NEWS RELEASE
For immediate release

KP Tissue Releases its Financial Results and those of Kruger Products L.P. for the Fourth Quarter and Full Year 2012 and Declares First Dividend

Mississauga (ON), March 27, 2013 – KP Tissue Inc. ("KPT") (TSX:KPT), which holds a limited partnership interest in Kruger Products L.P. ("KPLP"), releases the financial results for KPT and KPLP for the fourth quarter and full year 2012. KPLP is Canada's leading manufacturer of quality tissue products for household, industrial and commercial use. In connection with KPT's undertaking with the Ontario Securities Commission to treat KPLP as a subsidiary and to allow the reader to fully understand the financial results of KPT, the following provides discussion and analysis of KPLP's consolidated financial results.

KP Tissue Inc. and Kruger Products L.P.

KPT was created to acquire, and its business is limited to holding, a limited partnership interest in KPLP. On December 13, 2012, KPT completed an initial public offering of 8 million common shares and used the proceeds to acquire a 15.7% interest in KPLP. On January 10, 2013, KPT completed the issuance of an additional 750,000 common shares pursuant to the Over-Allotment Option and used the proceeds to subscribe for 750,000 additional units of KPLP which, together with the units of KPLP that it already held, resulted in KPT having a 16.9% interest in KPLP on that date. However, as of December 31, 2012, KPT continued to hold a 15.7% interest in KPLP, accounted for as an investment on the equity basis. The financial results presented for KPT represent its holding in KPLP of 15.7% only for the period from December 13, 2012 to December 31, 2012. The following discussion and analysis, unless identified specifically as representing the financial results of only KPT, relates entirely to the financial results of KPLP. Accordingly, the results of KPLP apply to KPT only to the extent of its holding in KPLP.

KP Tissue Inc. Highlights

- Net income of $0.2 million in Q4 2012 and fiscal 2012 for the period from the initial public offering on December 13, 2012 to December 31, 2012
- Earnings per share of $0.02 in Q4 2012 and fiscal 2012
- Declaration of first dividend of $0.217 per share, consisting of $0.18 per share pertaining to the first quarter of 2013 and $0.037 per share for the period from December 13, 2012 to December 31, 2012

KPLP Highlights

Q4 2012 Highlights

- Revenue of $242.9 million in Q4 2012, compared to $241.1 million in Q4 2011, an increase of 0.8 percent year over year
- EBITDA of $22.9 million in Q4 2012 (including approximately $3.9 million of expenses related to initial public offering, reorganization and TAD Project start-up) compared to $24.3 million in Q4 2011, a decrease of 5.6 percent year over year
- Net income of $6.9 million in Q4 2012 compared to $5.8 million in Q4 2011, an increase of 19.3 percent year over year
- Cash balance of $121.5 million as of December 31, 2012 compared to $28.7 million as of September 23, 2012 (end of the third quarter)

Full Year Highlights

- Revenue of $922.9 million in fiscal 2012, compared to $892.6 million in fiscal 2011, an increase of 3.4 percent year over year
- EBITDA of $111.3 million in fiscal 2012 (including approximately $7.3 million of expenses related to initial public offering, reorganization and TAD Project start-up), compared to $81.9 million in fiscal 2011, an increase of 35.9 percent year over year

- Net income of $46.6 million in fiscal 2012 compared to $28.6 million in fiscal 2011, an increase of 62.7 percent year over year
- Announced and substantially completed the Business Rationalization Project primarily to cease production of parent rolls for sale resulting in recurring annual savings of $11.9 million, of which $6.4 million of savings were achieved during fiscal 2012 and $5.5 million are expected to be achieved in 2013
- Announced on February 22, 2013, the completion of the construction phase of the Through-Air-Dried (TAD) tissue machine in Memphis

"The year 2012 marked an important juncture in the evolution of KPLP. We became a public company, we undertook an important business rationalization program and we successfully carried out the critical construction phase of our TAD Project," said Mario Gosselin, CEO of KP Tissue and KPLP.

