



NEWS RELEASE
For immediate release

KP Tissue Releases First Quarter 2019 Financial Results

Strong Revenue Growth, Cost Challenges Continue

Mississauga (ON), May 10, 2019 - KP Tissue Inc. (KPT) (TSX: KPT) reports the Q1 2019 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 15.5% interest in KPLP.

KPLP Q1 2019 Business and Financial Highlights

- Revenue increased by 8.4% to \$351.0 million in Q1 2019 compared to Q1 2018
- Adjusted EBITDA was \$23.6 million in Q1 2019 compared to \$30.7 million in Q1 2018
- Pulp costs remained high in the quarter
- TAD Sherbrooke Project progressing on time and on budget
- Declared a quarterly dividend of \$0.18 per share to be paid on July 15, 2019

"In the first quarter we posted solid revenue growth driven by both higher volume and the benefit from price increases. Given higher year-over-year input costs, we are very pleased by the performance of our consumer segment supported by the strength of our brand recognition and position. However, the Away-from-Home segment recorded disappointing results as it was negatively impacted by input costs, capacity-driven cost challenges and a competitive market, indicated Dino Bianco, CEO.

"In recent weeks, we started the site excavation for the TAD Sherbrooke Project. At this time, we have also purchased or contracted for most of the assets required for the project. In fact, this year we expect to invest between \$250 and \$275 million of the total project cost of \$575 million.

"Looking forward, we have prioritized some operational excellence initiatives across the business, which we anticipate benefiting from in the second half of the year. We continue to invest in our business to build long-term value," concluded Mr. Bianco.

Outlook

KPLP will benefit from the Consumer Canada price increase implemented in Q4 2018, along with the Consumer US and Away-From-Home price increases announced in 2019. These price increases combined with cost reduction initiatives are expected to largely offset the continued high input costs and unfavourable impacts of foreign exchange fluctuations. For Q2 2019, Adjusted EBITDA is forecast to show sequential improvement compared to Q1 2019 while being lower than Q2 2018.

KPLP Q1 2019 Financial Results

Revenue was \$351.0 million in Q1 2019 compared to \$323.7 million in Q1 2018, an increase of \$27.3 million or 8.4%. The increase in revenue was primarily due to the favourable impact of increased sales volume, the Consumer Canada price increase implemented in Q4 2018 and the benefit of foreign exchange fluctuations on U.S. sales.

Cost of sales was \$320.1 million in Q1 2019 compared to \$286.0 million in Q1 2018, an increase of \$34.1 million or 11.9%. Manufacturing costs increased primarily due to increased sales volume, significantly higher pulp costs, the unfavourable impact of foreign exchange fluctuations on USD denominated costs and the cost of outsourced manufacturing. Freight costs were essentially flat in Q1 2019 compared to Q1 2018 and warehousing costs increased. As a percentage of revenue, cost of sales were 91.2% in Q1 2019 compared to 88.4% in Q1 2018.

Selling, general and administrative (SG&A) expenses were \$22.1 million in Q1 2019 compared to \$22.5 million in Q1 2018, a decrease of \$0.4 million or 2.0%. The decrease was primarily due to lower advertising and promotion expenses. As a percentage of revenue, SG&A expenses were 6.3% in Q1 2019 compared to 6.9% in Q1 2018.

Adjusted EBITDA was \$23.6 million in Q1 2019 compared to \$30.7 million in Q1 2018, a decrease of \$7.1 million. The decrease was primarily due to significantly higher costs for pulp and unfavourable net foreign exchange, which were partially offset primarily by higher sales volume and pricing.

Net loss was \$3.2 million in Q1 2019 compared to net income of \$1.6 million in Q1 2018, a decrease of \$4.8 million. The decrease was primarily due to lower Adjusted EBITDA of \$7.1 million as discussed above and a lower income tax recovery in Q1 2019 compared to Q1 2018 of \$0.9 million, partially offset by a positive change in amortized cost of Partnership units liability of \$1.2 million, a decrease in interest expense of \$1.4 million and lower depreciation expense of \$0.6 million.

