



NEWS RELEASE

For immediate release

KP Tissue Releases Second Quarter 2016 Financial Results

Q2 Adjusted EBITDA increased 18.9%

Mississauga (ON), August 10, 2016 – KP Tissue Inc. (KPT) (TSX: KPT) reports the Q2 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 Q2 2016 Business and Financial Highlights

- Revenue increased by 5.9% to \$295.8 million in Q2 2016 compared to Q2 2015
- Adjusted EBITDA was \$35.9 million in Q2 2016 compared to \$30.2 million in Q2 2015, up 18.9%
- Foreign exchange negative impact of approximately \$1 million on Adjusted EBITDA over the previous year
- Continue to be the market share leader in Canada
- Declared a quarterly dividend of \$0.18 per share to be paid on October 17, 2016
- Announced on July 25 a new paper machine investment in Quebec of \$55 million

"A combination of several favourable factors resulted in a very solid Adjusted EBITDA performance for the quarter, one of our highest levels since going public. The Consumer segment was the main driver of our Adjusted EBITDA growth of 18.9% over last year," said Mario Gosselin, CEO of KPT and KPLP.

"For the quarter, the impact of foreign exchange remained a negative factor on Adjusted EBITDA but was offset by higher sales driven primarily by promotional activities, lower pulp and natural gas costs, and the benefit of higher selling prices in the Canadian consumer market which positively impacted the latter part of the quarter. Adjusted EBITDA from TAD products in the U.S. was slightly higher, while Away-from-Home declined slightly.

"For the third quarter, while we anticipate continued benefits from higher selling prices in Canada, the industry remains quite competitive. Consequently, we expect third quarter 2016 Adjusted EBITDA to be higher than the second quarter of 2016," concluded Mr. Gosselin.

KPLP Q2 2016 Financial Results

Revenue in Q2 2016 was \$295.8 million, compared to \$279.3 million in Q2 2015, an increase of \$16.5 million or 5.9%. The increase in revenue was primarily due to higher sales volumes, the favourable impact of foreign exchange on U.S. dollar sales, and a selling price increase in Canada.

Cost of sales in Q2 2016 increased to \$249.9 million compared to \$240.4 million in Q2 2015, primarily due to higher sales volumes and the negative impact of foreign exchange fluctuations and increased warehousing costs, partially offset by a decline in USD pulp and natural gas prices. As a percentage of revenue, cost of sales were 84.5% in Q2 2016 compared to 86.1% in Q2 2015.

Selling, general and administrative (SG&A) expenses in Q2 2016 were \$22.0 million compared to \$21.3 million in Q2 2015. The increase was primarily due to higher sales volumes and the unfavourable impact of foreign exchange. As a percentage of revenue, SG&A expenses decreased to 7.4% in Q2 2016 from 7.6% in Q2 2015.

Adjusted EBITDA in Q2 2016 was \$35.9 million compared to \$30.2 million in Q2 2015 due to higher sales and lower USD costs for pulp and natural gas, partially offset by higher warehousing and SG&A costs from increased sales, and the net

negative impact of foreign exchange. Adjusted EBITDA attributable to the sale of KTG's TAD products was \$12.0 million in Q2 2016 compared to \$11.2 million in Q2 2015.

Net income in Q2 2016 was \$12.0 million compared to \$3.2 million in Q2 2015 primarily due to higher Adjusted EBITDA of \$5.7 million, a pension revaluation related to past service cost of \$3.4 million in Q2 2015, lower amortized cost of the Partnership unit liability of \$1.9 million, and a decrease in interest expense of \$1.6 million. These items were partially offset by an increase in depreciation expense of \$2.7 million, a decrease in the unrealized foreign exchange gain of \$0.6 million, and restructuring costs of \$0.4 million.

Total liquidity, representing cash and cash equivalents and availability under the credit line within covenant limitations, was \$77.8 million as of June 26, 2016 compared to \$58.5 million as of March 27, 2016.

KPT Q2 2016 Financial Results

KPT incurred a net loss of \$0.6 million in Q2 2016. Included in the net loss was \$2.0 million representing KPT's share of KPLP's income. The income was reduced by depreciation expense of \$1.5 million related to adjustments to carrying amounts on acquisition and income tax expense of \$1.3 million.

