



KP TISSUE INC.

AUDITED FINANCIAL STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014

March 10, 2016

Independent Auditor's Report

**To the Shareholders of
KP Tissue Inc.**

We have audited the accompanying financial statements of KP Tissue Inc., which comprise the statements of financial position as at December 31, 2015 and December 31, 2014 and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of KP Tissue Inc. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

KP Tissue Inc.

Statement of Financial Position

(tabular amounts are in thousands of Canadian dollars)

	December 31, 2015	December 31, 2014
	\$	\$
Assets		
Current assets		
Distributions receivable	1,613	1,601
Income taxes recoverable	828	-
	<u>2,441</u>	<u>1,601</u>
Non-current assets		
Investment in associate (note 5)	126,643	153,732
Total Assets	<u><u>129,084</u></u>	<u><u>155,333</u></u>
Liabilities		
Current liabilities		
Dividend payable (note 7)	1,613	1,601
Payable to Partnership	108	53
Current portion of advances from Partnership (note 6)	432	584
Income taxes payable	-	495
	<u>2,153</u>	<u>2,733</u>
Non-current liabilities		
Advances from Partnership (note 6)	709	-
Deferred income taxes (note 6)	1,007	2,005
Total liabilities	<u>3,869</u>	<u>4,738</u>
Equity		
Common shares (note 7)	11,577	10,138
Contributed surplus	144,819	144,819
Deficit	(49,291)	(12,220)
Accumulated other comprehensive income	18,110	7,858
Total equity	<u>125,215</u>	<u>150,595</u>
Total liabilities and equity	<u><u>129,084</u></u>	<u><u>155,333</u></u>
Subsequent events (note 7)		

Approved by the Board of Directors

/s/ James Hardy _____

Director

/s/ David Spraley _____

Director

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

KP Tissue Inc.
Statement of Comprehensive Income (Loss)

For the years ended December 31, 2015 and December 31, 2014

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

	2015	2014
	\$	\$
	<u> </u>	<u> </u>
Equity loss (note 5)	(5,480)	(2,379)
Dilution gain (note 7)	70	102
Impairment in investment in associate (note 5)	<u>(28,000)</u>	<u>-</u>
Loss before income taxes	(33,410)	(2,277)
Income taxes (note 6)	<u>(2,066)</u>	<u>241</u>
Net loss for the year	<u>(31,344)</u>	<u>(2,518)</u>
Other comprehensive income		
net of tax expense (recovery) (note 8)		
Items that will not be reclassified to net loss:		
Remeasurements of pensions	1,013	(3,692)
Remeasurements of post-retirement benefits	(267)	(351)
Items that may be subsequently reclassified to net loss:		
Available-for-sale investment	29	2
Cumulative translation adjustment	<u>10,223</u>	<u>4,481</u>
Total other comprehensive income for the year	<u>10,998</u>	<u>440</u>
Comprehensive loss for the year	<u>(20,346)</u>	<u>(2,078)</u>
Basic loss per share	<u>(3.52)</u>	<u>(0.29)</u>
Weighted average number of shares outstanding	<u>8,910,948</u>	<u>8,834,508</u>

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

KP Tissue Inc.
Statement of Changes in Equity

For the years ended December 31, 2015 and December 31, 2014

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

	<u>Common shares</u>		<u>Contributed surplus</u>	<u>Retained earnings (deficit)</u>	<u>Accumulated other comprehensive income</u>	<u>Total equity</u>
	<u>#</u>	<u>\$</u>				
As of January 1, 2014	8,792,974	9,068	144,819	709	3,375	157,971
Issuance of common shares (note 7)	69,005	1,070	-	-	-	1,070
Dividends payable	-	-	-	(1,601)	-	(1,601)
Dividends paid	-	-	-	(4,767)	-	(4,767)
Remeasurements of pensions	-	-	-	(3,692)	-	(3,692)
Remeasurements of post-retirement benefits	-	-	-	(351)	-	(351)
Available-for-sale investment	-	-	-	-	2	2
Cumulative translation adjustment	-	-	-	-	4,481	4,481
Net loss for the year	-	-	-	(2,518)	-	(2,518)
As of December 31, 2014	8,861,979	10,138	144,819	(12,220)	7,858	150,595
As of January 1, 2015	8,861,979	10,138	144,819	(12,220)	7,858	150,595
Issuance of common shares (note 7)	96,610	1,379	-	-	-	1,379
Dividends payable	-	-	-	(1,613)	-	(1,613)
Dividends paid	-	-	-	(4,806)	-	(4,806)
Fair value adjustment (note 7)	-	60	-	(54)	-	6
Remeasurements of pensions	-	-	-	1,013	-	1,013
Remeasurements of post-retirement benefits	-	-	-	(267)	-	(267)
Available-for-sale investment	-	-	-	-	29	29
Cumulative translation adjustment	-	-	-	-	10,223	10,223
Net loss for the year	-	-	-	(31,344)	-	(31,344)
As of December 31, 2015	8,958,589	11,577	144,819	(49,291)	18,110	125,215