Total liquidity, representing cash and cash equivalents and availability under the credit line within covenant limitations, was \$167.5 million as of March 31, 2019, compared to \$178.7 million as of December 31, 2018. The March 31, 2019 balance includes \$119.5 million of cash and cash equivalents held by KPSI and committed to the TAD Sherbrooke Project.

KPT Q1 2019 Financial Results

KPT had a net loss of \$2.0 million in Q1 2019. Included in the net loss was \$0.5 million representing KPT's share of KPLP's loss, depreciation expense of \$1.4 million related to adjustments to carrying amounts on acquisition and an income tax expense of \$0.1 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, 2019 to shareholders of record at the close of business on June 28, 2019.

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 31, 2019 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 Friday, May 10, 2019 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, May 17, 2019 by dialing 1-800-585-8367 or 416-621-4642 and entering passcode 1389777.

The replay of the webcast will remain available on the website until midnight, May 17, 2019.

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 15.5% 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 eight FSC® COC-certified (FSC® C-104904) production facilities in North America. 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 have referenced Adjusted EBITDA as a non-IFRS financial measure. This term replaces the previously referenced non-IFRS financial measure EBITDA. 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, (x) change in fair value of derivatives, and (xi) one-time consulting costs related to operational transformation initiatives. 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 31, 2019 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. Forward-looking statements in this press release include, but are not limited to, statements regarding the projected capacity of the TAD Sherbrooke Project, the anticipated benefits of the TAD Sherbrooke Project and the expected dates for commencement of construction and production of the TAD Sherbrooke Project. 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 statements are based on certain key expectations and assumptions made by KPT or KPLP. Although KPT and KPLP believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking statements 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 2019 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 KPT's economic interest in KPLP), to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the "Risk Factors – Risks Related to KPLP's Business" section of the KPT Annual Information Form dated March 8, 2019 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 Sherbrooke 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; covenant compliance; interest rate and refinancing risk; and risks relating to information technology; cyber-security; insurance; internal controls; and trade.

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)

	March 31, 2019	Restated December 31, 2018	Restated January 1, 2018
	\$	\$	\$
Assets			
Current assets			
Cash and cash equivalents	142,143	169,884	8,837
Trade and other receivables	136,879	127,633	113,194
Receivables from related parties	177	172	85
Current portion of advances to partners	268	-	1,928
Inventories	206,631	202,916	192,394
Income tax recoverable	-	362	522
Prepaid expenses	11,024	4,065	5,509
	<u>497,122</u>	<u>505,032</u>	<u>322,469</u>
Non-current assets			
Advances to partners	-	1,704	4,489
Property, plant and equipment	782,842	786,022	761,610
Right-of-use assets	91,322	94,247	99,174
Other long-term assets	6,359	10	6,331
Goodwill	160,939	160,939	160,939
Intangible assets	15,780	14,924	15,327
Deferred income taxes	33,835	33,440	26,092
Total assets	<u><u>1,588,199</u></u>	<u><u>1,596,318</u></u>	<u><u>1,396,431</u></u>
Liabilities			
Current liabilities			
Bank indebtedness	7,138	-	9,051
Trade and other payables	208,788	238,856	190,698
Payables to related parties	6,787	5,620	2,596
Income tax payable	608	80	498
Distributions payable	10,880	10,723	10,382
Current portion of provisions	238	292	333
Current portion of long-term debt	13,755	13,939	190,947
Current portion of lease liabilities	15,974	16,178	15,169
	<u>264,168</u>	<u>285,688</u>	<u>419,674</u>
Non-current liabilities			
Long-term debt	590,811	563,955	225,368
Lease liabilities	96,232	98,952	104,888
Provisions	5,620	5,398	5,973
Pensions	103,376	104,939	119,558
Post-retirement benefits	56,378	54,051	60,457
Liabilities to non-unitholders	<u>1,116,585</u>	<u>1,112,983</u>	<u>935,918</u>
Current portion of Partnership units liability	6,187	-	1,928
Long-term portion of Partnership units liability	111,884	116,524	158,381
Total Partnership units liability	<u>118,071</u>	<u>116,524</u>	<u>160,309</u>
Total liabilities	<u><u>1,234,656</u></u>	<u><u>1,229,507</u></u>	<u><u>1,096,227</u></u>
Equity			
Partnership units	384,204	376,274	356,240
Deficit	(117,310)	(102,502)	(123,123)
Accumulated other comprehensive income	86,649	93,039	67,087
Total equity	<u><u>353,543</u></u>	<u><u>366,811</u></u>	<u><u>300,204</u></u>
Total equity and liabilities	<u><u>1,588,199</u></u>	<u><u>1,596,318</u></u>	<u><u>1,396,431</u></u>

