



May 4, 2017

## KP Tissue Releases First Quarter 2017 Financial Results

### Business Expansion continues

MISSISSAUGA, ONTARIO--(Marketwired - May 4, 2017) - KP Tissue Inc. (KPT) (TSX:KPT) reports the Q1 2017 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(R) brand and premium private label products. KPT currently holds a 16.1% interest in KPLP.

### KPLP Q1 2017 Business and Financial Highlights

- Revenue increased by 3.4% to \$289.3 million in Q1 2017 compared to Q1 2016
- Adjusted EBITDA was \$33.8 million in Q1 2017 compared to \$28.1 million in Q1 2016, up 20.3%
- Achieved Adjusted EBITDA from TAD products of \$15.7 million
- Expanded distribution of White Cloudr to select U.S. retailers
- Declared a quarterly dividend of \$0.18 per share to be paid on July 17, 2017

"We are pleased by our Adjusted EBITDA of \$33.8 million for the first quarter of 2017, which was mainly driven by the higher contribution from TAD products, despite some headwinds from higher fibre prices," said Mario Gosselin, CEO of KP Tissue and KPLP.

"The commercialization of our TAD products is entering its fifth year and we are extremely pleased by the overall performance. For the first quarter, Adjusted EBITDA related to TAD products reached \$15.7 million, representing an annualized run rate in excess of our previously stated expectation of \$60 million for the TAD project. We now have TAD fully integrated into our business and are proud of the results we have achieved.

"While we anticipate higher pulp prices to negatively impact results in the near-term, Adjusted EBITDA for Q2 2017 is expected to increase slightly over Q2 2016. For the remainder of 2017, we look forward to the start-up of our new paper machine in Crabtree, improved performance from the Away-from-Home business and expanded distribution of the White Cloud(R) brand to select U.S. retailers," concluded Mr. Gosselin.

### KPLP Q1 2017 Financial Results

Revenue in Q1 2017 was \$289.3 million, compared to \$279.7 million in Q1 2016, an increase of \$9.6 million or 3.4%. The increase in revenue was primarily due to higher sales volume and favourable selling price increase in Canada, partially offset by the unfavourable impact of foreign exchange on U.S. dollar sales.

Cost of sales in Q1 2017 increased to \$244.3 million, compared to \$240.6 million in Q1 2016, primarily due to higher sales volumes and an increase in USD pulp prices, partially offset by the favourable impact of foreign exchange, cost reduction initiatives and the impact of capital projects. As a percentage of revenue, cost of sales were 84.4% in Q1 2017 compared to 86.0% in Q1 2016.

Selling, general and administrative (SG&A) expenses in Q1 2017 were \$23.2 million, compared to \$21.7 million in Q1 2016. The increase was primarily due to slightly higher advertising and promotion expenses, and slightly higher selling expenses related to higher sales volume, partially offset by the favourable impact of foreign exchange. As a percentage of revenue, SG&A expenses were 8.0% in Q1 2017, compared to 7.8% in Q1 2016.

Adjusted EBITDA in Q1 2017 was \$33.8 million, compared to \$28.1 million in Q1 2016, primarily due to higher sales volume, improved selling prices in Canada, the net positive impact of foreign exchange and the impact of cost reduction initiatives and capital projects, partially offset by higher commodity costs and SG&A costs. Adjusted EBITDA attributable to the sale of TAD products was \$15.7 million in Q1 2017 compared to \$10.5 million in Q1 2016.

Net income in Q1 2017 was \$6.9 million, compared to \$6.4 million in Q1 2016, primarily due to higher Adjusted EBITDA of \$5.7 million and a decrease in interest expense of \$0.9 million. These increases were partially offset by an increase in tax expense of \$2.1 million, higher depreciation expense of \$1.6 million, an increase in the change in amortized cost of Partnership units liability of \$1.3 million, and a change in the foreign exchange gain of \$1.1 million.

