KP TISSUE INC. AND KRUGER PRODUCTS L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED DECEMBER 31, 2014

DATED MARCH 11, 2015

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TABLE OF CONTENTS

The following Management's Discussion and Analysis (MD&A) for KP Tissue Inc. (KPT) and Kruger Products L.P. (KPLP) is intended to assist the readers in understanding the business environment, strategies, performance and risk factors relating to KPT and KPLP. It should be read in conjunction with the financial statements of KPT for the years ended December 31, 2014 and December 31, 2013, and the consolidated financial statements of KPLP for the years ended December 31, 2014 (Fiscal 2014) and December 31, 2013 (Fiscal 2013), respectively.

About KP Tissue Inc.

KPT was created to acquire, and its business is limited to holding, a limited partnership interest in KPLP, which is accounted for as an investment in an associate using the equity method of accounting. KPT currently holds a 16.5% interest in KPLP (16.5% as of December 31, 2014). The following MD&A provides discussion and analysis related to KPT to the extent necessary to understand the equity method of accounting. However, most of the discussion and analysis relates to KPLP and to KPT's investment in KPLP.

CAUTIONARY FORWARD LOOKING STATEMENT

Certain statements in this MD&A about KPT's and KPLP's 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. 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 information is based on certain key expectations and assumptions made by KPT or KPLP, including continued growth of the U.S. private label market and demand for TAD products in the U.S., orders for the TAD machine's products, the demand and timing of distributions made by KPLP, and Kruger Inc.'s cash requirements. The financial outlook that KPLP Management provides on page 3 of this MD&A concerning the potential incremental EBITDA generated by the TAD Project (as defined below) may be considered forward-looking information and is based on additional key expectations and assumptions, including but not limited to (i) limited incremental overhead relating to the operation of the TAD machine and distribution and sale of products, (ii) the TAD machine operating at near full capacity and products being sold at prices consistent with current market prices, adjusted for inflation, and (iii) a cost of pulp and energy based on recent prices, adjusted for inflation, and (iv) a foreign exchange rate between the Canadian and U.S. dollars approximating current levels. Although KPT and KPLP 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 information since no assurance can be given that such expectations and assumptions will prove to be correct.

Many factors could cause KPLP's 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 KPLP) 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 KPLP's Business" section of the KPT Annual Information Form dated March 12, 2015 available on SEDAR at www.sedar.com (the Annual Information Form): Kruger Inc.'s influence over KPLP; KPLP's reliance on Kruger Inc.; consequences of an event of insolvency relating to Kruger Inc.; risks associated with the TAD Project; operational risks; Gatineau Plant land lease; significant increases in input costs; reduction in supply of fibre; increased pricing pressure and intense competition; KPLP's inability to innovate effectively; adverse economic conditions; dependence on key retail trade customers; damage to the reputation of KPLP or KPLP's brands; KPLP's sales being less than anticipated; KPLP's failure to implement its business and operating strategies; KPLP's obligation to make regular capital expenditures; KPLP's entering into unsuccessful acquisitions; KPLP's dependence on key personnel; KPLP's inability to retain its existing customers or obtain new customers; KPLP's loss of key suppliers; KPLP's failure to adequately protect its intellectual property rights; KPLP's reliance on third party intellectual property licenses; adverse litigation and other claims affecting KPLP; material expenditures due to comprehensive environmental regulation affecting KPLP's cash flow; KPLP's pension obligations are significant and can be materially higher than predicted if KPLP Management's underlying assumptions are incorrect; labour disputes adversely affecting KPLP's cost structure and KPLP's ability to run its plants; exchange rate and U.S. competitors; KPLP's inability to service all of its indebtedness; exposure to potential consumer product liability, restrictive covenants; interest rate and refinancing risk; information technology and innovation; insurance; and internal controls.

These factors are not intended to represent a complete list of the factors that could affect KPT and/or KPLP; 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.

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 of the TAD Project and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks, including expected cost-savings related to the restructuring activities, and the financial outlook that KPLP Management provides on page 3 of this MD&A concerning the potential incremental EBITDA generated by the TAD Project, are, without limitation, based on the assumptions and subject to the risks set out above.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information contained herein is made as of the date of this MD&A and KPT and KPLP undertake no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

OVERVIEW

Business Overview

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 KPLP and its general partner, KPGP Inc. (KPGP) (or any successor entity of either KPLP or KPGP), (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 the partners in the Dividend Reinvestment Plan (DRIP) on January 15, 2015, KPT held 16.5% of the KPLP Partnership Units (KPLP Units).

KPLP 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) market (in each case, as defined below). While its principal focus is on the Canadian consumer-branded tissue products market, KPLP is also a leader in the Canadian AFH market and has a considerable presence in the U.S. private label tissue market.

KPLP is headquartered in Mississauga, Ontario and has approximately 2,500 employees across North America. KPLP's Canadian manufacturing facilities, consisting of three tissue plants in Québec, two plants in Ontario, and one plant in British Columbia, have a combined annual tissue production capacity of approximately 246,000 metric tonnes.

KPLP's U.S. manufacturing facility held through K.T.G. (USA) Inc. (KTG) and located in Memphis, Tennessee consists of two existing paper machines with an aggregate annual capacity of 57,000 metric tonnes, and one adjacent 60,000 metric tonne state-of-the-art, Through-Air-Dried (TAD) tissue machine and related infrastructure (the TAD Project).

Basis of Presentation

The consolidated financial statements of KPLP presented for Fiscal 2014 and Fiscal 2013 have been prepared in accordance with IFRS (International Financial Reporting Standards). The financial statements of KPT for the years ended December 31, 2014 and December 31, 2013 have also been prepared in accordance with IFRS.

Accounting Periods

This MD&A, the consolidated financial statements of KPLP and accompanying notes thereto include financial information for Q4 2014, Q4 2013, Fiscal 2014 and Fiscal 2013.

Financial Measures and Key Indicators

This MD&A uses certain non-IFRS financial measures and ratios which KPLP believes provide useful information to both KPLP Management and the readers of the consolidated financial statements in measuring the financial performance and financial condition of KPLP. 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. An example of such measures is EBITDA. EBITDA is not a measurement of operating performance computed in accordance with IFRS and should not be considered as a substitute for operating income, net income or cash flows from operating activities computed in accordance with IFRS. This MD&A contains a reconciliation of EBITDA to the most comparable IFRS measures on page 6.

"EBITDA" is calculated by KPLP as net income (loss) before (i) interest expense, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) impairment (recovery) of non-financial assets, (vi) loss (gain) on disposal of property, plant and equipment, (vii) unrealized foreign exchange loss (gain), (viii) one-time costs related to restructuring activities, and (ix) changes in the amortized cost of the Partnership units liability.

"KTG EBITDA" is calculated as net income (loss) of KTG as reported in the financial statements of KTG before (i) interest expense, (ii) income taxes, (iii) depreciation, and (iv) amortization, as defined in the TAD Credit Facility (as described below).

"TAD Product EBITDA" represents the portion of KTG EBITDA generated by the sale of TAD products.

Outlook

KPLP is committed to building great consumer brands and developing winning products for its retail and commercial customers. KPLP's strategy is to maintain its leadership position in the Canadian market, which continues to exhibit strong fundamentals. Though the Canadian tissue market is expected to remain competitive, KPLP believes that its brands and products are well positioned for continued growth. KPLP 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.

In the U.S., KPLP will seek to grow by leveraging its TAD capabilities and focusing on the high-end private label business. The TAD Project (see Business Highlights, TAD Project) is a key component to KPLP's strategy of growing its operations in the U.S. private label market. KPLP Management believes that the TAD Project has the potential to generate approximately $60 million EBITDA annually for KPLP by 2017, being the year in which the TAD paper machine is expected to reach full production capacity. TAD Product EBITDA was $9.1 million in Q4 2014 and $26.9 million for Fiscal 2014. TAD Product EBITDA is expected to be in the $36 to $42 million range for fiscal 2015. The foregoing estimates of future incremental EBITDA may be considered forward-looking information and are based upon certain key assumptions, including (i) limited incremental overhead relating to the operation of the TAD machine and distribution and sale of products, (ii) the TAD machine operating at near full capacity and products being sold at market prices consistent with current market prices, adjusted for inflation, and (iii) a cost of pulp and energy based on recent prices, adjusted for inflation, and (iv) a foreign exchange rate between the Canadian and U.S. dollars approximating current levels. The foregoing factors could cause TAD Product EBITDA to differ materially from the amount set forth in the foregoing estimate.

Factors Affecting the Results of Operations

Revenue

KPLP generates revenue on the sale of branded, private label and AFH tissue products in Canada and the U.S. Revenue is reported on a net basis, after deducting rebates and allowances. KPLP's 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.