Dividends on Common Shares

The Board of Directors of KPT declared a quarterly dividend of \$0.18 per share to be paid on October 17, 2016 to shareholders of record at the close of business on September 30, 2016.

Additional Information

For additional information please refer to Management's Discussion and Analysis (MD&A) of KPT and KPLP for the second quarter ended June 26, 2016 available on SEDAR at www.sedar.com or our website at www.kptissueinc.com.

Second Quarter Results Conference Call Information

KPT will hold its second quarter conference call on Wednesday, August 10, 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, September 9, 2016 by dialing 800-585-8367 or 416-621-4642 and entering passcode 46381716.

The replay of the webcast will remain available on the website until midnight, September 9, 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 and operates seven production facilities in North America, including 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 which KPLP believes provide useful information to 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. An example of such a measure is Adjusted EBITDA. Beginning with Q4 2015

in accordance with Canadian Securities Administrators Staff Notice 52-306 (Revised), we reference Adjusted EBITDA as a non-IFRS financial measure. This term replaces the previously referenced non-IFRS financial measure EBITDA. Our definition of Adjusted EBITDA is unchanged from our former definition of EBITDA. Accordingly, this change in terminology has no impact on our reported financial results for prior periods. Adjusted 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. "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 second quarter ended June 26, 2016 available on SEDAR at www.sedar.com.

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 Q3 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 Financial Position
(thousands of Canadian dollars)

	June 26, 2016	December 31, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	10 104	25 455
Trade and other receivables	108 178	108 720
Receivables from related parties	455	185
Current portion of advances to partners	5 465	2 630
Inventories	183 925	184 985
Income tax recoverable	593	772
Prepaid expenses	9 752	8 429
	<u>318 472</u>	<u>331 176</u>
Non-current assets		
Advances to partners	-	4 234
Property, plant & equipment	729 693	737 708
Other long-term assets	6 839	8 107
Goodwill	160 939	160 939
Intangible assets	15 344	15 853
Deferred income taxes	37 906	39 411
	<u>1 269 193</u>	<u>1 297 428</u>
Total assets		
Liabilities		
Current liabilities		
Trade and other payables	188 026	180 329
Payables to related parties	5 084	3 775
Distributions payable	10 016	9 871
Current portion of provisions	2 471	3 096
Current portion of long-term debt	9 148	10 183
	<u>214 745</u>	<u>207 254</u>
Non-current liabilities		
Long-term debt	408 420	425 859
Other long-term liabilities	16	48
Provisions	6 583	6 180
Pensions	127 047	87 164
Post-retirement benefits	59 405	57 346
	<u>816 216</u>	<u>783 851</u>
Liabilities to non-unitholders		
Current portion of Partnership units liability	2 630	2 630
Long-term portion of Partnership units liability	121 148	122 546
	<u>123 778</u>	<u>125 176</u>
Total Partnership units liability		
	<u>939 994</u>	<u>909 027</u>
Total liabilities		
Equity		
Partnership units	327 021	318 012
Deficit	(76 510)	(29 416)
Accumulated other comprehensive income	78 688	99 805
	<u>329 199</u>	<u>388 401</u>
Total equity		
Total equity and liabilities		
	<u>1 269 193</u>	<u>1 297 428</u>

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

	13-week period ended June 26, 2016 \$	13-week period ended June 28, 2015 \$	26-week period ended June 26, 2016 \$	26-week period ended June 28, 2015 \$
Revenue	295 757	279 337	575 447	544 713
Expenses				
Cost of sales	249 878	240 413	490 525	462 953
Selling, general and administrative expenses	21 986	21 277	43 638	42 896
Restructuring costs	393	-	393	1 054
Operating income	23 500	17 647	40 891	37 810
Interest expense	10 921	12 473	22 135	22 815
Other (income) expense	(291)	1 167	(1 120)	5 949
Income before income taxes	12 870	4 007	19 876	9 046
Income taxes	834	832	1 450	1 161
Net income for the period	12 036	3 175	18 426	7 885
Other comprehensive income (loss)				
Items that will not be reclassified to net income:				
Remeasurements of pensions	(27 120)	11 368	(43 889)	(6 038)
Remeasurements of post-retirement benefits	(1 755)	1 503	(1 634)	(2 149)
Items that may be subsequently reclassified to net income:				
Available-for-sale investment	-	222	(290)	(29)
Cumulative translation adjustment	(6 846)	(7 213)	(20 827)	16 664
Total other comprehensive income (loss) for the period	(35 721)	5 880	(66 640)	8 448
Comprehensive income (loss) for the period	(23 685)	9 055	(48 214)	16 333

