified to net income:			
Remeasurements of pensions		288	2,769
Remeasurements of post-retirement benefits		101	333
Items that may be subsequently reclassified to net income:			
Cumulative translation adjustment		(1,645)	2,604
<b>Other comprehensive income (loss)</b>		<b>(1,256)</b>	<b>5,706</b>
<b>Total comprehensive income</b>		<b>7,248</b>	<b>8,139</b>
<b>Basic and diluted earnings per share</b>		<b>0.85</b>	<b>0.24</b>
<b>Weighted average number of shares outstanding</b>		<b>10,003,661</b>	<b>9,976,725</b>

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

## KP Tissue Inc.

### Statements of Changes in Equity

For the years ended December 31, 2025 and December 31, 2024

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

	Note	Share capital #	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total equity \$
<b>As of January 1, 2025</b>		<b>9,987,547</b>	<b>22,762</b>	<b>144,819</b>	<b>(116,673)</b>	<b>18,609</b>	<b>69,517</b>
Issuance of common shares	7	27,819	237	—	—	—	237
Dividends payable	7	—	—	—	(1,803)	—	(1,803)
Dividends paid		—	—	—	(5,400)	—	(5,400)
Fair value adjustment		—	2	—	(2)	—	—
Remeasurement of pensions		—	—	—	288	—	288
Remeasurement of post-retirement benefits		—	—	—	101	—	101
Cumulative translation adjustment		—	—	—	—	(1,645)	(1,645)
Net income		—	—	—	8,504	—	8,504
<b>As of December 31, 2025</b>		<b>10,015,366</b>	<b>23,001</b>	<b>144,819</b>	<b>(114,985)</b>	<b>16,964</b>	<b>69,799</b>

	Note	Share capital #	Share capital \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income \$	Total equity \$
<b>As of January 1, 2024</b>		<b>9,963,722</b>	<b>22,560</b>	<b>144,819</b>	<b>(115,027)</b>	<b>16,005</b>	<b>68,357</b>
Issuance of common shares	7	23,825	204	—	—	—	204
Dividends payable	7	—	—	—	(1,798)	—	(1,798)
Dividends paid		—	—	—	(5,385)	—	(5,385)
Fair value adjustment		—	(2)	—	2	—	—
Remeasurement of pensions		—	—	—	2,769	—	2,769
Remeasurement of post-retirement benefits		—	—	—	333	—	333
Cumulative translation adjustment		—	—	—	—	2,604	2,604
Net income		—	—	—	2,433	—	2,433
<b>As of December 31, 2024</b>		<b>9,987,547</b>	<b>22,762</b>	<b>144,819</b>	<b>(116,673)</b>	<b>18,609</b>	<b>69,517</b>

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

## KP Tissue Inc.

### Statements of Cash Flows

For the years ended December 31, 2025 and December 31, 2024

(tabular amounts are in thousands of Canadian dollars)

	Note	2025 \$	2024 \$
<b>Cash flows from (used in) operating activities</b>			
Net income		8,504	2,433
Items not affecting cash			
Equity income		(8,071)	(1,870)
Dilution gain		(433)	(619)
Current tax expense		—	56
Total items not affecting cash		(8,504)	(2,433)
Decrease in payable to investee		—	(595)
Tax refunds, net	10	—	595
<b>Net cash from operating activities</b>		<b>—</b>	<b>—</b>
<b>Cash flows from (used in) investing activities</b>			
Dividends received, net	7	6,963	6,974
<b>Net cash from investing activities</b>		<b>6,963</b>	<b>6,974</b>
<b>Cash flows from (used in) financing activities</b>			
Dividends paid, net	7	(6,963)	(6,974)
<b>Net cash used in financing activities</b>		<b>(6,963)</b>	<b>(6,974)</b>
<b>Increase in cash and cash equivalents during the year</b>		<b>—</b>	<b>—</b>
<b>Cash and cash equivalents - Beginning of year</b>		<b>—</b>	<b>—</b>
<b>Cash and cash equivalents - End of year</b>		<b>—</b>	<b>—</b>

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

## KP Tissue Inc.

### Notes to Financial Statements

#### For the years ended December 31, 2025 and December 31, 2024

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(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, 2012. As of December 31, 2025, the Corporation held a 12.1% 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 financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), 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. The financial statements have been prepared using the historical cost convention.

These audited financial statements were approved by the board of directors on February 17, 2025.

#### 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

##### (a) Investments in associates

Associates are entities over which the Corporation has significant influence but not control. The Corporation accounts for its investment in associates using the equity method. Under the equity method, the investment is initially recognized at cost and the carrying amount is adjusted for the Corporation's share of profits or losses of associates recognized in the statement of comprehensive income (loss) and its share of other comprehensive income (loss) of associates included in other comprehensive income (loss).

Unrealized gains on transactions between the Corporation and an associate are eliminated to the extent of the Corporation's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of comprehensive income (loss).