KPLP has three 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), (ii) AFH, and (iii) Other. The Consumer segment includes sales of branded tissue products such as *Cashmere, Purex, Scotties, SpongeTowels, White Cloud* and *White Swan.* 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. The Other segment includes the sale of parent rolls to other tissue manufacturing companies as well as the sale of recycled fibre. KPLP's current sales focus includes all regions of Canada and the United States. KPLP 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, KPLP has occasionally entered into foreign currency forward contracts and may continue to do so going forward.

Cost of Sales

Cost of sales includes fixed and variable costs to manufacture our 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 70% of total cost of sales, depending on the type of fibre and paper making technology being used. Typically producers have been able to pass along commodity input cost increases (fibre and energy) to end customers and consumers within a six to nine month period following any such increase. For this reason KPLP Management believes that there is a correlation between pulp prices and end product pricing. Periodically, KPLP also enters into fibre commodity swap contracts, to reduce exposure to fluctuations in this key input cost. These typically do not exceed 15% of total fibre purchases. KPLP 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, KPLP has occasionally entered into foreign currency forward contracts and may continue to do so going forward. 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, warehousing and handling costs vary based on sales volume, the geographical mix of the product shipped, and the cost of fuel used by freight carriers.

Selling, General and Administrative Expenses

KPLP's selling, general and administrative expenses include marketing and 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 and marketing activities, including advertising and promotion and market research, as well as selling expenses, commissions and other related costs. General and administrative expenses consist of costs related to operations, finance, information technology, product development, legal, human resources, executive administration and other corporate expenses. It also includes the foreign exchange gains and losses realized during the period.

Interest Expense

Interest expense is derived from the financing activities of KPLP. KPLP is a borrower under certain credit facilities (each of which are described under "Liquidity and Capital Resources", below). Interest costs related to the TAD Credit Facility (as defined below) recorded during the construction period (i.e. before start of operations) were capitalized, and allocated to property, plant and equipment and are being depreciated along with the assets. Depreciation of the capitalized interest commenced in Q1 2013 with the completion of the construction period. Refer to note 14, "Long-term debt" in the consolidated financial statements for Fiscal 2014 for additional information. KPLP also records amortization related to deferred financing fees and interest costs related to pensions and post-retirement benefits in interest expense.

Other Income (Expense)

Other income (expense) includes foreign exchange gains and losses, the change in the amortized costs of the Partnership unit liability, and other items deemed to be non-operational in nature.

Income Taxes

KPLP is not a tax paying entity. The income (loss) from KPLP flowed to the partners, Kruger Inc., KPGP and KPT for Fiscal 2014 and Fiscal 2013. The income taxes recorded in the consolidated financial statements of KPLP relate to the income taxes for its incorporated subsidiaries in the U.S., Canada, Luxembourg and Mexico.

BUSINESS HIGHLIGHTS

TAD Project

In the autumn of 2011, KPLP, through KTG, commenced the construction of the TAD Project. The TAD Project was originally expected to cost up to U.S.$322 million (including reserves for contingencies, interest during construction, working capital and start-up costs). On February 22, 2013, KPT announced that KPLP had successfully finished the construction phase of the TAD Project, on time and on budget. As of December 31, 2014, a total of U.S.$311.7 million had been spent on the TAD Project, financed by a U.S.$186.7 million investment by KPLP into KTG and a drawdown of U.S.$125.0 million on the TAD Credit Facility (as defined below). KPLP invested into KTG, primarily to finance the TAD Project, U.S.$70.0 million of the proceeds from the subscription by KPT for units of KPLP in the context of KPT's initial public offering in December 2012.

Eastern Warehousing Initiative

In November 2013, following a review of its distribution operations KPLP undertook an initiative to consolidate distribution activities from its Gatineau warehouse to its distribution operations in Laval (Eastern Warehousing Initiative). KPLP has completed this initiative and incurred restructuring costs of $2.2 million. This initiative will reduce costs by $1.6 million annually and will be fully realized by Q2 2015.

Corporate Restructuring Initiative

During Q1 2014, KPLP undertook a review of its corporate overhead costs and identified a number of cost reduction opportunities (Corporate Restructuring Initiative). KPLP expects to incur restructuring costs of approximately $2.0 million, primarily related to severance, and reduce costs by approximately $2.4 million annually as a result of this initiative. As of December 31, 2014, KPLP has incurred $1.2 million of the costs associated with this initiative and recorded a provision for the remaining $0.8 million.

Together with the Eastern Warehousing initiative discussed above, KPLP expects annualized savings of $4.0 million.

Acquisition of Metro Paper

On June 3, 2014, KPLP acquired the Canadian tissue converting assets of Metro Paper Industries Inc. (Metro Paper) for cash consideration of $23.4 million. The assets acquired include converting equipment in Scarborough and Trenton, Ontario, inventory, the entire Metro Paper North American Away-From-Home (AFH) customer base, as well as facility operating leases. Metro Paper's revenues in 2013 were approximately $65 million, split almost equally between the US and Canada, of which approximately $15 million was sold to KPLP. This acquisition is part of the AFH segment and is expected to create synergies, increase production capacity and add complementary product lines to the Partnership's AFH business.

RESULTS OF OPERATIONS

Results of Operations of KPLP

(C$ millions, unless otherwise noted)	Fiscal 2014	Fiscal 2013	Fiscal 2012	$ Change Fiscal 2014 vs. Fiscal 2013	$ Change Fiscal 2013 vs. Fiscal 2012
Statement of Operations Data:					
Revenue	1,046.2	955.3	922.9	90.9	32.4
Cost of sales	(879.2)	(786.8)	(749.5)	(92.4)	(37.3)
Selling, general and adminstrative expenses	(82.6)	(86.7)	(90.8)	4.1	4.1
Recovery (impairment) of non-financial assets	-	1.8	(4.6)	(1.8)	6.4
Restructuring costs	(2.8)	(1.4)	(9.4)	(1.4)	8.0
Operating income	81.6	82.2	68.6	(0.6)	13.6
Interest expense	(44.7)	(42.2)	(27.8)	(2.5)	(14.4)
Other income (expense)	(17.6)	(2.0)	(0.8)	(15.6)	(1.2)
Income before income taxes	19.3	38.0	40.0	(18.7)	(2.0)
Income taxes:					
Combined income tax rate after manfacturing and processing credits	(6.9)	(9.9)	(10.4)	3.0	0.5
Income tax in partners' hands	8.2	15.1	10.3	(6.9)	4.8
Other	0.5	5.7	1.5	(5.2)	4.2
Income taxes	1.8	10.9	1.4	(9.1)	9.5
Net income	21.1	48.9	41.4	(27.8)	7.5

(C$ millions, unless otherwise noted)	Fiscal 2014	Fiscal 2013	Fiscal 2012	$ Change Fiscal 2014 vs. Fiscal 2013	$ Change Fiscal 2013 vs. Fiscal 2012
Reconciliation of EBITDA to Net income:					
Net income	21.1	48.9	41.4	(27.8)	7.5
Income taxes	(1.8)	(10.9)	(1.4)	9.1	(9.5)
Interest expense	44.7	42.2	27.8	2.5	14.4
Loss (gain) on disposal of property, plant and equipment	(0.1)	-	1.0	(0.1)	(1.0)
Depreciation and amortization	37.6	34.1	28.9	3.5	5.2
Unrealized foreign exchange (gain) loss	3.5	3.0	(0.8)	0.5	3.8
Change in amortized cost of Partnership units liability	13.8	(0.7)	-	14.5	(0.7)
Impairment (recovery) of non-financial assets	-	(1.8)	4.6	1.8	(6.4)
Restructuring costs	2.8	1.4	9.4	1.4	(8.0)
EBITDA	121.6	116.2	110.9	5.4	5.3

Results of Operations Fiscal 2014 compared to Fiscal 2013

Revenue

Revenue was $1,046.2 million in Fiscal 2014 compared to $955.3 million in Fiscal 2013, an increase of $90.9 million or 9.5%. Revenue increased in all segments and across all regions. The increase in revenue was primarily due to additional sales volume in the Consumer segment in the U.S. driven by TAD product sales and the favourable impact of foreign exchange on

U.S. dollar sales. The acquisition of Metro Paper on June 3, 2014 also contributed to a significant increase in AFH segment revenue in Canada and particularly in the U.S.

From a geographic perspective, revenue in the U.S. increased $77.5 million, or 32.4%. Revenue in Canada increased $11.8 million, or 1.7%. KTG revenue (sold primarily in the U.S. and including intercompany sales) was $240.5 million in Fiscal 2014 compared to $199.3 million in Fiscal 2013.