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

	13-week period ended June 26, 2016 \$	13-week period ended June 28, 2015 \$	26-week period ended June 26, 2016 \$	26-week period ended June 28, 2015 \$
Cash flows from (used in) operating activities				
Net income for the period	12 036	3 175	18 426	7 885
Items not affecting cash				
Depreciation	11 681	9 234	21 768	18 978
Amortization	296	174	580	337
Loss (gain) on sale of fixed assets	(4)	(26)	(3)	139
Change in amortized cost of Partnership units liability	-	1 850	1 234	3 162
Gain on sale of investment	-	-	(324)	-
Unrealized foreign exchange (gain) loss	(291)	(946)	(2 030)	2 352
Interest expense	10 921	12 473	22 135	22 815
Pension and post retirement benefits	2 659	6 096	5 318	8 776
Provisions	658	358	799	1 691
Income taxes	834	832	1 450	1 161
Total items not affecting cash	26 754	30 045	50 927	59 411
Net change in non-cash working capital	12 177	(6 075)	(4 462)	(29 484)
Contributions to pension and post-retirement benefit plans	(5 462)	(3 768)	(11 305)	(7 402)
Provisions paid	(642)	(442)	(1 118)	(707)
Income tax payments	(508)	(451)	(1 373)	(1 006)
Net cash from operating activities	44 355	22 484	51 095	28 697
Cash flows from (used in) investing activities				
Purchases of property, plant & equipment	(22 512)	(8 192)	(38 701)	(17 654)
Proceeds on sale of investment	-	-	1 439	-
Government assistance received	-	-	1 209	-
Purchases of software	(2)	(39)	(71)	(204)
Proceeds on sale of property, plant and equipment	4	96	4	282
Net cash used in investing activities	(22 510)	(8 135)	(36 120)	(17 576)
Cash flows from (used in) financing activities				
Proceeds from long-term debt	-	-	791	-
Repayment of long-term debt	(306)	(306)	(7 510)	(510)
Payment of deferred financing fees	(5)	-	(335)	-
Interest paid on long-term debt	(8 737)	(3 324)	(9 756)	(10 539)
Distributions and advances paid	(5 530)	(7 111)	(12 077)	(17 522)
Proceeds from issuing partnership units	-	-	-	195
Net cash used in financing activities	(14 578)	(10 741)	(28 887)	(28 376)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(1 143)	(292)	(1 439)	740
Increase (decrease) in cash and cash equivalents during the period	6 124	3 316	(15 351)	(16 515)
Cash and cash equivalents - Beginning of period	3 980	31 957	25 455	51 788
Cash and cash equivalents - End of period	10 104	35 273	10 104	35 273

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

	13-week period ended June 26, 2016 \$	13-week period ended June 28, 2015 \$	26-week period ended June 26, 2016 \$	26-week period ended June 28, 2015 \$
Segment Information				
Segment Revenue				
Consumer	232 395	217 045	460 546	427 195
AFH	59 051	57 438	108 102	105 997
Other	4 311	4 854	6 799	11 521
Total segment revenue	<u>295 757</u>	<u>279 337</u>	<u>575 447</u>	<u>544 713</u>
Segment Adjusted EBITDA				
Consumer	34 063	29 122	62 066	59 419
AFH	1 431	2 055	1 265	3 023
Other	372	(995)	622	(1 143)
Total segment Adjusted EBITDA	<u>35 866</u>	<u>30 182</u>	<u>63 953</u>	<u>61 299</u>
Reconciliation to Net Income:				
Depreciation and amortization	11 977	9 408	22 348	19 315
Interest expense	10 921	12 473	22 135	22 815
Change in amortized cost of Partnership units liabili	-	1 850	1 234	3 162
(Gain) loss on sale of fixed assets	(4)	(26)	(3)	139
Pension revaluation - past service cost	-	3 416	-	3 416
Restructuring costs	393	-	393	1 054
Unrealized foreign exchange (gain) loss	(291)	(946)	(2 030)	2 352
Income before income taxes	<u>12 870</u>	<u>4 007</u>	<u>19 876</u>	<u>9 046</u>
Income taxes	834	832	1 450	1 161
Net income	<u>12 036</u>	<u>3 175</u>	<u>18 426</u>	<u>7 885</u>
Geographic Revenue				
Canada	179 974	180 809	345 859	344 202
U.S.	102 906	90 427	204 579	183 805
Mexico	12 877	8 101	25 009	16 706
Total revenue	<u>295 757</u>	<u>279 337</u>	<u>575 447</u>	<u>544 713</u>