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

KP Tissue Inc.
Statement of Cash Flows

For the years ended December 31, 2015 and December 31, 2014

(tabular amounts are in thousands of Canadian dollars)

	2015	2014
	\$	\$
Cash flows from (used in) operating activities		
Net loss for the year	(31,344)	(2,518)
Items not affecting cash		
Equity loss	5,480	2,379
Dilution gain	(70)	(102)
Impairment in investment in associate	28,000	-
Income taxes	(2,066)	241
Total items not affecting cash	31,344	2,518
Tax payments	(1,712)	(1,043)
Tax distribution received	571	459
Advances received	1,141	584
Net cash from (used in) operating activities	-	-
Cash flows from (used in) investing activities		
Investment in associate (note 5)	(195)	(1,070)
Partnership unit distributions received	5,217	6,350
Net cash from investing activities	5,022	5,280
Cash flows from (used in) financing activities		
Issuance of common shares (note 7)	195	1,070
Dividends paid	(5,217)	(6,350)
Net cash used in financing activities	(5,022)	(5,280)
Increase (decrease) in cash and cash equivalents during the year	-	-
Cash and cash equivalents - Beginning of year	-	-
Cash and cash equivalents - End of year	-	-

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

KP Tissue Inc.

Notes to Financial Statements

December 31, 2015 and December 31, 2014

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

1 General information

KP Tissue Inc. (KPT or the Corporation) was incorporated by articles of incorporation under the Canadian Business Corporations Act on October 1, 2012. As of December 31, 2015, the Corporation held a 16.3% (December 31, 2014 – 16.5%), interest in Kruger Products L.P. (KPLP or the Partnership), whose 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

The financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB), and with interpretations of the International Financial Reporting Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting. The financial statements have been prepared using the historical cost convention. The financial statements were approved by the board of directors on March 9, 2016.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are as follows:

(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 income and its share of other comprehensive income (loss) of associates included in other comprehensive income.

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 income.

The Corporation assesses at each year-end whether there is any objective evidence that its interests in investments in associates are impaired. If so, 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 income in other gains and losses (net).

(b) Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction

KP Tissue Inc.
Notes to Financial Statements
December 31, 2015 and December 31, 2014

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

other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

(c) Share capital

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

(d) 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.

(e) Accounting standards issued but not yet applied

The following revised standards and amendments are effective for annual periods beginning on or after January 1, 2016, except as noted below, with earlier application permitted. The Corporation continues to assess the impact of these standards and amendments and has not yet determined whether it will early adopt them.

- (i) IFRS 9, Financial Instruments. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is evaluating the standard and has not yet determined the impact on its financial statements.
- (ii) IAS 34 Interim Financial Reporting. The IASB has issued an amendment to clarify what is meant by "information disclosed elsewhere in the interim financial report". IASB prescribes the minimum content for an interim financial report, and the principles for recognition and measurement in complete and condensed financial statements for an interim period. Management is evaluating the standard and has not yet determined the impact on its financial statements.
- (iii) IAS 7, Statement of Cash Flows. The IASB issued an amendment to require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non cash changes. The amendment is effective for annual periods beginning on or after January 1, 2017. Management is evaluating the standard and has not yet determined the impact on its financial statements.

