



NEWS RELEASE
For immediate release

KP Tissue Releases First Quarter 2016 Financial Results

Continued Revenue and Market Share Growth

Mississauga (ON), May 5, 2016 – KP Tissue Inc. (KPT) (TSX: KPT) reports the Q1 2016 financial and operational results of KPT and Kruger Products L.P. (KPLP). Kruger Products is Canada's leading manufacturer of quality tissue products for the Consumer market (Cashmere®, Purex®, SpongeTowels®, Scotties®, and White Swan®) and the Away-From-Home market, and continues to grow in the U.S. Consumer tissue business with the White Cloud® brand and premium private label products. KPT currently holds a 16.2% interest in KPLP.

KPLP Q1 2016 Business and Financial Highlights

- Revenue increased by 5.4% to \$279.7 million in Q1 2016 compared to Q1 2015
- Adjusted EBITDA was \$28.1 million in Q1 2016 compared to \$31.1 million in Q1 2015
- Continued negative impact of foreign exchange estimated at approximately \$2 million on Adjusted EBITDA over the previous year
- Market share leader in Canada with overall Q1 growth
- Declared a quarterly dividend of \$0.18 per share to be paid on July 15, 2016

“Despite revenue growth supported by the Consumer segment, the weak Canadian dollar continued to have a measurable impact on our Adjusted EBITDA for the seasonally lower first quarter,” said Mario Gosselin, CEO of KPT and KPLP.

“TAD Product Adjusted EBITDA for the quarter increased to \$10.5 million from \$9.7 million last year. We continue to expect progress over the next few quarters allowing us to achieve our \$60 million TAD Product Adjusted EBITDA goal for Fiscal 2017.

“Starting last year, we expanded our CAPEX program to dedicate more funds to high-return projects. In 2016, CAPEX is expected to reach \$65 to \$85 million. The benefits of these projects on manufacturing cost reductions and capacity improvements will begin in Fiscal 2017. In the first quarter, two new modern converting lines began production in our Away-From-Home (AFH) business and we incurred higher operating costs due to the start-up and the continued implementation of our AFH growth plan.

“As indicated before, to offset part of the rise of raw material costs, price increases to our Canadian retailers will take effect in the second quarter and will have a full impact in the third quarter. We expect second quarter 2016 Adjusted EBITDA to be slightly higher than the same quarter last year, mainly driven by higher promotional activity in our U.S. market. However, we will continue to be impacted by the unfavourable exchange rate,” concluded Mr. Gosselin.

KPLP Q1 2016 Financial Results

Revenue in Q1 2016 was \$279.7 million, compared to \$265.4 million in Q1 2015, an increase of \$14.3 million or 5.4%. The increase in revenue was primarily due to the favourable impact of foreign exchange on U.S. dollar sales.

Cost of sales in Q1 2016 increased to \$240.6 million compared to \$222.5 million in Q1 2015 primarily due to the negative impact of foreign exchange fluctuations and increased warehousing costs due to higher inventory levels, somewhat offset by a decline in USD pulp and natural gas prices. As a percentage of revenue, cost of sales were 86.0% in Q1 2016 compared to 83.9% in Q1 2015.

Selling, general and administrative (SG&A) expenses in Q1 2016 were \$21.7 million, compared to \$21.6 million in Q1 2015. The increase was primarily due to slightly higher advertising & promotion expenses and the unfavourable impact of foreign exchange, partially offset by cost reduction initiatives. As a percentage of revenue, SG&A expenses decreased to 7.8% in Q1 2016 from 8.1% in Q1 2015.

Adjusted EBITDA in Q1 2016 was \$28.1 million compared to \$31.1 million in Q1 2015 as the net unfavourable impact of foreign exchange of approximately \$2.0 million and higher warehousing costs were the primary drivers of the decrease in Adjusted EBITDA, as all other factors combined were relatively neutral. TAD Product Adjusted EBITDA was \$10.5 million in Q1 2016 compared to \$9.7 million in Q1 2015.