Cost of Sales

Cost of sales was $879.2 million in Fiscal 2014 compared to $786.8 million in Fiscal 2013, an increase of $92.4 million or 11.7%. As a percentage of revenue, cost of sales was 84.0% in Fiscal 2014 compared to 82.4% in Fiscal 2013. Cost of sales was impacted in Fiscal 2014 as commodity prices, particularly fibre costs, continued to trend upward during the year. Pulp market prices (NBSK) were U.S.$1,025 per metric tonne on average in Fiscal 2014 compared to U.S.$941 per metric tonne on average in Fiscal 2013. Cost of sales was also negatively impacted by foreign exchange fluctuations, higher natural gas prices, and increased depreciation expense as a result of the TAD Project. Finally, freight expense increased as a result of higher sales volumes associated primarily with new TAD business in the U.S. and warehousing expense increased as a result of higher inventory levels during 2014.

Selling, General and Administrative Expenses

SG&A expenses were $82.6 million in Fiscal 2014 compared to $86.7 million in Fiscal 2013, a decrease of $4.1 million or 4.7%. As a percentage of revenue, SG&A expenses were 7.9% in Fiscal 2014 compared to 9.1% in Fiscal 2013. The decrease was primarily related to a reduction in departmental spending related to cost initiatives announced earlier in 2014 and lower advertising and promotion expenses.

EBITDA

EBITDA was $121.6 million in Fiscal 2014 compared to $116.2 million in Fiscal 2013, an increase of $5.4 million. The increase was due to lower SG&A expenses, and higher sales that were partially offset by higher cost of sales. KTG had EBITDA of $28.8 million in Fiscal 2014 compared to $9.3 million in Fiscal 2013, which included TAD Project start-up costs of $4.2 million.

Restructuring Costs and Recovery of Non-Financial Assets

Restructuring costs of $2.8 million in Fiscal 2014 related to the Eastern Warehousing Initiative and Corporate Restructuring Initiative of $0.8 million and $2.0 million, respectively. Refer to the Business Highlights section for additional details.

A recovery of $1.8 million was recognized in Fiscal 2013 related to the reversal of a previously recorded provision against certain lands.

Interest Expense

Interest expense was $44.7 million in Fiscal 2014 compared to $42.2 million in Fiscal 2013, an increase of $2.5 million. The increase was primarily due to interest expense related to the TAD Project recorded in Fiscal 2014, which was capitalized for a portion of Fiscal 2013, unfavourable foreign exchange fluctuations and the revaluation of the embedded derivative related to the Senior Unsecured Notes, partially offset by lower pension interest in Fiscal 2014 compared to Fiscal 2013.

Other Expense

Other expense was $17.6 million in Fiscal 2014 compared to expense of $2.0 million in Fiscal 2013, an increase of $15.6 million. Other expense in Fiscal 2014 was primarily due to a change in the amortized cost of the Partnership unit liability of $13.8 million and an unrealized foreign exchange loss of $3.5 million. Other expense in Fiscal 2013 was primarily due to an unrealized foreign exchange loss of $3.0 million, partially offset by a change in the amortized cost of the Partnership unit liability of $0.7 million.

Income Taxes

An income tax recovery of $1.8 million was recorded in Fiscal 2014 compared to an income tax recovery of $10.9 million in Fiscal 2013, a change of $9.1 million relating primarily to KTG in the U.S. As previously discussed, KPLP is not directly taxable on its Canadian business. The income tax recoveries recorded in both Fiscal 2014 and Fiscal 2013 related primarily to additional tax deductions and state tax credits in respect of the TAD Project. Income tax in partner's hands was $8.2 million in Fiscal 2014 compared to $15.1 million in Fiscal 2013.

Net Income

Net income was $21.1 million in Fiscal 2014 compared to $48.9 million in Fiscal 2013, a decrease of $27.8 million. The decrease was primarily due to non-operational charges related to restructuring and impairment totaling $3.3 million and the change in the amortized cost of the Partnership unit liability of $13.8 million, a decrease in the deferred tax recovery of $9.1 million, and increases in interest expense of $2.5 million and depreciation expense of $3.6 million partially offset by the increase in EBITDA of $5.6 million. KTG had a net loss of $6.2 million in Fiscal 2014 compared to a net loss of $11.2 million in Fiscal 2013.

Results of Operations of KPT

(C$ millions, unless otherwise noted)	**Fiscal 2014**	**Fiscal 2013**
Equity income (loss)	(2.4)	1.1
Net loss for the year	(2.5)	(0.3)
Basic loss per share (whole dollars)	**(0.29)**	**(0.03)**

The selected financial information presented above is based on KPT's interest in KPLP for Fiscal 2014 and Fiscal 2013. The equity income (loss) includes KPT's share of profit of KPLP of $3.5 million for Fiscal 2014 and $8.2 million for Fiscal 2013, reduced by depreciation expense of $5.9 million and $7.1 million, respectively, related to adjustments to the carrying amount of the assets and liabilities of KPLP on its acquisition by KPT. Refer to note 5 in KPT's financial statements for additional information.

The current income tax expense of $1.1 million for Fiscal 2014 and $0.6 million for Fiscal 2013 was based on KPT's share of the taxable income (loss) of KPLP for the same periods. The deferred tax recovery of $0.9 million for Fiscal 2014 and the deferred tax expense of $1.4 million for Fiscal 2013 was a result of changes in the temporary differences of KPLP's assets and liabilities since acquisition and the difference between the accounting and tax basis for KPT's investment in KPLP. Refer to note 6 in KPT's financial statements for additional information. Pursuant to the Tax Distribution as defined in the Partnership Agreement, KPLP paid a Tax Distribution of $3.5 million in Fiscal 2014, of which $0.6 million was used to pay the tax instalment on behalf of KPT and $2.9 million was paid to Kruger Inc. and KPGP. KPT received an advance from KPLP of $0.6 million in Fiscal 2014 to pay the monthly tax instalments. The advance is non-interest bearing and non-recourse and is settled when the Tax Distribution is declared annually. On February 27, 2015, the Partnership declared the Tax Distribution and paid $6.9 million, of which $1.2 million was used to pay the final tax instalment on behalf of KPT and settle the advance and $5.7 million was paid to Kruger Inc. and KPGP.

Otherwise, the discussion and analysis provided above for the results of operations of KPLP applies on a proportionate basis to KPT's results of operations.

SEGMENT INFORMATION

Segment Operating Profit

Segment operating profit is the earnings (loss) for each such segment before (i) interest expense, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) impairment (recovery) of non-financial assets, (vi) loss (gain) on disposal of property, plant and equipment, (vii) unrealized foreign exchange loss (gain), (viii) one-time costs related to restructuring activities, and (ix) change in amortized cost of the Partnership unit liability (Segment EBITDA). "AFH Segment EBITDA", "Consumer

Segment EBITDA" and "Other Segment EBITDA" means in each case the segment operating profit for the referring reportable segment of KPLP.

Segment Results

	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2014 vs. Fiscal 2013		Fiscal 2013 vs. Fiscal 2012	
				$ Change	% Change	$ Change	% Change
Segment Revenue							
Consumer	842.6	792.7	745.6	49.9	6.3%	47.1	6.3%
AFH	184.3	154.3	156.6	30.0	19.4%	(2.3)	-1.5%
Other	19.3	8.3	20.7	11.0	132.5%	(12.4)	-59.9%
Total segment revenue	1,046.2	955.3	922.9	90.9	9.5%	32.4	3.5%
Segment EBITDA							
Consumer	123.6	110.3	113.7	13.3		(3.4)	
AFH	1.7	6.6	3.0	(4.9)		3.6	
Other	(3.7)	(0.7)	(5.8)	(3.0)		5.1	
Total segment EBITDA	121.6	116.2	110.9	5.4		5.3	

Consumer Segment

Fiscal 2014 compared to Fiscal 2013

Consumer segment revenue was $842.6 million in Fiscal 2014 compared to $792.7 million in Fiscal 2013, an increase of $49.9 million or 6.3%. The increase resulted from higher sales volumes in the U.S. due to TAD product sales and the favourable impact of foreign exchange related to U.S. dollar sales.

Consumer Segment EBITDA was $123.6 million in Fiscal 2014 compared to $110.3 million in Fiscal 2013, an increase of $13.3 million. The increase in Consumer segment EBITDA was primarily due to the increase in revenue and lower SG&A spending, partially offset by higher commodity costs, particularly fibre and natural gas, and increased warehousing costs.

AFH Segment

Fiscal 2014 compared to Fiscal 2013

AFH segment revenue was $184.3 million in Fiscal 2014 compared to $154.3 million in Fiscal 2013, an increase of $30.0 million or 19.4%, driven by approximately 7 months of sales related to the Metro Paper acquisition during Fiscal 2014. AFH segment revenue increased in the U.S. and Canada.

AFH Segment EBITDA was $1.7 million in Fiscal 2014 compared to $6.6 million in Fiscal 2013, a decrease of $4.9 million. The decrease in AFH Segment EBITDA was primarily due to increases in cost of sales primarily due to fibre and energy costs.

