



KP TISSUE INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND DECEMBER 31, 2023



Independent auditor's report

To the Shareholders of KP Tissue Inc.

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, 2024 and 2023, 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, 2024 and 2023;
- the statements of income (loss) and comprehensive income 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.

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.

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



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, 2024. 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>Impairment indicator assessment on the equity accounted investment in Kruger Products Inc.</p> <p><i>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.</i></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, 2024, the Corporation held a 12.7% interest in KPI and the carrying amount of the Corporation's equity accounted investment in KPI amounted to \$69.5 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 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, 2024, as there was no</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Evaluated the reasonableness of management's impairment indicator assessment on the equity accounted investment in KPI by:<ul style="list-style-type: none">– Performing an audit of the consolidated financial statements of KPI as at December 31, 2024. This included:<ul style="list-style-type: none">○ 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;○ comparing the recoverable amounts of KPI's cash generating units tested for impairment to 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; 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.



Key audit matter	How our audit addressed the key audit matter
<p>objective evidence that indicated that an impairment test was required.</p> <p>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.</p>	<ul style="list-style-type: none">– Recalculating and comparing the Corporation's market capitalization to its net assets as at December 31, 2024.

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.

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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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
March 4, 2025

KP Tissue Inc.

Statements of Financial Position

(tabular amounts are in thousands of Canadian dollars)

	December 31, 2024	December 31, 2023
	\$	\$
Assets		
Current assets		
Dividends receivable	1,798	1,793
Income taxes recoverable	-	652
	<u>1,798</u>	<u>2,445</u>
Non-current assets		
Investment in associate (note 5)	69,517	68,162
Total assets	<u><u>71,315</u></u>	<u><u>70,607</u></u>
Liabilities		
Current liabilities		
Dividend payable (note 7)	1,798	1,793
Payable to investee	-	457
Total liabilities	<u>1,798</u>	<u>2,250</u>
Equity		
Common shares (note 7)	22,762	22,560
Contributed surplus	144,819	144,819
Deficit	(116,673)	(115,027)
Accumulated other comprehensive income	18,609	16,005
Total equity	<u>69,517</u>	<u>68,357</u>
Total liabilities and equity	<u><u>71,315</u></u>	<u><u>70,607</u></u>
Subsequent events (note 7)		

Approved by the Board of Directors

/s/ James Hardy _____

Director

/s/ Francois Vimard _____

Director

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

KP Tissue Inc.
Statements of Income (loss) and Comprehensive Income

For the years ended December 31, 2024 and December 31, 2023

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

	2024	2023
	\$	\$
Share of income (loss)	2,993	(697)
Depreciation of fair value increments	(1,123)	(1,165)
Equity income (loss)	1,870	(1,862)
Dilution gain	619	1,032
Income (loss) before income taxes	2,489	(830)
Current tax expense (recovery)	56	215
Deferred tax expense	-	3,892
Income tax expense (recovery) (note 6)	56	4,107
Net income (loss)	2,433	(4,937)
Other comprehensive income (loss)		
net of income tax expense (recovery) (note 6)		
Items that will not be reclassified to net income (loss):		
Remeasurements of pensions	2,769	3,436
Remeasurements of post-retirement benefits	333	1,650
Items that may be subsequently reclassified to net income (loss):		
Cumulative translation adjustment	2,604	1,165
Other comprehensive income	5,706	6,251
Total comprehensive income	8,139	1,314
Basic and diluted earnings (loss) per share	0.24	(0.50)
Weighted average number of shares outstanding	9,976,725	9,955,981

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, 2024 and December 31, 2023

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

	Common shares		Contributed surplus	Deficit	Accumulated other comprehensive income	Total equity
	#	\$	\$	\$	\$	\$
As of January 1, 2023	9,945,976	22,379	144,819	(108,008)	14,840	74,030
Issuance of common shares (note 7)	17,746	181	-	-	-	181
Dividends payable (note 7)	-	-	-	(1,793)	-	(1,793)
Dividends paid	-	-	-	(5,375)	-	(5,375)
Remeasurements of pensions	-	-	-	3,436	-	3,436
Remeasurements of post-retirement benefits	-	-	-	1,650	-	1,650
Cumulative translation adjustment	-	-	-	-	1,165	1,165
Net loss	-	-	-	(4,937)	-	(4,937)
As of December 31, 2023	9,963,722	22,560	144,819	(115,027)	16,005	68,357