Net income in Q1 2016 was \$6.4 million compared to \$4.7 million in Q1 2015 primarily due to an increase in unrealized foreign exchange (gain) loss of \$5.0 million and no restructuring costs compared to \$1.1 million in Q1 2015, partially offset by lower Adjusted EBITDA of \$3.0 million and higher interest and depreciation expense of \$0.8 million and \$0.5 million, respectively, and an increase in the tax expense of \$0.3 million.

Total liquidity, representing cash and cash equivalents and availability under the credit line within covenant limitations, was \$58.5 million as of March 27, 2016 compared to \$36.4 million as of December 31, 2015.

KPT Q1 2016 Financial Results

KPT incurred a net loss of \$1.5 million in Q1 2016. Included in the net loss was \$1.0 million representing KPT's share of KPLP's income. The income was reduced by depreciation expense of \$1.4 million related to adjustments to carrying amounts on acquisition and income tax expense of \$0.9 million.

Dividends on Common Shares

The Board of Directors of KPT declared a quarterly dividend of \$0.18 per share to be paid on July 15, 2016 to shareholders of record at the close of business on June 30, 2016.

Additional Information

For additional information please refer to Management's Discussion and Analysis (MD&A) of KPT and KPLP for the first quarter ended March 27, 2016 available on SEDAR at www.sedar.com or our website at www.kptissueinc.com.

First Quarter Results Conference Call Information

KPT will hold its first quarter conference call on Thursday, May 5, 2016 at 8:30 a.m. Eastern Time.

Via telephone: 1-877-223-4471 or 647-788-4922

Via the internet at: www.kptissueinc.com

Presentation material referenced during the conference call will be available at www.kptissueinc.com.

A rebroadcast of the conference call will be available until midnight, June 6, 2016 by dialing 800-585-8367 or 416-621-4642 and entering passcode 86330180.

The replay of the webcast will remain available on the website until midnight, June 6, 2016.

About KP Tissue Inc. (KPT)

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 on the equity basis. KPT currently holds a 16.2% interest in KPLP. For more information visit www.kptissueinc.com.

About Kruger Products L.P. (KPLP)

KPLP is Canada's leading manufacturer of quality tissue products for household, industrial and commercial use. KPLP serves the Canadian consumer market with such well-known brands as Cashmere®, Purex®, SpongeTowels®, Scotties® and White Swan®. In the U.S., KPLP manufactures the White Cloud® brand, as well as many private label products. The Away-From-Home division manufactures and distributes high-quality, cost-effective product solutions to a wide range of commercial and public entities. KPLP has approximately 2,500 employees across North America and operates five FSC® CoC- certified mills (FSC® C104904), four of which are located in Canada and one in the U.S. For more information visit www.krugerproducts.ca.

Non-IFRS Measures

This press release uses certain non-IFRS financial measures and ratios which KPLP believes provide useful information to both management of KPLP and the readers of the financial information 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. Examples of such measures are Adjusted EBITDA and TAD Product Adjusted EBITDA. Beginning with Q4 2015 in accordance with Canadian Securities Administrators Staff Notice 52-306 (Revised), we reference Adjusted EBITDA and TAD Product Adjusted EBITDA as non-IFRS financial measures. These terms replace the previously referenced non-IFRS financial measures EBITDA and TAD Product EBITDA. Our definition of Adjusted EBITDA and TAD Product Adjusted EBITDA are unchanged from our former definition of EBITDA and TAD Product EBITDA respectively. Accordingly, this change in terminology has no impact on our reported financial results for prior periods. Adjusted EBITDA and TAD Product Adjusted EBITDA are not measurements 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. "Adjusted 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) costs related to restructuring activities, (ix) changes in the amortized cost of the Partnership units liability, and (x) one-time costs due to pension revaluations related to past service. A reconciliation of Adjusted EBITDA to the relevant reported results can be found in the MD&A of KPT and KPLP for the first quarter ended March 27, 2016 available on SEDAR at www.sedar.com. "TAD Product Adjusted EBITDA" represents the portion of KTG Adjusted EBITDA generated by the sale of TAD products.

Forward-Looking Statements

Certain statements in this press release 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, including expectations and assumptions concerning the impact of the TAD Project on Adjusted EBITDA, the expectation of continued growth in sales of TAD products in the U.S., and stable interest rates. Although KPT believes 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.