"Revenue for 2012 was $922.9 million, up 3.4% over 2011. Of note is the growth in EBITDA, which increased by 35.9% to $111.3 million. This reflects higher volumes and lower cost of sales and is partially offset by higher operating expenses.

"Our full range of brands gained market share in Canada and our private label business made solid progress in the U.S. Our White Cloud Ultra brand, exclusive to Walmart, was ranked as the number one bathroom tissue by a leading U.S. consumer magazine.

"In February 2013 we announced the completion of the construction phase of the TAD Project on time and on budget, which represents an important milestone considering the scale of this project. As expected, the start-up phase of the TAD Project will have a negative impact on EBITDA in the first half of 2013 and we anticipate a modest positive contribution for the year as a whole," Mr. Gosselin said.

"Our EBITDA in the first quarter of 2013 will continue to benefit from the business rationalization program implemented last year along with reduced management fees," said Mark Holbrook, CFO of KP Tissue and KPLP. "However these gains will be more than offset by the start-up costs of the TAD Project. Customer orders for TAD products commenced during the quarter and we have been filling the inventory pipeline."

KPLP Q4 2012 Financial Results

Revenue in Q4 2012 was $242.9 million, an increase of 0.8 percent compared to Q4 2011. Compared to Q4 2011, revenue was positively impacted by volume and mix changes, partially offset by a decline in average selling prices primarily as a result of the decline in pulp prices during fiscal 2012. The increases in revenue compared to Q4 2011 were driven primarily by increases in Consumer segment revenue, partially offset by declines in Other segment revenue primarily as a result of the decision to cease production of parent rolls for sale.

Cost of sales was $172.5 million in Q4 2012, compared to $175.9 million in Q4 2011. As a percentage of revenue, compared to Q4 2011, cost of sales decreased to 71.0% from 73.0% primarily due to lower fibre and energy costs, partially offset by higher plant maintenance expenses.

Operating expenses were $59.8 million in Q4 2012, compared to $49.3 million in Q4 2011. Compared to Q4 2011, operating expenses increased primarily due to higher sales and marketing related expenses and costs associated with transitioning to a public entity along with start-up costs related to the TAD Project.

EBITDA in Q4 2012 was $22.9 million, compared to $24.3 million in Q4 2011. EBITDA in Q4 2012 included $3.9 million of expenses related to the initial public offering, reorganization and TAD Project start-up. Compared to Q4 2011, EBITDA decreased primarily due to an increase in operating expenses, partially offset by higher sales volumes and lower fibre and energy costs. Cost increases within cost of sales and operating expenses in Q4 2012 were driven by seasonally higher advertising and promotion and plant maintenance expenses.

Net income in Q4 2012 was $6.9 million, compared to $5.8 million in Q4 2011. Compared to Q4 2011, net income increased primarily due to a deferred tax credit related to the U.S. operations in Q4 2012, while EBITDA declined slightly.

The cash balance as of December 31, 2012 was $121.5 million, up from $28.7 million as of September 23, 2012. On a sequential basis, the increase in cash was primarily driven by net cash of $113.6 million generated from the initial public offering and debt proceeds related to the TAD Project, and cash from operations of $44.1 million driven by EBITDA and improvements in working capital. The increase was partially offset by capital expenditures of $64.6 million, of which $58.4 million related to the TAD Project and $6.2 million related to existing sites. This compared to capital expenditures in Q4 2011 of $62.2 million, of which $51.5 million related to the TAD Project and $10.7 million related to existing sites.

The remaining capital expenditures related to the TAD Project are intended to be funded primarily from cash on hand in order to limit the use of the TAD Credit Facility to U.S$125 million.

KPLP Full Year Financial Results

Revenue was $922.9 million in fiscal 2012 compared to $892.6 million in fiscal 2011. The increase in revenue was primarily due to the positive impacts of volume and mix changes and an increase in average selling prices.