Other Segment

Fiscal 2014 compared to Fiscal 2013

Other segment revenue was $19.3 million in Fiscal 2014 compared to $8.3 million in Fiscal 2013, an increase of $11.0 million primarily due to the sale of parent rolls.

Other Segment EBITDA was a loss of $3.7 million in Fiscal 2014 compared to a loss of $0.7 million in Fiscal 2013, an increase of $3.0 million. The increase was due to losses on parent roll sales as a result of increased commodity costs.

LIQUIDITY AND CAPITAL RESOURCES

Overview

KPLP's principal uses of funds are for operating costs, working capital, capital expenditures and pension contributions (together, the Funding Requirements). To date, KPLP has met the Funding Requirements by using cash generated from operating activities and from borrowings under its various debt facilities. The registered defined benefit pension plans (RDBPP) sponsored by KPLP are currently in a solvency deficiency position, requiring KPLP to make funding contributions over the next ten years. KPLP Management believes that cash generated from operations, together with amounts available under the various debt facilities will be sufficient to meet its future funding requirements. However, KPLP's ability to fund future requirements and its ability to make scheduled payments of interest 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. KPLP Management reviews investment opportunities in the normal course of its business and may, if suitable opportunities arise, make selected investments to implement KPLP's business strategy. Historically, the funding for any such investments has come from cash flow from operations and/or additional debt.

As of December 31, 2014, KPLP was in compliance with all of its financial covenants under all of its outstanding credit facilities. As of December 31, 2014, no amount was drawn from the $125 million committed amount under the Senior Credit Facility. KPLP had $29.6 million of letters of credit outstanding, resulting in $95.4 million available.

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.

Cash Flows

				$ Change	
(C$ millions unless otherwise stated)	**Fiscal 2014**	**Fiscal 2013**	**Fiscal 2012**	**Fiscal 2014 vs. Fiscal 2013**	**Fiscal 2013 vs. Fiscal 2012**
Net cash flows from operating activities	92.9	55.5	123.2	37.4	(67.7)
Net cash flows used in investing activities	(65.3)	(59.9)	(184.8)	(5.4)	124.9
Net cash flows from (used in) financing activities	(65.0)	(30.4)	151.5	(34.6)	(181.9)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	1.5	1.0	(0.2)	0.5	1.2
Increase (decrease) in cash and cash equivalents	(35.9)	(33.8)	89.7	(2.1)	(123.5)
Beginning cash and cash equivalents	87.7	121.5	31.8	(33.8)	89.7
Ending cash and cash equivalents	51.8	87.7	121.5	(35.9)	(33.8)

Net Cash Flows from Operating Activities

Net cash from operating activities was $92.9 million in Fiscal 2014 compared to $55.5 million in Fiscal 2013. Cash from operating activities in Fiscal 2014 was primarily driven by EBITDA of $121.6 million, partially offset by higher funds required by working capital components and funding of pension and post retirement plans higher than the related expense.

Net Cash Flows used in Investing Activities

Net cash used in investing activities was $65.3 million in Fiscal 2014 compared to $59.9 million in Fiscal 2013. Metro Paper was acquired for cash consideration of $23.4 million in Fiscal 2014. TAD Project capital expenditures declined to $7.7 million in Fiscal 2014 compared to $39.6 million in Fiscal 2013 as a result of the end of the spending phase of the TAD Project. Other capital expenditures, primarily across the plant sites, were $33.3 million in Fiscal 2014 compared to $20.3 million in Fiscal 2013.

Net Cash Flows used in Financing Activities

Financing activities in Fiscal 2014 resulted in a use of cash of $65.0 million compared to a use of cash of $30.4 million in Fiscal 2013. Net cash used in financing activities in Fiscal 2014 was primarily due to interest paid of $28.4 million, distributions paid of $29.1 million, and the repayment of credit facilities of $8.6 million.

Contractual Obligations

KPLP's contractual obligations consist of long-term debt (principal repayments and interest payments), operating leases for the rental of property, equipment and automobiles, partnership units liability and other long-term liabilities.

(C$ millions unless otherwise stated)	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Thereafter
Contractual obligations:					
Revolving credit facility, principal repayments	-	-	-	-	-
Senior unsecured notes, principal repayments	-	-	-	175.0	-
Nordea facilities, principal repayments	7.7	7.7	7.7	7.7	7.7
TAD Credit Facility, principal repayments	0.1	19.8	-	145.0	-
Loan payable, principal repayments	1.2	1.1	-	-	-
Interest expense	26.2	24.8	24.5	15.1	0.2
Operating leases	14.8	13.3	12.1	11.5	63.2
Service contracts	1.6	0.4	0.1	0.1	0.1
Total contractual obligations	51.6	67.1	44.4	354.4	71.2

KPLP's cash pension contribution for defined benefit pension arrangements in Fiscal 2014 was $19.9 million, while its post-retirement benefits contribution was $2.5 million. In addition, as of December 31, 2014, KPLP had $29.6 million of letters of credit related to pensions outstanding. Pension and post-retirement contributions for fiscal 2015 are expected to be $16.4 million.

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. KPLP determined that it was appropriate to reclassify a portion of its equity to Partnership units liability, since the Tax Distribution represents a contractual obligation to deliver cash and, as such, meets the definition of a financial liability for accounting purposes under IFRS. As of December 31, 2014, $128.1 million was recorded as a liability in respect of this obligation (December 31, 2013 - $117.8 million). The amount is in respect of a previously disclosed obligation owed to the partners of KPLP. It does not change the rights of or obligations owed to the partners of KPLP, and does not result in any change to the financial statements of KPT.

Pursuant to the Exchange Agreement, KPT has granted Kruger Inc. the right to exchange KPLP Units it holds from time to time for common shares of KPT (Common Shares) issued by KPT on the basis of one KPLP Unit for one Common Share, subject to adjustment upon the occurrence of certain events that would result in the indirect economic interest in KPLP represented by a Common Share diverging from the direct economic interest in KPLP represented by a KPLP Unit, including splits or consolidations of the common shares without a corresponding split or consolidation of the KPLP Units, issuances or repurchases of Common Shares without corresponding issuances or repurchases of KPLP Units, acquisition of assets by KPT other than KPLP Units 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 KPLP, KPT may require the exchange of all outstanding KPLP Units held by Kruger Inc. or its affiliates in return for Common Shares on the basis of one KPLP Unit for one Common Share subject to adjustment as set forth above.

Pursuant to the Administration Agreement, KPLP, 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

Senior Credit Agreement

General

KPLP is a party to a fourth amended and restated credit agreement dated as of May 16, 2013 entered into between KPLP as borrower, the lenders party thereto and National Bank of Canada, as administrative agent (the Senior Credit Agreement) pursuant to which a senior secured revolving credit facility in a maximum amount of $125 million with a $120 million accordion feature (the Senior Credit Facility) is made available to KPLP. The maturity date of the Senior Credit Facility is July 22, 2016. The Senior Credit Facility is to be used by KPLP to finance general corporate purposes and the ongoing working capital requirements of the Restricted Credit Parties (as defined below) and to finance the cash portion of any permitted acquisition or investment by any such Restricted Credit Party (as defined below).

Under the Senior Credit Agreement, "Restricted Credit Parties" means KPLP, KPGP, Kruger Inc., 8031754 Canada Inc. and their respective subsidiaries involved in the tissue business but excluding the Unrestricted Credit Parties (which include TAD Canco Inc. ("TAD Canco"), TAD Luxembourg S.a.r.l. ("TAD Luxembourg") and KTG) and the Non-Material Credit Parties (as such terms are defined in the Senior Credit Agreement).

Interest Rates and Fees

Borrowings under the Senior Credit Facility bear interest at a base rate of Prime Rate, U.S. Base Rate, LIBOR, Bankers' Acceptance Stamping Fees or LC Fees (as defined in the Senior Credit Agreement), plus a margin varying between 0.20% and 2.50% depending on the Restricted Credit Parties' ratio of funded debt to EBITDA (as defined in the Senior Credit Agreement) and the type of advance. Stand-By Fees are also payable on the available portion of the Senior Credit Facility at a rate varying between 0.24% and 0.50% depending on the Restricted Credit Parties' ratio of funded debt to EBITDA (as defined in the Senior Credit Agreement).

Prepayments and Repayments

KPLP may voluntarily cancel or reduce the Senior Credit Facility, in whole or in part, subject to minimum amounts and notice periods, with customary restrictions on prepayment of Banker's Acceptances, Libor Loans and liabilities under Letters of Credit (in each case, as defined in the Senior Credit Agreement).

Covenants

The Senior Credit Agreement contains customary affirmative covenants, including, but not limited to, delivery of financial and other information to the administrative agent, delivery of notice to the administrative agent upon the occurrence of certain material events, preservation of existence and authorizations, maintenance of insurance, compliance with laws, payment of taxes and other claims, limitation of transactions with affiliates and maintenance of security.