The outlook provided in respect of Adjusted EBITDA for Q2 2016 is forward-looking information and is subject to the risk and uncertainties referred to below. The purpose of the outlook is to provide the reader with an indication of management's expectations, at the date of this press release, regarding KPLP's future financial performance. Readers are cautioned that this information may not be appropriate for other purposes.

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 the Corporation'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 10, 2016 available on SEDAR at www.sedar.com: 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.

Readers should not place undue reliance on forward-looking statements made herein. 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 press release and KPT undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws.

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Kruger Products L.P.
Unaudited Condensed Consolidated Statement of Comprehensive Income (Loss)
(thousands of Canadian dollars)

	13-week period ended March 27, 2016	13-week period ended March 29, 2015
	\$	\$
Revenue	279 690	265 376
Expenses		
Cost of sales	240 647	222 540
Selling, general and administrative expenses	21 652	21 619
Restructuring costs	-	1 054
Operating income	17 391	20 163
Interest expense	11 214	10 342
Other (income) expense	(829)	4 782
Income before income taxes	7 006	5 039
Income taxes	616	329
Net income for the period	6 390	4 710
Other comprehensive income (loss)		
Items that will not be reclassified to net income:		
Remeasurements of pensions	(16 769)	(17 406)
Remeasurements of post-retirement benefits	121	(3 652)
Items that may be subsequently reclassified to net income:		
Available-for-sale investment	(290)	(251)
Cumulative translation adjustment	(13 981)	23 877
Total other comprehensive income (loss) for the period	(30 919)	2 568
Comprehensive income (loss) for the period	(24 529)	7 278

Kruger Products L.P.
Unaudited Condensed Consolidated Statement of Cash Flows
(thousands of Canadian dollars)

	13-week period ended March 27, 2016 \$	13-week period ended March 29, 2015 \$
Cash flows from (used in) operating activities		
Net income for the period	6 390	4 710
Items not affecting cash		
Depreciation	10 087	9 744
Amortization	284	163
Loss on sale of fixed assets	1	165
Change in amortized cost of Partnership units liability	1 234	1 312
Gain on sale of investment	(324)	-
Unrealized foreign exchange (gain) loss	(1 739)	3 298
Interest expense	11 214	10 342
Pension and post retirement benefits	2 659	2 680
Provisions	141	1 333
Income taxes	616	329
Total items not affecting cash	24 173	29 366
Net change in non-cash working capital	(16 639)	(23 409)
Contributions to pension and post-retirement benefit plans	(5 843)	(3 634)
Provisions paid	(476)	(265)
Income tax payments	(865)	(555)
Net cash from operating activities	6 740	6 213
Cash flows from (used in) investing activities		
Purchases of property, plant & equipment	(16 189)	(9 462)
Proceeds on sale of investment	1 439	-
Government assistance received	1 209	-
Purchases of software	(69)	(165)
Proceeds on sale of property, plant and equipment	-	186
Net cash used in investing activities	(13 610)	(9 441)
Cash flows from (used in) financing activities		
Proceeds from long-term debt	791	-
Repayment of long-term debt	(7 204)	(204)
Payment of deferred financing fees	(330)	-
Interest paid on long-term debt	(1 019)	(7 215)
Distributions and advances paid	(6 547)	(10 411)
Proceeds from issuing Partnership units	-	195
Net cash used in financing activities	(14 309)	(17 635)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(296)	1 032
Decrease in cash and cash equivalents during the period	(21 475)	(19 831)
Cash and cash equivalents - Beginning of period	25 455	51 788
Cash and cash equivalents - End of period	3 980	31 957

Kruger Products L.P.
Segment and Geographic Results
(thousands of Canadian dollars)