Total liquidity, representing cash and cash equivalents and availability under the credit line within covenant limitations, was \$88.6 million as of March 26, 2017, compared to \$103.5 million as of December 31, 2016.

#### KPT Q1 2017 Financial Results

KPT incurred a net loss of \$0.6 million in Q1 2017. Included in the net loss was \$1.1 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 \$0.2 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 17, 2017 to shareholders of record at the close of business on June 30, 2017.

#### 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 26, 2017 available on SEDAR at [www.sedar.com](http://www.sedar.com) or our website at [www.kptissueinc.com](http://www.kptissueinc.com).

#### First Quarter Results Conference Call Information

KPT will hold its first quarter conference call on Thursday, May 4, 2017 at 8:30 a.m. Eastern Time.

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

Via the internet at: [www.kptissueinc.com](http://www.kptissueinc.com)

Presentation material referenced during the conference call will be available at [www.kptissueinc.com](http://www.kptissueinc.com).

A rebroadcast of the conference call will be available until midnight, June 5, 2017 by dialing 800-585-8367 or 416-621-4642 and entering passcode 5982186.

The replay of the webcast will remain available on the website until midnight, June 5, 2017.

#### 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 16.1% interest in KPLP. For more information visit [www.kptissueinc.com](http://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(R), Purex(R), SpongeTowels(R), Scotties (R) and White Swan(R). In the U.S., KPLP manufactures the White Cloud(R) 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 eight FSC(R) COC-certified (FSC (R) C-104904) production facilities in North America. For more information visit [www.krugerproducts.ca](http://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 (gain on sale) of non-financial assets, (vi) loss (gain) on disposal of property, plant and equipment, (vii) foreign exchange loss (gain), (viii) costs related to restructuring activities, (ix) changes in amortized cost of 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 26, 2017 available on SEDAR at [www.sedar.com](http://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.; a successful start-up of the Crabtree paper machine in Q4 2017; improved performance of the Away-From-Home business; and expanded distribution of White Cloud to select U.S. retailers. 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 2017 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 9, 2017 available on SEDAR at [www.sedar.com](http://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; cyber-security; insurance; internal controls; and trade related risk.

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.

Kruger Products L.P.

Unaudited Condensed Consolidated Statement of Financial Position

(thousands of Canadian dollars)

	March 26, 2017	December 31, 2016
	\$	\$
-----		
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	34,844	36,511
Trade and other receivables	113,536	123,095
Receivables from related parties	518	185
Current portion of advances to partners	439	5,465
Inventories	181,572	179,543
Income tax recoverable	45	423
Prepaid expenses	12,927	7,286
	-----	-----
	343,881	352,508
<b>Non-current assets</b>		
Property, plant & equipment	769,586	762,270
Other long-term assets	5,945	6,075
Goodwill	160,939	160,939
Intangible assets	15,030	15,270

Deferred income taxes	37,188	39,913
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Total assets	1,332,569	1,336,975
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Liabilities		
Current liabilities		
Bank indebtedness	-	9,007
Trade and other payables	183,426	201,477
Payables to related parties	4,578	3,606
Income tax payable	766	1,779
Distributions payable	10,203	10,148
Current portion of provisions	1,604	1,885
Current portion of long-term debt	8,828	8,859
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	209,405	236,761
Non-current liabilities		
Long-term debt	443,471	415,379
Provisions	6,730	6,487
Pensions	94,953	92,646
Post-retirement benefits	58,307	57,162
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Liabilities to non-unitholders	812,866	808,435
Current portion of Partnership units liability	8,611	8,611
Long-term portion of Partnership units liability	131,214	137,296
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Total Partnership units liability	139,825	145,907

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Total liabilities	952,691	954,342
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Equity		
Partnership units	341,406	336,576
Deficit	(49,612)	(42,792)
Accumulated other comprehensive		
income	88,084	88,849
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Total equity	379,878	382,633
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Total equity and liabilities	1,332,569	1,336,975
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Kruger Products L.P.