The Senior Credit Agreement requires the Restricted Credit Parties to comply with certain financial covenants, including, but not limited to, the maintenance of (i) a ratio of funded debt to EBITDA not greater than 3.50 to 1.00, (ii) a ratio of funded debt to capitalization not greater than 60%, and (iii) a minimum interest coverage ratio of 3.00 to 1.00. The financial covenants are calculated on an Adjusted Consolidated Basis (as defined in the Senior Credit Agreement) such that the Unrestricted Credit Parties are accounted for as investments but not consolidated. As such, indebtedness under the TAD Credit Facility and KTG's EBITDA are not included in such calculations.

The Senior Credit Agreement contains customary negative covenants of KPLP, including, but not limited to, (i) restrictions on the ability of KPLP and the Restricted Credit Parties to, subject to certain exceptions, grant liens, incur indebtedness, merge or consolidate, amend, restate or otherwise modify the Limited Partnership Agreement, make investments and loans, grant guarantees, make acquisitions, declare, set apart and pay distributions (which does not apply to the Tax Distribution (as defined below) to KPT), reduce capital, sell or otherwise dispose of assets, incur capital expenditures or materially change their business, (ii) restrictions on the indebtedness of TAD Canco, TAD Luxembourg and KTG and the amendment of the TAD financing documents, and (iii) restrictions on the repayment of the Senior Unsecured Notes (except for repayments made within three months of the Offering Closing Date and funded exclusively from the net proceeds of the Offering).

Events of Default

The Senior Credit Agreement contains customary events of default, including, but not limited to, non-payment, misrepresentation, breach of covenants, cross-default and cross-acceleration to other debt above a certain threshold, cross defaults to the Nordea Credit Facility (as defined below), the TAD Credit Facility (as defined below) and the Senior Unsecured Notes (as defined below), insolvency, change of control of KPLP or Kruger and enforcement proceedings.

Security and Guarantees

The Senior Credit Facility is guaranteed by each Restricted Credit Party. KPLP and each Restricted Credit Party granted first ranking security interests and hypothecs over their current and future tangible and intangible assets (subject to permitted liens) to secure the obligations under the Senior Credit Facility, including a pledge of all capital stock or ownership interest in all subsidiaries owned by KPLP and the Restricted Credit Parties. The guarantees and security are granted on a pari passu basis in favour of the lenders and the administrative agent under the Senior Credit Agreement and the lenders and the administrative agent under the Nordea Credit Agreement (as defined below).

Indenture

General

On August 9, 2011, KPLP issued $175 million of 8.0% senior unsecured notes due August 9, 2018 (the Senior Unsecured Notes) by way of private placement in Canada in accordance with applicable Canadian prospectus and registration exemptions. The Senior Unsecured Notes were issued pursuant to the Indenture. Interest on the Senior Unsecured Notes accrues at 8.0% per year and is payable semi-annually on February 9 and August 9 of each year.

Under the Senior Unsecured Notes, “Restricted Subsidiaries” means any subsidiary of KPLP that is not an Unrestricted Subsidiary (as defined in the Indenture and which include TAD Canco, TAD Luxembourg, KTG and non material subsidiaries).

Guarantees

The Senior Unsecured Notes are unconditionally guaranteed, jointly and severally, by the Restricted Credit Parties.

Redemption

KPLP may redeem all or part of the Senior Unsecured Notes at any time prior to August 9, 2015 at a make-whole price which is equal to the greater of (i) the Canada Yield Price (as defined in the Indenture), and (ii) 101% of the aggregate principal amount of Senior Unsecured Notes redeemed, plus accrued and unpaid interest to the redemption date. On or after August 9, 2015, KPLP may redeem all or part of the Senior Unsecured Notes at the following redemption prices, plus accrued and unpaid interest if redeemed during the 12-month period commencing August 9 of the year set forth below:

Year	Percentage
2015	104%
2016	102%
2017 and thereafter	100%

Change of Control

Upon the occurrence of a Change of Control of KPLP (as defined in the Indenture), KPLP will be required to offer to repurchase all or any part of each holders Senior Unsecured Notes for a payment in cash equal to 101% of the aggregate principal amount of Senior Unsecured Notes repurchased, plus accrued and unpaid interest thereon to the purchase date.

Covenants

The Indenture contains negative covenants of KPLP and the Restricted Subsidiaries, including, but not limited to, (i) limitations on making certain restricted payments (as described further below), (ii) restrictions on incurring certain indebtedness (as described further below), (iii) limitations on creating any contractual restrictions on the ability of Restricted Subsidiaries of KPLP to take certain actions, such as the payment of dividends or making of distributions, (iv) restrictions on KPLP and its Restricted Subsidiaries on incurring liens, (v) restrictions on transactions with affiliates, (vi) limitations on engaging in any line of business other than the businesses in which KPLP and the Restricted Subsidiaries were engaged on the date of issuance of the Senior Unsecured Notes, and any business reasonably related, incidental, complementary or ancillary thereto, (vii) restrictions on consolidating, amalgamating or merging into any other person, and (viii) restrictions on selling, transferring, assigning, leasing, conveying or otherwise disposing of all or substantially all of the property of KPLP and the Restricted Subsidiaries taken as a whole.

Pursuant to the Indenture, KPLP covenants not to make certain Restricted Payments (as defined below) unless at the time of, and after giving effect to, such Restricted Payment: (a) no default or event of default under the Indenture has occurred or would occur as a result thereof; (b) KPLP could incur at least $1 of additional indebtedness pursuant to the restrictions on incurring indebtedness set out in the Indenture (as described further below); and (c) such Restricted Payment, together with all Restricted Payments made by KPLP and its Restricted Subsidiaries from the date of issuance of the Senior Unsecured Notes, is less than an amount (the "Restricted Payments Basket") equal to the sum of (A) 50% of Consolidated Net Income of KPLP (as defined in the Indenture) from May 1, 2011 to the end of KPLP's most recently completed fiscal quarter (or, if Consolidated Net Income is a deficit, minus 100% of the deficit); plus (B) 100% of the aggregate net cash proceeds received by KPLP since the date of issuance of the Senior Unsecured Notes as a contribution to its common equity capital, or from the issue or sale of equity interests of KPLP; plus (C) any proceeds from the sale of investments made after the issue date of the Senior Unsecured Notes, plus (D) the fair market value of any investments in unrestricted subsidiaries that are redesignated as Restricted Subsidiaries, plus (E) any dividends or distributions received from an unrestricted subsidiary after the date of issue of the Senior Unsecured Notes to the extent not already included in Consolidated Net Income of KPLP.

As defined under the Indenture, "Restricted Payments" include, among other things, (i) the declaration or payment of dividends by KPLP or any Restricted Subsidiary, other than a dividend or distribution paid in partnership interests or share capital, and (ii) any payment of principal on any subordinated indebtedness prior to the stated maturity of such indebtedness. The Restricted Payments covenant is subject to a number of exclusions as set out in the Indenture, including (i) Restricted Payments made after the issue date of the Senior Unsecured Notes in an aggregate principal amount not to exceed $20 million, and (ii) the payment or declaration of distributions by KPLP to a parent entity of KPLP. Distributions made to KPT are Restricted Payments under the Indenture.

As of December 31, 2014, the amount of the Restricted Payments Basket was approximately $104.4 million, and, factoring that no Restricted Payments have been made in reliance on the $20.0 million exclusion from the definition of Restricted Payments referred to above, there was a total basket of approximately $124.4 million available under the Indenture as of December 31, 2014 for the making of Restricted Payments.

Pursuant to the Indenture, KPLP and its Restricted Subsidiaries may not incur any indebtedness (excluding trade debt and accounts payable incurred in the ordinary course of business and due within 12 months) unless immediately thereafter and giving effect thereto (a) the Consolidated Coverage Ratio, being the ratio of Adjusted EBITDA to Consolidated Interest Expense (as such terms are defined and subject to certain adjustments set out in the Indenture), would be at least 2:0 to 1:0; and (b) no default or event of default has occurred and its continuing under the Indenture. The restrictions on incurring indebtedness are subject to a number of exclusions set out in the Indenture.

Events of Default

The Indenture contains customary events of default, including without limitation, non-payment, insolvency, cross default to other debt above a certain threshold and breach of covenants.

Nordea Credit Agreement

General

KPLP is a party to an amended and restated credit agreement dated as of May 16, 2013 entered into between KPLP, as borrower, the lender party thereto and Nordea Bank A.B. (publ), as administrative agent, as amended by a first amending agreement dated as of February 28, 2013 (the Nordea Credit Agreement) pursuant to which a senior secured non-revolving loan facility in a maximum amount of U.S.$46.2 million (the "Nordea Credit Facility") is made available to KPLP. The Nordea Credit Facility is to be used to pay up to 85% of the equity investment of KPLP in the TAD Project and the fees of EKN in connection with its guarantee of the Nordea Credit Facility. The Nordea Credit Facility matures on December 30, 2019.