EBITDA was $111.3 million in fiscal 2012 compared to $81.9 million in fiscal 2011. The increase in EBITDA was primarily driven by the increase in revenue and lower cost of sales primarily due to reduced fibre and energy costs, partially offset by an increase in operating expenses primarily due to higher sales and marketing related expenses and costs associated with transitioning to a public entity along with start-up costs related to the TAD Project. EBITDA in fiscal 2012 included $3.6 million related to TAD Project start-up costs, $0.7 million of non-recurring public company costs, and a management fee of $9.2 million (to be reduced to $4.0 million in 2013). EBITDA in fiscal 2012 was also impacted by $6.4 million of the expected $11.9 savings from the Business Rationalization Project.

Net income was $46.6 million in fiscal 2012 compared to $28.6 million in fiscal 2011. The increase in net income was primarily due to higher EBITDA and a deferred tax credit recorded in fiscal 2012 compared to income tax expense in fiscal 2011, partially offset by an increase in interest expense and charges related to the Business Rationalization Project.

Partnership Units

KPLP has a contractual obligation which has been publicly disclosed to make partnership distributions sufficient to pay KPT's Canadian federal and provincial income taxes. KPLP has reclassified a portion of its equity as a liability in respect of this obligation for accounting purposes, which does not change the rights of or obligations owed to the partners of KPLP or change the financial statements of KPT. Refer to KPT's Management Discussion and Analysis to be filed on SEDAR at www.sedar.com for additional details.

Dividends on Common Shares

The Board of Directors of KP Tissue Inc. declared a dividend of $0.217 per share to be paid on April 15, 2013 to shareholders of record at the close of business on April 8, 2013. The dividend relates to the period from the initial public offering on December 13, 2012 to March 31, 2013.

Conference Call Information

KPT will hold its conference call on Wednesday, March 27, 2013 at 8:30 a.m. Eastern Time.

Details of conference call:

Via telephone: 1-888-231-8191 or 647-427-7450
Via the internet at: www.kptissueinc.com

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

Conference Call Rebroadcast

A rebroadcast of the conference call will be available until midnight, April 27, 2013 by dialing 1-855-859-2056 or 416-849-0833 and entering passcode 20621182.

The replay of the webcast will remain available on the web site until midnight, April 27, 2013.

About KP Tissue Inc.

KPT was created to acquire, and its business is limited to holding, a limited partnership interest in KPLP. For more information visit www.kptissueinc.com.

About Kruger Products L.P.

Kruger Products L.P. is Canada's leading manufacturer of quality tissue products for household, industrial and commercial use. Kruger Products L.P. serves the Canadian consumer market with such well-known brands as Cashmere®, Purex®, SpongeTowels®, Scotties®' and White Swan®. In the U.S., Kruger Products L.P. manufactures the White Cloud® brand, as well as many private label products. Kruger Products L.P. has approximately 2,300 employees across North America and operates five FSC® CoC- certified mills, four of which are located in Canada and one in the US. 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. 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. “EBITDA” is calculated by KPLP as net income (loss) before (i) interest expense, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) impairment of non-financial assets, (vi) loss (gain) on disposal of property, plant and equipment, (vii) unrealized foreign exchange loss (gain), and (viii) one-time costs related to the Business Rationalization Project. A reconciliation of EBITDA to the relevant reported results can be found in the Management’s Discussion and Analysis of KPT and KPLP for the fourth quarter and fiscal year ended December 31, 2012 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 start-up of the TAD Project on EBITDA, the benefits of the business rationalization program and the funding of remaining capital expenditures relating to the TAD Project. 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.

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 final prospectus dated December 5, 2012: 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; actual results achieved may differ from financial outlook; operational risks; Gatineau Plant land lease; significant increases in prices; 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.

Kruger Products L.P.