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

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

KP Tissue Inc.
Statements of Cash Flows

For the years ended December 31, 2024 and December 31, 2023

(tabular amounts are in thousands of Canadian dollars)

	2024	2023
	\$	\$
Cash flows from (used in) operating activities		
Net income (loss)	2,433	(4,937)
Items not affecting cash		
Equity loss (income)	(1,870)	1,862
Dilution gain	(619)	(1,032)
Deferred tax expense	56	4,107
Total items not affecting cash	(2,433)	4,937
Decrease in payable to investee	(595)	287
Tax refunds, net	595	(287)
Net cash from (used in) operating activities	-	-
Cash flows from investing activities		
Dividends received, net	6,974	6,984
Net cash from investing activities	6,974	6,984
Cash flows used in financing activities		
Dividends paid, net	(6,974)	(6,984)
Net cash used in financing activities	(6,974)	(6,984)
Increase (decrease) in cash and cash equivalents during the period	-	-
Cash and cash equivalents - Beginning of period	-	-
Cash and cash equivalents - End of period	-	-

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

KP Tissue Inc.

Notes to Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(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, 2024, the Corporation held a 12.7% interest in Kruger Products Inc. (Kruger Products). As of December 31, 2023, the Corporation held a 13.1% interest in Kruger Products.

On January 1, 2023, KPLP undertook a corporate reorganization (the Kruger Products Reorganization) pursuant to which KPLP sold and assigned to its wholly-owned subsidiary, Kruger Products, and Kruger Products purchased and assumed from KPLP, in exchange for common shares, all of the properties, operations, assets and liabilities of KPLP, and KPLP was subsequently dissolved and wound-up into its partners. As a result of the Kruger Products Reorganization, Kruger Products, as the successor corporate entity to KPLP, now operates the business previously operated by KPLP.

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

The 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 March 4, 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, 2024 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.

KP Tissue Inc.

Notes to Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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

(b) Income tax

As a result of the Kruger Products Reorganization (note 1), KPLP's tax status changed from a limited partnership to a corporation. Kruger Products is, therefore, a tax paying entity and will recognize income tax provisions directly. KPT no longer incurs taxable income and therefore the Deferred tax liability of \$5.7 million recorded in KPT's audited statement of financial position as of December 31, 2022 was derecognized in the audited statement of income and comprehensive income for the year ended December 31, 2023.

(c) 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 standard implemented effective January 1, 2024

(i) No amendments effective during the year had an impact.

(f) Accounting standard issued but not yet implemented

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

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

KP Tissue Inc.

Notes to Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(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 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 judgements, including those related to fair value and the basis of accounting. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they occur.

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 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 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.

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 judgment 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, 2024, 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.

As a result of the Kruger Products Reorganization (note 1), the Limited Partnership Agreement was dissolved and the corresponding requirement to make the Tax Distribution was eliminated.

KP Tissue Inc.
Notes to Financial Statements

For the years ended December 31, 2024 and December 31, 2023

(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:

	2024	2023
	\$	\$
Opening balance	68,162	79,338
Increase in investment	204	181
Share of income (loss)	2,993	(697)
Depreciation of fair value increments	(1,123)	(1,165)
Share of other comprehensive income (loss)	5,706	(3,359)
Dilution gain	619	1,032
Dividends	(7,183)	(7,168)
Partnership unit refunds	139	-
Closing balance	69,517	68,162

The following summarizes financial information about the assets, liabilities, revenue and net income of Kruger Products, in which the Corporation holds a 12.7% interest as of December 31, 2024. The financial information was derived from the audited consolidated financial statements of Kruger Products for the year ended December 31, 2024. 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.

KP Tissue Inc.
Notes to Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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

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

	Year ended December 31, 2024
	\$
Revenue	2,049,938
Net income attributable to Kruger Products	23,821
Other comprehensive income (loss)	43,852
Total comprehensive income attributable to Kruger Products	67,673

	December 31, 2023		
	Kruger Products basis of accounting	Fair value increment	KPT basis of accounting
	\$	\$	\$
Current assets	542,854	-	542,854
Non-current assets	1,782,776	307,973	2,090,749
Liabilities	1,712,003	-	1,712,003
Net assets	613,627		

	Year ended December 31, 2023
	\$
Revenue	1,872,962
Net income (loss) attributable to Kruger Products	(5,313)
Other comprehensive income	(22,996)
Total comprehensive income (loss) attributable to Kruger Products	(28,309)

KP Tissue Inc.