Unaudited Condensed Consolidated Statement of Comprehensive Income (Loss)

(thousands of Canadian dollars)

	3-month period ended March 26, 2017	3-month period ended March 27, 2016
	\$	\$
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Revenue	289,271	279,690
Expenses		

Cost of sales	244,254	240,647
Selling, general and administrative expenses	23,221	21,652
Loss on sale of non-financial assets	13	-
Restructuring costs, net	11	-
	-----	
Operating income	21,772	17,391
Interest expense	10,264	11,214
Other (income) expense	1,945	(829)
	-----	
Income before income taxes	9,563	7,006
Income taxes	2,614	616
	-----	
Net income for the period	6,949	6,390
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Other comprehensive loss		
Items that will not be reclassified to net income:		
Remeasurements of pensions	(2,567)	(16,769)
Remeasurements of post-retirement benefits	(884)	121
Items that may be subsequently reclassified to net income:		
Available-for-sale investment	-	(290)

Cumulative translation adjustment	(765)	(13,981)
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Total other comprehensive loss for the		
period	(4,216)	(30,919)
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Comprehensive income (loss) for the		
period	2,733	(24,529)
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Kruger Products L.P.

Unaudited Condensed Consolidated Statement of Cash Flows

(thousands of Canadian dollars)

	3-month period ended March 26 2017	3-month period ended March 27, 2016
	\$	\$
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Cash flows from (used in) operating activities		
Net income for the period	6,949	6,390
Items not affecting cash		
Depreciation	11,748	10,087
Amortization	240	284
Loss (gain) on sale of property,		



plant and equipment	(2)	1
Change in amortized cost of		
Partnership units liability	2,529	1,234
Gain on sale of investment	-	(324)
Foreign exchange gain	(584)	(1,739)
Interest expense	10,264	11,214
Pension and post retirement benefits	2,513	2,659
Provisions	244	141
Income taxes	2,614	616
Loss on sale of non-financial assets	13	-
	-----	
Total items not affecting cash	29,579	24,173
Net change in non-cash working capital	(28,860)	(16,639)
Contributions to pension and post-		
retirement benefit plans	(3,738)	(5,843)
Provisions paid	(334)	(476)
Income tax payments	(1,507)	(865)
	-----	
Net cash from operating activities	2,089	6,740
	-----	
Cash flows from (used in) investing		
activities		
Purchases of property, plant &		
equipment	(12,734)	(16,189)
Capitalized interest paid	(222)	-
Proceeds on sale of investment	-	1,439
Government assistance received	916	1,209

Purchases of software	-	(69)
Proceeds on sale of property, plant and equipment	1,043	-
-----		
Net cash used in investing activities	(10,997)	(13,610)
-----		
Cash flows from (used in) financing activities		
Proceeds from long-term debt	28,015	791
Repayment of long-term debt	(126)	(7,204)
Payment of deferred financing fees	(9)	(330)
Interest paid on long-term debt	(2,558)	(1,019)
Distributions and advances paid, net	(9,018)	(6,547)
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Net cash from (used in) financing activities	16,304	(14,309)
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Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(56)	(296)
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Increase (decrease) in cash and cash equivalents during the period	7,340	(21,475)
Cash and cash equivalents - Beginning		

of period	27,504	25,455
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Cash and cash equivalents - End of

period	34,844	3,980
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Kruger Products L.P.