Interest Rates and Fees

Borrowings under the Nordea Credit Facility bear interest at a fixed interest rate of approximately 3% per annum, comprised of a Swedish state reported interest rate, risk premium and administrative margin.

Prepayments and Repayments

The Nordea Credit Facility is repayable in 14 equal consecutive semi-annual installments of principal together with interest commencing on June 30, 2013. Prepayments are allowed subject to a make-whole payment on account of interest losses.

Covenants

The covenants, financial covenants and negative covenants provided by KPLP under the Senior Credit Agreement are incorporated and made part of the Nordea Credit Agreement. See "Senior Credit Agreement — Covenants" above. The Nordea Credit Agreement contains restrictions on amendments to the Senior Credit Agreement and related security and other documents.

Events of Default

The Nordea Credit Agreement contains customary events of default such as non-payment, misrepresentation and breach of covenants and also provides for a cross-default to the Senior Credit Agreement and a default related to the termination or loss of the EKN guarantee.

Security and Guarantees

The Nordea Credit Agreement provides for pari passu security and guarantees on the assets and undertaking of KPLP and each Restricted Credit Party, the relationship between the lender and administrative agent under the Nordea Credit Agreement and the administrative agent and the lenders under the Senior Credit Agreement being governed by a collateral agency and security sharing agreement.

TAD Credit Agreement

General

TAD Canco is a party to a credit agreement dated as of August 16, 2011 entered into between TAD Canco, as borrower, TAD Luxembourg and KTG, as guarantors, and Caisse de dépôt et placement du Quebec (Caisse), as lender (as amended as of September 21, 2012, the TAD Credit Agreement) pursuant to which a non revolving term loan facility for a maximum amount of U.S.$211.1 million is made available to TAD Canco (the TAD Credit Facility). Under the terms of the Caisse

Facility, the Partnership could only make draws until February 15, 2014. As of that date, the Partnership had drawn U.S.$125.0 million. The TAD Credit Facility is to be used by TAD Canco to invest in TAD Luxembourg, which in turn lends such proceeds to KTG on substantially the same terms and conditions as the TAD Credit Facility to finance the TAD Project. Recourse under the TAD Credit Facility is limited to TAD Canco, TAD Luxembourg and KTG. The TAD Credit Facility matures on August 16, 2018.

Interest Rates and Fees

Borrowings under the TAD Credit Facility will bear interest at a base rate of 8% per annum plus an applicable margin determined as follows: of (i) 5% per annum at any time prior to the TAD Project service commencement date and KTG Excess Cash Flow has become positive, and (ii) thereafter, if the net debt to KTG EBITDA ratio is (A) higher or equal to 2.5, the greater of interest calculated at 5% per annum and an amount equal to 30% of KTG Excess Cash Flow (B) lower than 2.5 but not lower than 2.0, the greater of interest calculated at 5% per annum and an amount equal to 25% of KTG Excess Cash Flow or (C) lower than 2.0, the greater of interest calculated at 4% per annum and an amount equal to 15% of KTG Excess Cash Flow. Under the TAD Credit Facility, "Excess Cash Flow" is defined as, with respect to KTG, the EBITDA minus, without duplication, cash income tax, cash interest payments, positive change in working capital (or plus negative change in working capital, as the case may be) and capital expenditures, in each case, for the last completed four fiscal quarters of KTG.

Prepayments and Repayments

TAD Canco is required to make annual mandatory KTG Excess Cash Flow prepayments starting from the TAD Project service commencement date in an amount equal to a percentage of the KTG Excess Cash Flow determined based on the KTG Net Debt to EBITDA Ratio (as defined in the TAD Credit Agreement). TAD Canco may, once a year, within specific periods and upon notice to Caisse de dépôt, voluntarily prepay up to 10% of the principal balance of the outstanding advances under the TAD Credit Facility, subject to a 2% penalty and provided that, amongst other things, no such optional prepayment may be effected if it would result in the aggregate outstanding principal amount of advances under the TAD Credit Facility falling below $125 million.

Change of Ownership

Upon the occurrence of a change of ownership, direct or indirect, of any equity securities of TAD Canco, TAD Luxembourg or KTG, or in the power to exercise any rights with respect to such equity securities, Caisse de dépôt will have the option, exercisable at its sole discretion, to require the repayment by TAD Canco, in whole or in part, of the amounts due under the TAD Credit Facility, together with a penalty of 1% of the principal balance of the repaid loans.

Covenants

The TAD Credit Agreement contains customary affirmative covenants, including, but not limited to, delivery of financial and other information to Caisse de dépôt, delivery of notice to Caisse de dépôt upon the occurrence of certain material events, preservation of existence and authorizations, maintenance of insurance, compliance with laws, payment of taxes and other claims, performance of material project agreements, limitations on use of project revenues, maintenance of security, and granting of further assurances.

The TAD Credit Agreement contains customary negative covenants, including, but not limited to, restrictions on the ability of TAD Canco, TAD Luxembourg and KTG, subject to certain exceptions, to grant liens, incur indebtedness, engage in businesses other than those specifically permitted, make investments and loans, merge or consolidate, enter into transactions with affiliates, grant guarantees, reduce capital, sell or otherwise dispose of assets, incur capital expenditures, or amend or assign material project agreements. Distributions by TAD Canco are also subject to specific conditions including that distributions must be made from KTG Excess Cash Flow.

Events of Default

Events of default under the TAD Credit Agreement include, but are not limited to, non-payment, misrepresentation, breach of covenants, termination or default under a material project agreements, cross-default to KPLP, TAD Canco, TAD Luxembourg or KTG other indebtedness above certain thresholds, insolvency, enforcement proceedings, and abandonment of the TAD Project.

Security and Guarantees

The TAD Credit Facility is guaranteed by TAD Luxembourg and KTG. TAD Canco granted first ranking security on all present and future movable and immovable property of TAD Canco, including its equity securities in TAD Luxembourg. KTG granted first ranking security on all present and future movable and immovable property of KTG, including, the Memphis Plant, the TAD machine and all of KTG's rights under the material agreements to which it is party. TAD Luxembourg granted security on all equity securities held in KTG and all rights under material agreements. Blocked account agreements were also entered into in favour of Caisse de dépôt.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Currency Risk

Currency risk is the risk that KPLP's earnings may fluctuate due to changes in Canadian to U.S. dollar exchange rates, as the financial results are reported in Canadian dollars. KPLP sells certain of its products in U.S. dollars at prevailing U.S. dollar prices. A majority of the currency exposure is naturally offset by U.S. dollar expenses and the U.S. dollar denominated debt. As a result, KPLP at different times during the year can be a net buyer or net seller of U.S. dollars.

As of December 31, 2014, KPLP had net liabilities denominated in U.S. dollars of $42.2 million (December 31, 2013 – $50.0 million). Assuming the Canadian dollar strengthened (weakened) by 5% against the U.S. dollar, with all other variables held constant, the result on net income before tax in Fiscal 2014 would have been an increase (decrease) of $2.1 million (Fiscal 2013 – $2.5 million). KPLP continuously monitors foreign exchange risk and to manage this foreign exchange risk occasionally enters into foreign currency forward contracts and may continue to do so going forward. KPLP had no foreign currency forward contracts outstanding as of December 31, 2014.

Interest Rate Risk

KPLP's interest rate risk arises from its variable rate debt related to the revolving credit facility. As of December 31, 2014, KPLP had variable rate debts of nil (December 31, 2013 – nil) and accordingly KPLP's exposure to interest rate risk is not significant. This facility bears interest at Canadian prime rate, U.S. base rate, banker's acceptance rates or LIBOR plus the applicable margins. The applicable margin on the loans ranges between 0.20% and 2.50%.

From time to time, KPLP uses interest rate swaps to manage part of its exposure to movements in interest rates on its credit facilities.

KPLP had no interest rate swaps or interest rate derivatives outstanding as of December 31, 2014.

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. KPLP's financial instruments exposed to credit risk as of December 31, 2014 included cash and cash equivalents, trade and other receivables, receivables from related parties and advances to partners. KPLP places its cash and cash equivalents with financial institutions of high creditworthiness.

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

Liquidity Risk

The purpose of liquidity risk management is to maintain sufficient cash and cash equivalents and to ensure KPLP has sufficient authorized credit facilities as financing sources. KPLP has a credit facility of $125 million maturing in July 2016.