KP Tissue Inc.
Notes to Financial Statements
December 31, 2015 and December 31, 2014

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

4 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with IFRS 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 date 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 KPLP. 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 judgment in reaching a conclusion. Management has reviewed the agreements and made an assessment of the rights of the Corporation. Based on the Corporation having three of nine seats on the board of directors of KPGP Inc. (KPGP), management has concluded that the Corporation has the ability to exercise significant influence over KPLP.

Partnership units

On December 13, 2012, in connection with the issuance of Partnership units to KPT, the Limited Partnership Agreement was amended to require KPLP, subject to compliance with contractual obligations and applicable law, to make distributions to its partners in such amounts as would enable KPT to discharge its obligation to pay federal and provincial income taxes (the Tax Distribution). Each partner is entitled to its share of the Tax Distribution made in respect of any given year.

Impairment test

Due to market value declines in the Corporation's publicly traded common shares since the initial offer price, the Corporation performed an impairment test at December 31, 2015 for its Investment in associate. The test resulted in an impairment of \$28 million, which was recorded in the statement of comprehensive income (loss) during the year ended December 31, 2015. Additional information is disclosed in note 5.

Income taxes

The Corporation has not recognized at the date of acquisition the deferred tax assets and liabilities related to the differences between the accounting and tax basis of KPLP's assets and liabilities. Accordingly, the Corporation is tracking temporary differences that are subject to the initial recognition exemption and recognizes newly created temporary differences as they arise. The determination of the temporary differences that are subject to the initial recognition exemption requires significant judgment.

KP Tissue Inc.
Notes to Financial Statements
December 31, 2015 and December 31, 2014

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

5 Investment in associate

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

	December 31, 2015	December 31, 2014
	\$	\$
Opening balance	153,732	161,584
Investment in associate	1,379	1,070
Share of income	245	3,500
Depreciation of fair value increments	(5,725)	(5,879)
Share of other comprehensive income	12,510	307
Dilution gain	70	102
Impairment in investment in associate	(28,000)	-
Tax Distribution	(1,155)	(584)
Partnership unit distributions	(6,413)	(6,368)
Closing balance	<u>126,643</u>	<u>153,732</u>

The equity loss was comprised of the following components:

	2015	2014
	\$	\$
Share of income	245	3,500
Depreciation of fair value increments	(5,725)	(5,879)
	<u>(5,480)</u>	<u>(2,379)</u>

The following summarizes financial information about the assets, liabilities, revenue and net income of KPLP, in which the Corporation holds a 16.3% interest (December 31, 2014 – 16.5%). The financial information was derived from the consolidated financial statements of KPLP for the year ended December 31, 2015. 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.

	December 31, 2015		
	KPLP basis of	FV increment	KPT basis of
	accounting		accounting
	\$	\$	\$
Current assets	331,176	-	331,176
Non-current assets	966,252	551,520	1,517,772
Liabilities to non-unitholders	783,851	-	783,851
Partnership units liability	125,176	-	125,176
Net assets	388,401		
	Year ended		
	December 31, 2015		
	\$		
Revenue	1,138,870		
Net income	1,494		
Other comprehensive income	60,769		
Total comprehensive income	62,263		

KP Tissue Inc.
Notes to Financial Statements

December 31, 2015 and December 31, 2014

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

	KPLP basis of accounting	FV increment	December 31, 2014 KPT basis of accounting
	\$	\$	\$
Current assets	321,636	-	321,636
Non-current assets	870,365	586,516	1,456,881
Liabilities to non-unitholders	716,375	8,800	725,175
Partnership units liability	128,123	-	128,123
Net assets	347,503		
Year ended December 31, 2014			
	\$		
Revenue	1,046,168		
Net income	21,067		
Other comprehensive loss	(5,361)		
Total comprehensive income	15,706		

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

	December 31, 2015	December 31, 2014
	\$	\$
KPLP consolidated equity	388,401	347,503
Add back: Inception value of Partnership units liability	118,562	118,562
Less: Equity pertaining to Kruger Inc. and KPGP	(347,386)	(311,673)
Equity pertaining to KPT	159,577	154,392
Investment in associate recorded in KPT	126,643	153,732
Reconciling difference	32,934	660
Reconciling items since inception:		
Equity issuance costs	(11,110)	(11,110)
Depreciation of FV increments	19,867	14,142
Currency translation adjustment in fair value increments	(4,775)	(2,239)
Tax distribution	1,739	584
Gain on exercise of overallotment option	(375)	(375)
Dilution gain	(412)	(342)
Impairment in investment in associate	28,000	-
	<u>-</u>	<u>-</u>