The Corporation assesses at each reporting period whether there is any objective evidence that its interests in investments in associates are impaired. In the event of impairment, the carrying value of the Corporation's share of the underlying assets of associates is written down to its net recoverable amount (being the higher of fair value, less cost to sell and value in use) and the loss is charged to the statement of comprehensive income (loss). The Corporation also assesses at each reporting date the possible reversal of the impairment.

##### (b) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net income (loss) for the period attributable to equity owners of the Corporation by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Corporation does not currently have any potentially dilutive instruments.

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

**(c) Accounting standard implemented effective January 1, 2025**

*IFRS 8, Operating Segments*

In July 2024, IFRIC published an agenda decision that addresses which items listed in IFRS 8 must be disclosed even when they are not separately reviewed by the chief operation decision maker. The agenda decision also provides guidance on how to identify the additional material items that IFRS 8 requires to be disclosed. Following this agenda decision, for each reportable segment, the Corporation modified the notes to provide qualitative disclosure on the material items included in net income.

**(d) 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 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.

*(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 Corporation is currently assessing the impact of the amendments.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these 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 financial statements and the disclosure of contingencies at the dates of the 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 judgments, 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.

**Equity method of accounting**

The equity method of accounting is being applied by the Corporation as it relates to its investment in Kruger Products. The conclusion to account for an investment using the equity method, particularly when the percentage of ownership is below 20%, is based on an assessment of several facts and circumstances and ultimately requires significant judgement in reaching a conclusion. Management has reviewed the agreements and made an assessment of the rights of the Corporation. Based on the Corporation having four of ten seats on the board of directors of KPGP Inc. (KPGP), management has concluded that the Corporation has the ability to exercise significant influence over Kruger Products.

## KP Tissue Inc.

### Notes to Financial Statements

For the years ended December 31, 2025 and December 31, 2024

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

#### Impairment test

The Corporation is required to perform an impairment test on its investment in Kruger Products if there is objective evidence that indicates that the investment may be impaired. Management applies judgement when assessing whether there is any objective evidence that would require an impairment test to be performed, including whether (i) Kruger Products has recognized impairment losses in its financial results; or (ii) the recoverable amounts of Kruger Products' cash generating units tested for impairment have declined below the carrying amount of the Corporation's basis in Kruger Products' assets included in the investment in Kruger Products after taking into account the fair value increment for identifiable assets recorded on acquisition of interests in Kruger Products; or (iii) there is a significant decline in the market capitalization of the Corporation compared to its net assets. During the year ended December 31, 2025, management considered the impact of various events on the Corporation's assessment of whether there was objective evidence that its investment in Kruger Products may be impaired. Management concluded the future forecasts that support the investment value had not changed significantly and as a result no triggering event had occurred requiring an impairment test to be performed.

#### 5 INVESTMENT IN ASSOCIATE

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

	2025	2024
	\$	\$
<b>Opening balance</b>	69,517	68,162
Increase in investment	237	204
Share of income	9,165	2,993
Depreciation of fair value increments	(1,094)	(1,123)
Share of other comprehensive income (loss)	(1,256)	5,706
Dilution gain	433	619
Dividends	(7,203)	(7,183)
Partnership unit refunds	—	139
<b>Closing balance</b>	<b>69,799</b>	<b>69,517</b>

The following summarizes financial information about the assets, liabilities, revenue and net income of Kruger Products, in which the Corporation holds a 12.1% interest as of December 31, 2025. The financial information was derived from the unaudited condensed financial statements of Kruger Products for the year ended December 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.

	Kruger Products basis of accounting	Fair value increment	December 31, 2025 KPT basis of accounting
	\$	\$	\$
Current assets	678,083	—	678,083
Non-current assets	1,930,621	291,198	2,221,819
Liabilities	1,902,159	—	1,902,159
<b>Net assets</b>	<b>706,545</b>		

## KP Tissue Inc.

### Notes to Financial Statements

For the years ended December 31, 2025 and December 31, 2024

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

	Year ended December 31, 2025
	\$
Revenue	2,203,391
Net income attributable to Kruger Products	75,512
Other comprehensive loss	(7,631)
<b>Total comprehensive income attributable to Kruger Products</b>	<b>67,881</b>

	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
<b>Net assets</b>	<b>662,266</b>		

	Year ended December 31, 2024
	\$
Revenue	2,049,938
Net income attributable to Kruger Products	23,821
Other comprehensive income	43,852
<b>Total comprehensive income attributable to Kruger Products</b>	<b>67,673</b>

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

	December 31, 2025	December 31, 2024
	\$	\$
Kruger Products consolidated equity	706,545	662,266
Add back: Inception value of common shares	118,562	118,562
Less: Equity pertaining to Kruger Inc. and KPGP	(675,242)	(632,236)
<b>Equity pertaining to KPT</b>	<b>149,865</b>	<b>148,592</b>
Investment in associate recorded in KPT	69,799	69,517
<b>Reconciling difference</b>	<b>80,066</b>	<b>79,075</b>
Reconciling items since inception:		
Equity issuance costs	(11,110)	(11,110)
Depreciation of fair value increments	62,553	61,459
Currency translation adjustment in fair value increments	(2,829)	(3,159)
Tax Distribution	9,181	9,181
Gain on exercise of overallotment option	(375)	(375)
Dilution gain	(5,354)	(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.