As of December 31, 2014, KPLP had credit available of $95.4 million (December 31, 2013 – $92.6 million). KPLP prepares projections to ensure it has sufficient funds to fulfill its obligations. Refinancing risks are minimized by ensuring the credit facility will not mature for two years. The ability to pay its obligations relies on KPLP collecting its trade receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs. KPLP's trade and other payables of $173.2 million as of December 31, 2014 (December 31, 2013 –$188.5 million) are all due for payment within twelve months of the dates of the consolidated statements of financial position.

KPLP believes its cash flows generated from operations combined with its available cash and credit facilities provide sufficient funding to meet its obligations.

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. KPLP's main raw material is fibre, which changes price due to market conditions. Historically, the industry has generally been able to mitigate its exposure to commodity price risk by passing increases in its supply costs onto its customers through incremental price increases, depending on the supply and demand balance. From time to time, KPLP enters into futures contracts to manage its commodity risk. No such contracts were outstanding as of December 31, 2014.

TRANSACTIONS WITH RELATED PARTIES

Kruger provides certain management and support services to KPLP, including corporate management and administrative support; accounting and tax support; corporate financing support; corporate treasury support; benefits and human resources support; corporate legal and secretarial, corporate insurance; corporate procurement support; and corporate engineering support. Such services are provided pursuant to a Management Services Agreement. KPLP pays Kruger an annual management fee of $4.0 million.

KPLP also leases warehouses located in Laval, Québec and Vancouver, British Columbia from an entity of which an affiliate of Kruger is a 50% owner.

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

Sales of goods to Kruger during Fiscal 2014 were $1.7 million (Fiscal 2013 – $4.8 million). Sales of goods to subsidiaries of Kruger during Fiscal 2014 were $0.2 million (Fiscal 2013 – $0.6 million).

Purchases of goods and services from Kruger during Fiscal 2014 were $27.4 million (Fiscal 2013 - $28.6 million). Purchases of goods and services from subsidiaries of Kruger during Fiscal 2014 were $15.9 million (Fiscal 2013 - $9.5 million). Goods are purchased from Kruger and related parties under normal commercial terms and conditions. These purchases of goods and services are included within cost of sales and SG&A expenses in the consolidated statements of comprehensive income (loss). During Fiscal 2014, management fees of $4.1 million (Fiscal 2013 - $4.0 million) were paid to Kruger Inc. for management services provided to KPLP.

OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

KPLP has entered into operating lease commitments related to land, buildings, IT services, vehicles and other machines and equipment. Contractual obligations including these operating leases are described in the "Contractual Obligations" subsection under the "Liquidity and Capital Resources" section of this MD&A.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements is in accordance with IFRS, which requires KPLP Management to make estimates and assumptions that affect the reported amounts and disclosures made in the KPLP and KPT financial statements and accompanying notes. KPLP Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on KPLP Management's historical experience, best knowledge of current events and conditions and activities that KPLP and KPT may undertake in the future. Actual results could differ materially from these estimates. The estimates and assumptions described in this section depend upon subjective or complex judgment that may be uncertain and changes in these estimates and assumptions could materially impact the financial statements.

Environmental and Asset Retirement Obligations

The environmental and asset retirement obligations are recognized in the period in which they are incurred if a reasonable estimate of fair value can be made. The estimate is added to the carrying amount of the associated asset and amortized over the estimated remaining useful life of the corresponding asset. The liability accretes due to the increase in the fair value resulting from the passage of time and the accretion is charged to operating expenses for the period.

KPLP has made a provision for the estimated fair value of its potential obligation under a land lease to demolish the buildings at one of its plant locations and restore the land at the end of the lease to its original condition (including any environmental remediation). The current lease ends in 2028, but this lease could also be renewed for another term. KPLP assesses its provision for environmental and asset retirement obligations annually or more frequently if events or changes in circumstances would require adjustments to the significant estimates and assumptions. Significant estimates and assumptions are made in determining the provision for asset retirement obligations, as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of restoration activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in the discount rate. In addition, estimates of environmental remediation costs are based on a number of assumptions that are inherently difficult to determine and no assurance can be given that the actual costs will not differ from the estimates based on environmental test results, changes in laws, regulations or enforcement policies or other factors. These uncertainties may result in future actual expenditures differing from the amounts currently provided. Management retained a third party to assist with the estimate of the environmental remediation obligation. The provision at the reporting date represents KPLP's best estimate of the present value of the environmental and asset retirement obligation. The estimated undiscounted amount to settle this obligation is expected to be between $10.6 million and $13.7 million. KPLP used a discount rate of 4.25% to estimate the liability. As of December 31, 2014, a liability of $5.9 million (December 31, 2013 - $5.3 million) was recorded in provisions.

Pension and Post-Retirement Benefit Obligations

The cost and accrued benefit plan obligations of KPLP's pension plans, consisting of the RDBPP, supplementary retirement arrangements and the Annuity Arrangement and other benefit plans are accrued based on actuarial valuations that are dependent on assumptions determined by KPLP Management. These assumptions include the discount rate, the expected long-term rate of return on plan assets, the expected growth rate of health care costs, the rate of compensation increase, and retirement ages and mortality rates. These assumptions are reviewed quarterly by KPLP Management and KPLP's actuaries. The discount rate (based on market rates), the expected long-term rate of return on plan assets, and the expected growth rate in health care costs represent the three most significant assumptions.

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. KPLP determined that it was appropriate to reclassify a portion of its equity to Partnership units liability, since the Tax Distribution represents a contractual obligation to deliver cash and, as such, meets the definition of a financial liability for accounting purposes under IFRS. As of December 31, 2014, $128.1 million was recorded as a liability in respect of this obligation (December 31, 2013 - $117.8 million).

The change in amortized cost of $13.8 million has been included in other expense, which includes $6.8 million for the reassessment performed as of December 31, 2014. The reassessment reflects KPLP's estimate of the net present value of the financial liability arising from the obligation to make the Tax Distribution using estimates of tax payable by KPT and a discount rate and terminal growth rate of 11.0% and 0% (December 31, 2013 – 11.5% and 0%), respectively. The change in the discount rate resulted in an increase in liability of $5.8 million. The provisions are based on management's best estimate of expected future Tax Distributions. Projections of tax payable are based on additional assumptions including estimates of taxable income and tax rates. Taxable income can differ significantly from accounting income as a result of both timing and permanent tax differences based on enacted tax legislation and therefore changes in the Partnership units obligation are not necessarily indicative of a change in the expected future profitability of KPLP.

The Partnership units liability was also adjusted during the year ended December 31, 2014 to reflect the current year advances made to the partners required to allow KPT to make tax installment payments. The advances of $3.5 million were offset against the Tax Distributions of $6.9 million paid by the Partnership on February 27, 2015.

Equity Method of Accounting

The equity method of accounting is being applied by KPT 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 KPT. Based on KPT having three of nine seats on the board of directors of KPGP, management has concluded that KPT has the ability to exercise significant influence over KPLP.

Income taxes

The Partnership 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 US State tax credits. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

KPT 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, KPT 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.

ACCOUNTING CHANGES AND FUTURE ACCOUNTING STANDARDS

Accounting Standards Implemented for the Year Ended December 31, 2014

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities, prescribe rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when an entity has a legally enforceable right to set off the amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments require clarification on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts, and the unit of account for applying the offsetting requirements. The adoption of this amendment had no significant impact on these consolidated financial statements.

IAS 39, Financial Instruments – Recognition and Measurement, has been amended to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The adoption of this standard had no significant impact on these consolidated financial statements.

IAS 36, Impairment of Assets, has been amended to remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment; to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed; and to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed. The adoption of this standard had no significant impact on these consolidated financial statements.

KPLP adopted these amendments retrospectively.

Future Accounting Standards

The following revised standards and amendments are effective for annual periods beginning on or after January 1, 2015, and with earlier application permitted. KPLP and KPT Management have not yet assessed the impact of these standards and amendments or determined whether it will early adopt them, except as noted below.

IFRS 15, Revenue from Contracts with Customers, specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with some informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2017 and early adoption is permitted. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

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 January1, 2018, with early adoption permitted. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

IAS 19, Employee Benefits. The IASB has issued an amendment to clarify the application of IAS 19, to plans that require employees or third parties to contribute towards the cost of benefits. The mandatory effective date of IAS 19 would be annual periods beginning on or after July 1, 2014, and early adoption is permitted. Management has evaluated the standard and concluded that the amendment will not have a material impact on its consolidated financial statements.

IAS 1, Presentation of Financial Statements. In December 2014, the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The mandatory effective date of IAS 1 would be annual periods beginning on or after January 1, 2016, with early adoption permitted. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table provides selected financial information for KPT and KPLP:

	December 31, 2014	December 31, 2013
KPT Financial Information		
Total assets	155.3	163.2
Total liabilities	4.7	5.2
KPLP Financial Information		
Total assets	1,192.0	1,161.5
Total liabilities	844.5	808.3

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes quarterly financial results for KPLP for the last eight quarters. Financial data for all periods presented is in C$ millions.