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

	June 26, 2016	December 31, 2015
	<u>\$</u>	<u>\$</u>
Assets		
Current assets		
Distributions receivable	1 624	1 613
Income tax recoverable	897	828
	<u>2 521</u>	<u>2 441</u>
Non-current assets		
Investment in associate	111 544	126 643
Total Assets	<u><u>114 065</u></u>	<u><u>129 084</u></u>
Liabilities		
Current liabilities		
Dividend payable	1 624	1 613
Payable to Partnership	207	108
Current portion of advances from Partnership	914	432
	<u>2 745</u>	<u>2 153</u>
Non-current liabilities		
Advances from Partnership	-	709
Deferred income taxes	1 365	1 007
Total liabilities	<u>4 110</u>	<u>3 869</u>
Equity		
Common shares	12 258	11 577
Contributed surplus	144 819	144 819
Deficit	(60 985)	(49 291)
Accumulated other comprehensive income	13 863	18 110
Total equity	<u>109 955</u>	<u>125 215</u>
Total liabilities and equity	<u><u>114 065</u></u>	<u><u>129 084</u></u>

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

	13-week period ended June 26, 2016 \$	13-week period ended June 28, 2015 \$	26-week period ended June 26, 2016 \$	26-week period ended June 28, 2015 \$
Equity income (loss)	469	(909)	91	(1 567)
Dilution gain	255	37	84	122
Income (loss) before income taxes	724	(872)	175	(1 445)
Income taxes	1 329	75	2 258	139
Net loss for the period	(605)	(947)	(2 083)	(1 584)
Other comprehensive income (loss)				
net of tax expense (recovery)				
Items that will not be reclassified to net loss:				
Remeasurements of pensions	(3 829)	1 631	(6 209)	(864)
Remeasurements of post-retirement benefits	(174)	151	(162)	(216)
Items that may be subsequently reclassified to net loss:				
Available-for-sale investment	-	32	(41)	(4)
Cumulative translation adjustment	(1 675)	(296)	(4 206)	3 115
Total other comprehensive income (loss) for the period	(5 678)	1 518	(10 618)	2 031
Comprehensive income (loss) for the period	(6 283)	571	(12 701)	447
Basic loss per share	(0,07)	(0,11)	(0,23)	(0,18)
Weighted average number of shares outstanding	9 016 939	8 894 391	9 005 511	8 883 295

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

	13-week period ended June 26, 2016 \$	13-week period ended June 28, 2015 \$	26-week period ended June 26, 2016 \$	26-week period ended June 28, 2015 \$
Cash flows from (used in) operating activities				
Net loss for the period	(605)	(947)	(2 083)	(1 584)
Items not affecting cash				
Equity (income) loss	(469)	909	(91)	1 567
Dilution gain	(255)	(37)	(84)	(122)
Income taxes	1 329	75	2 258	139
Total items not affecting cash	605	947	2 083	1 584
Tax payments	-	(307)	(205)	(1 097)
Tax distribution received	-	-	-	571
Advances received	-	307	205	526
Net cash from (used in) operating activities	-	-	-	-
Cash flows from (used in) investing activities				
Investment in associate	-	-	-	(195)
Partnership unit distributions received	935	1 209	2 548	2 804
Net cash from investing activities	935	1 209	2 548	2 609
Cash flows from (used in) financing activities				
Issuance of common shares	-	-	-	195
Dividends paid	(935)	(1 209)	(2 548)	(2 804)
Net cash used in financing activities	(935)	(1 209)	(2 548)	(2 609)
Increase (decrease) in cash and cash equivalents during the period	-	-	-	-
Cash and cash equivalents - Beginning of period	-	-	-	-
Cash and cash equivalents - End of period	-	-	-	-