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

On January 15, 2015, April 15, 2015, July 15, 2015, and October 15, 2015, in connection with the Corporation's Distribution Reinvestment Plan (DRIP), the portion of the distributions received by the shareholders were used to acquire an additional 96,610 units of KPLP for proceeds of \$1.4 million (note 7).

Impairment test

Due to market value declines in the Corporation's publicly traded common shares since the initial offer price, the Corporation performed an impairment test at December 31, 2015 for its Investment in associate. The test resulted in

KP Tissue Inc.
Notes to Financial Statements

December 31, 2015 and December 31, 2014

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

an impairment of \$28 million, which was recorded in the statement of comprehensive income (loss) during the year ended December 31, 2015. The recoverable amount of the Investment in associate was determined based on management's best estimate of the fair value less costs of disposal. The estimate of fair value was based on the net present value of future cash flows expected to be derived from KPLP, using a discount rate and terminal growth rate of 9.50% and 2.0%, respectively. A 0.5% increase/decrease in the discount rate would have resulted in an increase/decrease in the impairment of \$12.0 million and \$14.0 million, respectively. A 1.0% increase/decrease in the terminal growth rate would have resulted in a decrease/increase in the impairment of \$15.0 million and \$11.0 million, respectively.

6 Income taxes

The Corporation is required to pay income tax on its share of the taxable income of KPLP. The Corporation has not recognized at the date of acquisition the deferred tax assets and liabilities related to the differences between the accounting and tax basis of KPLP's assets and liabilities. Accordingly, the Corporation is tracking the temporary differences that were subject to the initial recognition exemption and recognizes newly created temporary differences as they arise.

The major components of income taxes recognized in the statement of comprehensive income (loss) were as follows:

	2015	2014
	<u>\$</u>	<u>\$</u>
Current tax expense	444	1,136
Deferred tax credit	(2,510)	(895)
	<u>(2,066)</u>	<u>241</u>

Details of the provision for income taxes were as follows:

	2015	2014
	<u>\$</u>	<u>\$</u>
Income tax at statutory rate of 26%	(8,686)	(592)
Permanent differences and other	153	110
Dilution gain	(18)	(26)
Impairment in investment in associate	7,280	-
Taxed in hands of subsidiaries	50	121
Realization of previously unrecognized tax attributes	1,533	1,493
Change in basis of investment in associate	(2,378)	(865)
	<u>(2,066)</u>	<u>241</u>

Components of the deferred income tax liability were as follows:

	December 31, 2015	December 31, 2014
	<u>\$</u>	<u>\$</u>
Deferred tax liability		
Investment in associate	-	751
Pensions	(432)	(267)
Deferred finance fees	(55)	(36)
Property, plant and equipment	2,664	2,226
Other	(1,170)	(669)
	<u>1,007</u>	<u>2,005</u>

KP Tissue Inc.
Notes to Financial Statements

December 31, 2015 and December 31, 2014

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

The analysis of the deferred tax liability was as follows:

	December 31, 2015	December 31, 2014
	<u>\$</u>	<u>\$</u>
Deferred tax liabilities to be realized greater than 12 months	1,007	2,005
	<u>1,007</u>	<u>2,005</u>

In addition to the above, the Corporation has a deferred tax asset of \$2.2 million related to the Investment in associate which has not been recognized in the financial statements.

The movement in the deferred tax liability was as follows:

	December 31, 2015	December 31, 2014
	<u>\$</u>	<u>\$</u>
Opening balance	2,005	3,033
Charge to net loss	(2,510)	(895)
Charge to other comprehensive income		
- remeasurements of cumulative translation adjustment	1,528	669
Charge to other comprehensive income		
- remeasurements of post-retirement benefits	(171)	(225)
Charge to other comprehensive income		
- remeasurements of pensions	151	(577)
Charge to other comprehensive income		
- mark-to-market on Available-for-sale investment	4	-
	<u>1,007</u>	<u>2,005</u>

On December 13, 2012, in connection with the issuance of Partnership units to KPT, the Limited Partnership Agreement was amended to require KPLP, subject to compliance with contractual obligations and applicable law, to make distributions to its partners in such amounts as would enable KPT to discharge its obligation to pay federal and provincial income taxes (the Tax Distribution). Each partner is entitled to its share of the Tax Distribution made in respect of any given year.