Condensed Consolidated Statements of Financial Position

(thousands of Canadian dollars)

	December 31, 2012	December 31, 2011
	$	$
Assets		
Current assets		
Cash and cash equivalents	121,489	31,797
Trade and other receivables	94,308	88,948
Receivables from related parties	668	730
Inventories	116,873	139,728
Income tax recoverable	2,872	447
Prepaid expenses	4,413	5,422
	340,623	267,072
Non-current assets		
Property, plant & equipment	580,814	424,194
Other long-term assets	6,236	10,959
Goodwill	152,021	152,021
Intangible assets	13,828	14,307
Deferred income taxes	1,178	-
Total assets	1,094,700	868,553
Liabilities		
Current liabilities		
Trade and other payables	186,309	151,746
Payables to related parties	9,057	9,407
Current portion of provisions	3,719	1,644
Current portion of long-term debt	3,802	-
	202,887	162,797
Non-current liabilities		
Long-term debt	323,885	251,748
Other long-term liabilities	544	1,320
Provisions	5,506	3,562
Pensions	148,989	123,090
Post-retirement benefits	48,302	46,497

Deferred income taxes	-	1,618
Liabilities to non-unitholders	730,113	590,632
Partnership units	118,562	-
Total Liabilities	848,675	590,632
Equity		
Partnership units	257,516	-
Equity	-	279,209
Accumulated deficit	(14,736)	-
Accumulated other comprehensive loss	3,245	(1,288)
Total equity	246,025	277,921
Total equity and liabilities	1,094,700	868,553

Kruger Products L.P.

Condensed Consolidated Statements of Comprehensive Loss

(thousands of Canadian dollars)

	Quarter ended		Year ended	
	December 31, 2012	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**
	$	**$**	**$**	**$**
Revenue	242,903	241,071	922,874	892,582
Expenses				
Cost of sales	172,549	175,904	645,826	658,453
Operating expenses	59,759	49,306	194,898	182,429
Impairment of non-financial assets	(1,292)	2,662	4,608	2,662
Restructuring costs	791	-	9,391	-
Operating income	11,096	13,199	68,151	49,038
Interest expense	6,580	7,024	23,027	19,166
Income before income taxes	4,516	6,175	45,124	29,872
Income taxes	(2,380)	397	(1,428)	1,253
Net income for the period	6,896	5,778	46,552	28,619
Other comprehensive income (loss)				
Actuarial gains (losses) on pensions	11,675	(6,644)	(44,496)	(56,782)
Actuarial gains (losses) on post-retirement benefits	4,693	(4,240)	(102)	(5,432)
Cumulative translation adjustment	3,245	(1,607)	(3,969)	2,461
Total other comprehensive income (loss) for the period	19,613	(12,491)	(48,567)	(59,753)
Comprehensive income (loss) for the period	26,509	(6,713)	(2,015)	(31,134)

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

	Quarter ended		Year ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	$	$	$	$
Cash flows from operating activities				
Net income for the period	6,896	5,778	46,552	28,619
Items not affecting cash				
Depreciation	10,755	8,478	28,331	30,439
Amortization	146	273	530	413
Loss on sale of property, plant and equipment	622	123	1,060	123
Unrealized foreign exchange (gain) loss	773	(493)	(777)	(811)
Interest expense	6,580	7,024	23,027	19,166
Pension and post retirement benefits	2,338	1,814	9,041	7,272
Provisions	154	5	9,613	703
Deferred income taxes	(3,084)	185	(2,772)	648
Current income taxes	704	212	1,344	605
Impairment of non-financial assets	(1,292)	2,662	4,608	2,662
Total items not affecting cash	17,696	20,283	74,005	61,220
Net change in non-cash working capital	29,606	50,799	39,906	18,513
Contributions to pension and post-retirement benefit plans	(7,569)	(9,392)	(29,707)	(33,418)
Provisions and other liabilities	(2,336)	(2,083)	(7,245)	(2,083)
Income tax payments	367	(325)	(360)	(678)
Net cash from operating activities	44,660	65,060	123,151	72,173
Cash flows used in investing activites				
Purchase of property, plant & equipment	(6,157)	(8,458)	(17,652)	(22,994)
Purchases of through-air-	(54,056)	(51,473)	(161,155)	(84,124)