## KP Tissue Inc.

### Notes to Financial Statements

For the years ended December 31, 2025 and December 31, 2024

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

#### 6 INCOME TAXES

Details of the provision for income taxes were as follows:

	2025	2024
	\$	\$
Income tax at statutory rate of 26.5%	2,254	647
Dilution gain	(115)	(160)
Realization of previously unrecognized tax attributes	290	347
Accounting equity pickup	(2,429)	(778)
	—	56

#### 7 DIVIDENDS

During the years ended December 31, 2025 and December 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:

	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
October 15, 2025	1,801	9.27	7,207	67
	<b>7,200</b>		<b>27,819</b>	<b>237</b>

	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
October 15, 2024	1,796	8.34	7,237	61
	<b>7,178</b>		<b>23,825</b>	<b>204</b>

Subsequent to December 31, 2025, on January 15, 2026, 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 6,971 common shares at a price of \$10.21.

Subsequent to December 31, 2025, the Corporation declared a dividend of \$0.18 per common share to shareholders, payable on April 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 \$0.4 million was recorded during the 2025 (2024 - \$0.6 million).

## KP Tissue Inc.

### Notes to Financial Statements

For the years ended December 31, 2025 and December 31, 2024

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

#### 8 INCOME TAX RECOVERY ON OTHER COMPREHENSIVE INCOME (LOSS)

	2025	2024
	\$	\$
<b>Items that will not be reclassified to net income (loss) :</b>		
Remeasurements of pensions	288	—
Income tax recovery	—	2,769
<b>Net of income tax recovery</b>	<b>288</b>	<b>2,769</b>
Remeasurements of post-retirement benefits	101	—
Income tax recovery	—	333
<b>Net of income tax recovery</b>	<b>101</b>	<b>333</b>
<b>Items that may be subsequently reclassified to net income (loss):</b>		
Cumulative translation adjustment	(1,645)	—
Income tax recovery	—	2,604
Net of income tax recovery	(1,645)	2,604
<b>Total other comprehensive income (loss) for the year</b>	<b>(1,256)</b>	<b>5,706</b>

#### 9 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.

#### 10 NON-CASH WORKING CAPITAL

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

	2025	2024
	\$	\$
Decrease in payable to investee	—	(595)
	—	(595)

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# SHAREHOLDER INFORMATION

## CORPORATE ADDRESS

Kruger Products  
2 Prologis Blvd, Suite 500,  
Mississauga, Ontario, L5W 0G8  
Telephone: 905-812-6900  
[www.kptissueinc.com](http://www.kptissueinc.com)

## INVESTOR RELATIONS

Doris Grbic  
Director of Investor Relations  
Telephone: 437-882-2596  
[ir@kptissueinc.com](mailto:ir@kptissueinc.com)

## TRANSFER AGENT AND REGISTRAR

TSX Trust Company  
200 University Avenue, Suite 300,  
Toronto, Ontario M5H 4H1,  
Telephone: 1 866 393-4891  
[www.tsxtrust.com](http://www.tsxtrust.com)

## STOCK EXCHANGE LISTING

Toronto Stock Exchange  
Stock Symbol: KPT

## AUDITORS

PricewaterhouseCoopers LLP  
PwC Tower  
18 York Street, Suite 2600,  
Toronto, Ontario M5J 0B2

## BOARD OF DIRECTORS

The Board of Directors of KPT consists of four members. In keeping with best practices of corporate governance, three directors (and all board committee members) are independent of management. They also represent an exceptionally strong base of experience in consumer products, business management, finance, accounting and capital markets.

François Vimard (Chair and Independent Director) <sup>(1)</sup> <sup>(3)</sup> <sup>(4)</sup>  
James Hardy (Independent Director) <sup>(1)</sup> <sup>(3)</sup> <sup>(4)</sup>  
Sarah Kruger (Director)  
John ('Jay') Wright (Independent Director) <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

<sup>(1)</sup> Member of the KPT Audit Committee and the KPI Audit Committee

<sup>(2)</sup> Member of the KPI HR and Compensation Committee

<sup>(3)</sup> Member of the KPT Nominating and Governance Committee

<sup>(4)</sup> Member of the KPI Governance Committee

For complete information about Board Members and Corporate Governance, please visit [www.kptissueinc.com](http://www.kptissueinc.com)

## ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at the:

### TMX Market Centre

Pearce Bunting Room  
120 Adelaide Street West, Ground Floor  
Toronto, ON M5H 1S3  
June 15, 2026 at 11:00 a.m. (Eastern Time)

## DESIGNED AND WRITTEN BY

MBC Capital Markets Advisors

# OUR VISION

**TO BE THE MOST TRUSTED AND BEST LOVED  
TISSUE COMPANY IN NORTH AMERICA.**



# OUR MISSION

**MAKING EVERYDAY LIFE MORE COMFORTABLE.**



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