On February 28, 2015, KPT received a tax distribution of \$1.2 million from KPLP for purposes of settling its obligation for federal and provincial taxes, for fiscal 2014.

During the year ended December 31, 2015, pursuant to the Tax Distribution as defined in the Partnership Agreement, KPT received an advance from KPLP of \$1.1 million to pay the monthly tax instalments. The advance is non-interest bearing and non-recourse and was partially offset against KPT's portion of the Tax Distribution of \$0.4 million, paid by KPLP on February 26, 2016. The excess advance over KPT's portion of the Tax Distribution in the amount of \$0.7 million is repayable by KPT to KPLP by March 31, 2017.

7 Dividends

On January 15, 2015, the Corporation paid a dividend of \$0.18 per common share to shareholders. Pursuant to the Corporation's DRIP, a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing 11,863 common shares (January 15, 2014 – 15,244) at a price of \$16.46. The proceeds were used to acquire additional units of KPLP.

KP Tissue Inc.
Notes to Financial Statements
December 31, 2015 and December 31, 2014

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

On April 15, 2015, the Corporation paid a dividend of \$0.18 per common share to shareholders. Pursuant to the Corporation's DRIP, a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing 24,933 common shares (April 15, 2014 – 20,712) at a price of \$15.56.

On July 15, 2015, the Corporation paid a dividend of \$0.18 per common share to shareholders. Pursuant to the Corporation's DRIP, a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing 27,575 common shares (July 15, 2014 – 19,844) at a price of \$14.31.

On October 15, 2015, the Corporation paid a dividend of \$0.18 per common share to shareholders. Pursuant to the Corporation's DRIP, a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing 32,239 common shares (October 15, 2014 – 13,205) at a price of \$12.44.

On January 15, 2016, the Corporation paid a dividend of \$0.18 per common share to shareholders. Pursuant to the Corporation's DRIP, a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing 41,671 common shares at a price of \$10.29.

Subsequent to December 31, 2015, the Corporation declared a dividend of \$0.18 per common share to shareholders, payable on April 15, 2016.

As of April 15, 2015, the Partnership unit distributions were paid to KPT net of the DRIP reinvestment. During the 39-week period ended December 31, 2015, KPT's DRIP reinvestment was \$1.2 million.

As a result of the DRIP and Kruger's reinvestment of its distribution from KPLP in units of KPLP, a dilution gain of \$0.07 million was recorded during the year ended December 31, 2015 (2014 - \$0.1 million).

8 Income tax recovery (expense) on other comprehensive income

Income tax recovery (expense) on other comprehensive income was as follows:

	2015	2014
	<u>\$</u>	<u>\$</u>
Items that will not be reclassified to net loss:		
Remeasurements of pensions	1,164	(4,269)
Income tax recovery (expense)	<u>(151)</u>	<u>577</u>
Net of income tax recovery (expense)	<u>1,013</u>	<u>(3,692)</u>
Remeasurements of post-retirement benefits	(438)	(576)
Income tax recovery	<u>171</u>	<u>225</u>
Net of income tax recovery	<u>(267)</u>	<u>(351)</u>
Items that may be subsequently reclassified to net loss:		
Available-for-sale investment	33	2
Income tax expense	<u>(4)</u>	<u>-</u>
Net of income tax expense	<u>29</u>	<u>2</u>
Cumulative translation adjustment	11,751	5,150
Income tax expense	<u>(1,528)</u>	<u>(669)</u>
Net of income tax expense	<u>10,223</u>	<u>4,481</u>

KP Tissue Inc.
Notes to Financial Statements
December 31, 2015 and December 31, 2014

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

9 Economic dependence

The Corporation is economically dependent upon the Partnership.