dried (TAD) expansion				
Purchases of software	(51)	(2,277)	(51)	(2,277)
Interest paid on TAD expansion	(4,320)	-	(6,125)	-
Proceeds on sale of property, plant and equipment	16	-	199	-
Net cash used in investing activities	(64,568)	(62,208)	(184,784)	(109,395)
Cash flows from financing activities				
Proceeds from credit facilities	51,830	34,566	145,957	209,566
Repayment of credit facilities	(27,096)	(10,408)	(65,000)	(132,483)
Transfer of assets to related parties	2,000	(2,868)	(209)	(547)
Payment of deferred financing fees	(26)	(9,027)	(26)	(16,611)
Interest paid on credit facilities	(3,290)	(3,357)	(17,720)	(12,584)
Proceeds from issuing partnership units	128,890	-	128,890	-
Distributions paid	(40,000)	-	(40,000)	-
Settlement of interest rate swap contract	-	-	(413)	-
Net cash from financing activities	112,308	8,906	151,479	47,341
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	342	(310)	(154)	193
Decrease in cash and cash equivalents during the period	92,742	11,448	89,692	10,312
Cash and cash equivalents - Beginning of period	28,747	20,349	31,797	21,485
Cash and cash equivalents - End of period	121,489	31,797	121,489	31,797

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

	Quarter ended		Year ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	$	$	$	$
Segment Information				
Segment Revenue				
Consumer	199,099	187,533	745,548	705,287
AFH	41,708	42,398	156,632	151,268
Other	2,096	11,140	20,694	36,027
Total segment revenue	242,903	241,071	922,874	892,582
Segment EBITDA				
Consumer	24,504	25,835	114,003	87,581
AFH	(1,795)	142	3,073	1,985
Other	182	(1,735)	(5,782)	(7,702)
Total segment EBITDA	22,891	24,242	111,294	81,864
Reconciliation to Net Income:				
Interest expense	6,580	7,024	23,027	19,166
Depreciation and amortization	10,901	8,751	28,861	30,852
Unrealized foreign exchange gain	773	(493)	(777)	(811)
One-time costs related to the Business Rationalization Project	791	-	9,391	-
Impairment of non-financial assets	(1,292)	2,662	4,608	2,662
Loss on disposal of property, plant and equipment	622	123	1,060	123
Income before income taxes	4,516	6,175	45,124	29,872
Income taxes	(2,380)	397	(1,428)	1,253
Net income for the period	6,896	5,778	46,552	28,619

Geographic Revenue

Canada	176,903	170,917	662,952	641,669
U.S.	58,135	63,179	231,532	233,045
Mexico	7,865	6,975	28,390	17,868
Total Revenue	242,903	241,071	922,874	892,582

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

	December 31, 2012
	$
Assets	
Non-current assets	
Investment in associate	140,774
Total Assets	140,774
Liabilities	
Non-current liabilities	
Deferred income taxes	52
Total liabilities	52
Equity	
Common shares	140,000
Accumulated other comprehensive loss	627
Retained earnings	95
Total equity	140,722
Total liabilities and equity	140,774

KP Tissue Inc.
Condensed Statement of Comprehensive Income
(thousands of Canadian dollars)

	2012 $
Equity income	201
Income before income taxes	201
Income taxes	
Deferred	52
Net income for the period	149
Other comprehensive income	
Actuarial gains on pensions	341
Actuarial gains on post-retirement benefits	137
Cumulative translation adjustment	95
Total other comprehensive income for the period	573
Comprehensive income for the period	722
Basic earnings per share	**0.02**

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

	2012 $
Cash flows from operating activities	
Net income for the period	149
Items not affecting cash	
Equity income	(201)
Deferred income taxes	52
Net cash from operating activities	-
Cash flows used in investing activities	
Investment in associate	(140,000)
Net cash used in investing activities	(140,000)
Cash flows from financing activities	
Issuance of common shares	140,000
Net cash from financing activities	140,000
Decrease in cash and cash equivalents during the period	-
Cash and cash equivalents - Beginning of period	-
Cash and cash equivalents - End of period	-

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