Segment and Geographic Results

(thousands of Canadian dollars)

3-month period ended March 26, 2017	3-month period ended March 27, 2016
\$	\$

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Segment Information

Segment Revenue

Consumer	238,927	228,151
AFH	48,674	49,052
Other	1,670	2,487

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Total segment revenue	289,271	279,690
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Segment Adjusted EBITDA

Consumer	32,972	27,807
AFH	655	30
Other	155	250

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Total segment Adjusted EBITDA 33,782 28,087

Reconciliation to Net Income:

Depreciation and amortization	11,988	10,371
Interest expense	10,264	11,214
Change in amortized cost of Partnership units liability	2,529	1,234
Loss (gain) on sale of property, plant and equipment	(2)	1
Loss on sale of non-financial assets	13	-
Restructuring costs	11	-
Foreign exchange gain	(584)	(1,739)

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Income before income taxes 9,563 7,006

Income taxes 2,614 616

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Net income 6,949 6,390

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Geographic Revenue

Canada	173,877	163,772
U.S.	104,649	103,786
Mexico	10,745	12,132

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Total revenue	289,271	279,690
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KP Tissue Inc.

Unaudited Condensed Statement of Financial Position

(thousands of Canadian dollars)

March 26, 2017    December 31, 2016

                  \$                         \$

Assets

Current assets

Distributions receivable	1,642	1,636
Receivable from Partnership	-	426
Income tax recoverable	303	-

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	1,945	2,062
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Non-current assets

Investment in associate	113,706	117,349
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Total Assets	115,651	119,411
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Liabilities

Current liabilities

Dividend payable	1,642	1,636
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Payable to Partnership	271	-
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Current portion of advances from Partnership	71	914
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Income tax payable	-	884
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	1,984	3,434
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Non-current liabilities

Deferred income taxes	944	893
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Total liabilities	2,928	4,327
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Equity

Common shares	13,647	13,176
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Contributed surplus	144,819	144,819
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Deficit	(61,389)	(58,729)
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Accumulated other comprehensive		
income	15,646	15,818
	-----	-----
Total equity	112,723	115,084
	-----	-----
Total liabilities and equity	115,651	119,411
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KP Tissue Inc.

Unaudited Condensed Statement of Comprehensive Loss

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

	3-month period ended March 26, 2017	3-month period ended March 27, 2016
	\$	\$
	-----	-----
Equity loss	(363)	(378)
Dilution gain (loss)	50	(171)
	-----	-----
Loss before income taxes	(313)	(549)
Income taxes	248	929
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Net loss for the period	(561)	(1,478)
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Other comprehensive income (loss)net  
of tax expense (recovery)

Items that will not be reclassified  
to net loss:

Remeasurements of pensions	(359)	(2,380)
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Remeasurements of post-retirement benefits	(87)	12
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Items that may be subsequently  
reclassified to net loss:

Available-for-sale investment	-	(41)
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Cumulative translation adjustment	(172)	(2,531)
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Total other comprehensive loss for  
the period

(618)	(4,940)
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Comprehensive loss for the period

(1,179)	(6,418)
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Basic loss per share

(0.06)	(0.16)
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Weighted average number of shares

outstanding	9,116,437	8,993,554
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KP Tissue Inc.

Unaudited Condensed Statement of Cash Flows

(thousands of Canadian dollars)

	3-month period ended March 26, 2017	3-month period ended March 27, 2016
	\$	\$
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Cash flows from (used in) operating activities		
Net loss for the period	(561)	(1,478)
Items not affecting cash		
Equity loss	363	378
Dilution (gain) loss	(50)	171
Income taxes	248	929
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Total items not affecting cash	561	1,478
Net change in non-cash working capital	697	-
Tax payments	(1,249)	(205)
Tax Distribution received	481	-
Advances received	71	205
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Net cash from (used in) operating activities	-	-
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Cash flows from investing activities		
Partnership unit distributions received	1,176	1,613
	-----	
Net cash from investing activities	1,176	1,613
	-----	
Cash flows used in financing activities		
Dividends paid	(1,176)	(1,613)
	-----	
Net cash used in financing activities	(1,176)	(1,613)
	-----	
Increase (decrease) in cash and cash equivalents during the period	-	-
Cash and cash equivalents - Beginning of period	-	-
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Cash and cash equivalents - End of period	-	-
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FOR FURTHER INFORMATION PLEASE CONTACT:

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