Notes to Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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

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

	December 31, 2024	December 31, 2023
	\$	\$
Kruger Products consolidated equity	662,266	613,627
Add back: Inception value of Partnership units liability ^(a)	118,562	118,562
Less: Equity pertaining to Kruger Inc. and KPGP	(632,236)	(585,120)
Equity pertaining to KPT	148,592	147,069
Investment in associate recorded in KPT	69,517	68,162
Reconciling difference	79,075	78,907
Reconciling items since inception:		
Equity issuance costs	(11,110)	(11,110)
Depreciation of fair value increments	61,459	60,336
Currency translation adjustment in fair value increments	(3,159)	(2,962)
Tax Distribution	9,181	9,320
Gain on exercise of over-allotment option	(375)	(375)
Dilution gain	(4,921)	(4,302)
Impairment in investment in associate	28,000	28,000
	-	-

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

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

6 Income taxes

As a result of the Kruger Products Reorganization (note 1), KPLP's tax status changed from a limited partnership to a corporation. Kruger Products is, therefore, a tax paying entity and will recognize income tax provisions directly. KPT no longer incurs taxable income and therefore the Deferred tax liability of \$5.7 million recorded in KPT's audited statement of financial position as of December 31, 2022 was derecognized through the audited statement of comprehensive income (loss) for the 12-month period ended December 31, 2023, as Deferred tax expense of \$3.9 million and through Other comprehensive income (OCI) remeasurement of pension of \$6.9 million Deferred tax recovery, OCI remeasurement of post retirement benefits of \$0.5 million Deferred tax recovery and OCI cumulative translation adjustment of \$2.2 million Deferred tax recovery.

Details of the provision for income taxes were as follows:

	2024	2023
	\$	\$
Income tax at statutory rate of 26%	647	(216)
Derecognition of opening deferred tax	-	3,892
Dilution gain	(160)	(268)
Realization of previously unrecognized	347	518
Accounting equity pick-up	(778)	181
	56	4,107

KP Tissue Inc.

Notes to Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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

7 Dividends

During the years ended December 31, 2024 and December 31, 2023, 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:

Dividend Payment Date	2024			
	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
	<u>7,178</u>		<u>23,825</u>	<u>204</u>
Dividend Payment Date	2023			
	Dividends paid \$	Share price \$	Issuance of Common shares #	Gross proceeds \$
January 16, 2023	1,790	10.18	4,682	48
April 17, 2023	1,791	10.25	3,000	30
July 17, 2023	1,791	10.30	5,064	53
October 16, 2023	1,793	9.93	5,000	50
	<u>7,165</u>		<u>17,746</u>	<u>181</u>

Subsequent to December 31, 2024, on January 15, 2025 the Corporation paid a dividend of \$1.8 million to shareholders at \$0.18 per common share. Pursuant to the Corporation DRIP, a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing 6,656 common shares at a price of \$8.06.

Subsequent to December 31, 2024, the Corporation declared a dividend of \$0.18 per common share to shareholders, payable on April 15, 2025.

As a result of the DRIP and Kruger Inc.'s reinvestment of its dividends from Kruger Products in common shares of Kruger Products, a dilution gain of \$0.6 million was recorded during the year ended December 31, 2024 (2023 - \$1 million).

KP Tissue Inc.
Notes to Financial Statements

For the years ended December 31, 2024 and December 31, 2023

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

8 Income tax expense (recovery) on other comprehensive income

	2024	2023
	\$	\$
Items that will not be reclassified to net income (loss):		
Remeasurements of pensions	-	(3,460)
Income tax recovery (expense)	2,769	6,896
Net of income tax recovery (expense)	2,769	3,436
Remeasurements of post-retirement benefits	-	1,168
Income tax recovery (expense)	333	482
Net of income tax recovery (expense)	333	1,650
Items that may be subsequently reclassified to net income (loss):		
Cumulative translation adjustment	-	(1,067)
Income tax recovery (expense)	2,604	2,232
Net of income tax recovery (expense)	2,604	1,165
Total other comprehensive income for the year	<u>5,706</u>	<u>6,251</u>

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 on the statements of cash flows comprised the following:

	2024	2023
	\$	\$
Increase (decrease) in payable to investee	<u>(595)</u>	<u>287</u>