	13-week period ended March 27, 2016 \$	13-week period ended March 29, 2015 \$
<i>Segment Information</i>		
Segment Revenue		
Consumer	228 151	210 150
AFH	49 051	48 559
Other	2 488	6 667
Total segment revenue	<u>279 690</u>	<u>265 376</u>
Segment Adjusted EBITDA		
Consumer	28 003	30 297
AFH	(166)	968
Other	250	(148)
Total segment Adjusted EBITDA	28 087	31 117
Reconciliation to Net Income:		
Depreciation and amortization	10 371	9 907
Interest expense	11 214	10 342
Change in amortized cost of Partnership units liabili	1 234	1 312
Loss on sale of fixed assets	1	165
Restructuring costs	-	1 054
Unrealized foreign exchange (gain) loss	(1 739)	3 298
Income before income taxes	7 006	5 039
Income taxes	616	329
Net income	<u>6 390</u>	<u>4 710</u>
Geographic Revenue		
Canada	165 885	163 393
U.S.	101 673	93 378
Mexico	12 132	8 605
Total revenue	<u>279 690</u>	<u>265 376</u>

KP Tissue Inc.
Unaudited Condensed Statement of Financial Position
(thousands of Canadian dollars)

	March 27, 2016	December 31, 2015
	<u>\$</u>	<u>\$</u>
Assets		
Current assets		
Distributions receivable	1 620	1 613
Income tax recoverable	983	828
	<u>2 603</u>	<u>2 441</u>
Non-current assets		
Investment in associate	118 799	126 643
Total Assets	<u><u>121 402</u></u>	<u><u>129 084</u></u>
Liabilities		
Current liabilities		
Dividend payable	1 620	1 613
Payable to Partnership	108	108
Current portion of advances from Partnership	205	432
	<u>1 933</u>	<u>2 153</u>
Non-current liabilities		
Advances from Partnership	709	709
Deferred income taxes	1 154	1 007
Total liabilities	<u>3 796</u>	<u>3 869</u>
Equity		
Common shares	11 992	11 577
Contributed surplus	144 819	144 819
Deficit	(54 743)	(49 291)
Accumulated other comprehensive income	15 538	18 110
Total equity	<u>117 606</u>	<u>125 215</u>
Total liabilities and equity	<u><u>121 402</u></u>	<u><u>129 084</u></u>

KP Tissue Inc.
Unaudited Condensed Statement of Comprehensive Loss
(thousands of Canadian dollars, except share and per share amounts)

	13-week period ended March 27, 2016	13-week period ended March 29, 2015
	\$	\$
Equity loss	(378)	(658)
Dilution gain (loss)	(171)	85
Loss before income taxes	(549)	(573)
Income taxes	929	64
Net loss for the period	(1 478)	(637)
Other comprehensive income (loss) net of tax expense (recovery)		
Items that will not be reclassified to net loss:		
Remeasurements of pensions	(2 380)	(2 495)
Remeasurements of post-retirement benefits	12	(367)
Items that may be subsequently reclassified to net loss:		
Available-for-sale investment	(41)	(36)
Cumulative translation adjustment	(2 531)	3 411
Total other comprehensive income (loss) for the period	(4 940)	513
Comprehensive loss for the period	(6 418)	(124)
Basic loss per share	(0,16)	(0,07)
Weighted average number of shares outstanding	8 993 554	8 871 820

KP Tissue Inc.
Unaudited Condensed Statement of Cash Flows
(thousands of Canadian dollars)

	13-week period ended March 27, 2016 \$	13-week period ended March 29, 2015 \$
Cash flows from (used in) operating activities		
Net loss for the period	(1 478)	(637)
Items not affecting cash		
Equity loss	378	658
Dilution (gain) loss	171	(85)
Income taxes	929	64
Total items not affecting cash	<u>1 478</u>	<u>637</u>
Tax payments	(205)	(790)
Tax Distribution received	-	571
Advances received	<u>205</u>	<u>219</u>
Net cash from (used in) operating activities	<u>-</u>	<u>-</u>
Cash flows from (used in) investing activities		
Investment in associate	-	(195)
Partnership unit distributions received	<u>1 613</u>	<u>1 595</u>
Net cash from investing activities	<u>1 613</u>	<u>1 400</u>
Cash flows from (used in) financing activities		
Issuance of common shares	-	195
Dividends paid	<u>(1 613)</u>	<u>(1 595)</u>
Net cash used in financing activities	<u>(1 613)</u>	<u>(1 400)</u>
Increase (decrease) in cash and cash equivalents during the period	-	-
Cash and cash equivalents - Beginning of period	<u>-</u>	<u>-</u>
Cash and cash equivalents - End of period	<u><u>-</u></u>	<u><u>-</u></u>