Quarterly Financial Information

	2014				2013			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	278.6	267.6	265.3	234.6	242.9	243.8	246.8	221.8
Net income for the period	0.1	16.1	8.1	(3.2)	7.6	14.2	15.4	11.7
Reconciliation of Net income to EBITDA								
Net income	0.1	16.1	8.1	(3.2)	7.6	14.2	15.4	11.7
Income taxes	0.3	(1.5)	(0.3)	(0.3)	(1.2)	(1.3)	(3.5)	(4.9)
Interest expense	9.8	12.6	11.4	10.9	9.9	11.4	11.0	9.9
Loss on disposal of property, plant and equipment	0.1	(0.6)	0.3	-	-	-	-	-
Depreciation and amortization	10.6	8.5	9.5	9.0	9.9	7.7	9.0	7.5
Unrealized foreign exchange (gain) loss	1.6	1.8	(1.6)	1.7	1.4	(0.9)	1.6	0.9
Change in amortized cost of Partnership units liability	7.9	1.1	1.5	3.3	(0.7)	-	-	-
Recovery of non-financial assets	-	-	-	-	-	-	(1.8)	-
Restructuring costs	-	-	0.1	2.8	1.4	-	-	-
EBITDA	30.4	38.0	29.0	24.2	28.3	31.1	31.7	25.1

Results of Operations Q4 2014 compared to Q4 2013

Revenue

Revenue was $278.6 million in Q4 2014 compared to $242.9 million in Q4 2013, an increase of $35.7 million or 14.7%. Revenue increased in all segments and across all regions. The increase in revenue was primarily due to additional sales volume in the Consumer segment in the U.S. driven by TAD product sales and the favourable impact of foreign exchange on U.S. dollar sales. The acquisition of Metro Paper on June 3, 2014 also contributed to a significant increase in AFH segment revenue in Canada and particularly in the U.S.

From a geographic perspective, revenue in the U.S. increased $22.3 million, or 35.1%. Revenue in Canada increased $11.4 million, or 6.6%. KTG revenue (sold primarily in the U.S. and including intercompany sales) was $63.0 million in Q4 2014 compared to $56.3 million in Q4 2013.

Cost of Sales

Cost of sales were $234.0 million in Q4 2014 compared to $201.2 million in Q4 2013, an increase of $32.8 million or 16.3%. As a percentage of revenue, cost of sales were 84.0% in Q4 2014 compared to 82.8% in Q4 2013. Cost of sales were impacted in Q4 2014 as commodity prices, particularly fibre costs, continued to remain high. Pulp market prices (NBSK) were U.S.$1,025 per metric tonne on average in Q4 2014 compared to U.S.$983 per metric tonne on average in Q4 2013. There was also an unfavourable impact of foreign exchange movements on cost of sales. Freight expense increased as a result of higher sales volumes associated primarily with new TAD business in the U.S.

Selling, General and Administrative Expenses

SG&A expenses were $24.5 million in Q4 2014 compared to $23.9 million in Q4 2013, an increase of $0.6 million or 2.7%. As a percentage of revenue, SG&A expenses were 8.8% in Q4 2014 compared to 9.8% in Q4 2013. The $0.6 million increase was primarily related to higher advertising and promotion expenses, partially offset by the impact of realized foreign exchange movements.

EBITDA

EBITDA in Q4 2014 was $30.4 million compared to $28.3 million in Q4 2013, an increase of $2.1 million, primarily due to an increase in revenue that was partially offset by higher cost of sales. KTG EBITDA was $9.5 million in Q4 2014 compared to $7.2 million in Q4 2013.

Interest Expense

Interest expense was $9.8 million in Q4 2014 compared to $10.0 million in Q4 2013, a decrease of $0.2 million. The decrease was primarily due to an adjustment recorded as a result of changes in assumptions used to calculate interest related to the TAD Project and lower pension interest in Q4 2014 compared to Q4 2013, partially offset by the change in value of the embedded derivative related to the Senior Unsecured Notes.

Other income (expense)

Other income (expense) was an expense of $10.0 million in Q4 2014 compared to expense of $0.2 million in Q4 2013, a change of $9.8 million. Other expense in Q4 2014 was primarily due to an unrealized foreign exchange loss of $1.6 million and a change in the amortized cost of the Partnership unit liability of $7.9 million. Other expense in Q4 2013 was primarily due to an unrealized foreign exchange loss of $1.4 million, offset by a change in the amortized cost of the Partnership unit liability of $0.7 million.

Income Taxes

An income tax expense of $0.3 million was recorded in Q4 2014 compared to an income tax credit of $1.3 million in Q4 2013, a change of $1.6 million relating to KPLP subsidiaries in the U.S. and Mexico. As previously discussed, KPLP is not directly taxable on its Canadian business. The income tax credit in Q4 2013 related primarily to additional tax deductions in respect of the TAD project. Income tax in partners' hands was $1.5 million in Q4 2014 compared to $2.1 million in Q4 2013.

Net Income

Net income was $0.1 million in Q4 2014 compared to $7.7 million in Q4 2013, a decrease of $7.6 million. The decrease was primarily due to a change in the amortized cost of the Partnership unit liability, a tax expense in Q4 2014 compared to a deferred tax credit in Q4 2013 and higher depreciation expense, partially offset by higher EBITDA. KTG had a net loss of $1.0 million in Q4 2014 compared to a net loss of $1.2 million in Q4 2013.

Segment Information Q4 2014 compared to Q4 2013

			Q4 2014 vs. Q4 2013	
	Q4 2014	**Q4 2013**	**$ Change**	**% Change**
Segment Revenue				
Consumer	217.8	202.1	15.7	7.8%
AFH	53.9	38.7	15.2	39.3%
Other	6.9	2.1	4.8	228.6%
Total segment revenue	278.6	242.9	35.7	14.7%
Segment EBITDA				
Consumer	31.4	27.2	4.2	15.4%
AFH	0.3	1.3	(1.0)	-76.9%
Other	(1.3)	(0.2)	(1.1)	550.0%
Total segment EBITDA	30.4	28.3	2.1	7.4%

Consumer Segment

Consumer segment revenue was $217.8 million in Q4 2014 compared to $202.1 million in Q4 2013, an increase of $15.7 million or 7.8%. The increase was primarily due to new business related to the TAD Project and the favourable impact of foreign exchange on U.S. based sales and increased sales volume in Canada.

Consumer Segment EBITDA was $31.4 million in Q4 2014 compared to $27.2 million in Q4 2013, an increase of $4.2 million, primarily due to an increase in revenues, in particular relating to the TAD Project, partially offset by higher operating costs as discussed above.

AFH Segment

AFH segment revenue was $53.9 million in Q4 2014 compared to $38.7 million in Q4 2013, an increase of $15.2 million or 39.3%, driven by Q4 2014 sales related to the Metro Paper acquisition. AFH segment revenue increased in the U.S. and Canada.

AFH Segment EBITDA was $0.3 million in Q4 2014 compared to $1.3 million in Q4 2013, a decrease of $1.0 million. The decrease in AFH Segment EBITDA was primarily due to higher operating costs as discussed above, partially offset by increased revenues.

Other Segment

Other segment revenue was $6.9 million in Q4 2014 compared to $2.1 million in Q4 2013 primarily due to an increase in the sale of parent rolls.

Other Segment EBITDA was a loss of $1.3 million in Q4 2014 compared to a loss of $0.2 million in Q4 2013. The increase was due to losses on parent roll sales as a result of increased commodity costs.

SHARE INFORMATION

KPT's authorized share capital consists of an unlimited number of Common Shares. As of March 11, 2015, there were 8,873,842 Common Shares issued and outstanding. Pursuant to the Exchange Agreement, Kruger Inc. has the right to exchange KPLP Units it holds from time to time for Common Shares on the basis of one KPLP Unit for one Common Share, subject to adjustment as set out in the Exchange Agreement. If Kruger were to exchange all KPLP Units held by it as of March 11, 2015 for Common Shares, it would hold approximately 83.5% of the issued and outstanding Common Shares. As of March 11, 2015, there were no potentially dilutive instruments outstanding.

Pursuant to the Limited Partnership Agreement, KPLP may issue an unlimited number of KPLP Units. As of March 11, 2015, there were 53,880,850 KPLP Units issued and outstanding.

RISK FACTORS

For a detailed description of risk factors associated with KPT and KPLP, refer to the "Risk Factors" section of the Annual Information Form. KPLP Management is not aware of any significant changes to the risk factors associated with KPT and KPLP 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 KPLP (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 Corporation's 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.

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 Committee reviewed this MD&A and the audited consolidated financial statements, and the Corporations' Board of Directors approved these documents prior to their release.

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, 2014, 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, 2014, 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 KPLP, including the Annual Information Form, is available on SEDAR at www.sedar.com.