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

	3-month period ended March 31, 2019 \$	Restated 3-month period ended April 1, 2018 \$
Revenue	350,977	323,735
Expenses		
Cost of sales	320,108	286,052
Selling, general and administrative expenses	22,056	22,934
Gain on sale of non-financial assets	-	(215)
Restructuring costs, net	65	-
Operating income	8,748	14,964
Interest expense	11,297	12,649
Other expense	849	1,788
Income (loss) before income taxes	(3,398)	527
Income taxes	(186)	(1,050)
Net income (loss) for the period	(3,212)	1,577
Other comprehensive income (loss)		
Items that will not be reclassified to net income (loss):		
Remeasurements of pensions	2,027	16,806
Remeasurements of post-retirement benefits	(2,130)	638
Items that may be subsequently reclassified to net income (loss):		
Cumulative translation adjustment	(6,390)	8,844
Total other comprehensive income (loss) for the period	(6,493)	26,288
Comprehensive income (loss) for the period	(9,705)	27,865

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

	3-month period ended March 31, 2019 \$	Restated 3-month period ended April 1, 2018 \$
Cash flows from (used in) operating activities		
Net income (loss) for the period	(3,212)	1,577
Items not affecting cash		
Depreciation	14,380	15,198
Amortization	362	295
Loss (gain) on sale of property, plant and equipment	(5)	434
Change in amortized cost of Partnership units liability	1,547	2,678
Foreign exchange gain	(698)	(241)
Change in fair value of derivatives	-	(649)
Interest expense	11,297	12,649
Pension and post-retirement benefits	2,445	3,344
Provisions	170	48
Income taxes	(186)	(1,050)
Gain on sale of non-financial assets	-	(215)
Total items not affecting cash	<u>29,312</u>	<u>32,491</u>
Net change in non-cash working capital	(52,625)	(36,621)
Contributions to pension and post-retirement benefit plans	(3,112)	(3,987)
Provisions paid	(65)	(41)
Income tax payments	<u>(259)</u>	<u>(352)</u>
Net cash used in operating activities	<u>(29,961)</u>	<u>(6,933)</u>
Cash flows from (used in) investing activities		
Purchases of property, plant and equipment	(5,521)	(15,718)
Purchases of property, plant and equipment related to the TAD2 project	(11,116)	-
Interest paid on credit facilities related to the TAD2 project	(684)	-
Purchases of software	(1,218)	-
Proceeds on sale of property, plant and equipment	<u>5</u>	<u>331</u>
Net cash used in investing activities	<u>(18,534)</u>	<u>(15,387)</u>
Cash flows from (used in) financing activities		
Proceeds from long-term debt	24,777	38,050
Repayment of long-term debt	(1,254)	(285)
Payment of deferred financing fees	(286)	(232)
Payment of lease liabilities	(4,225)	(3,719)
Interest paid on long-term debt	(2,588)	(3,240)
Distributions and advances paid, net	<u>(1,970)</u>	<u>(7,025)</u>
Net cash from financing activities	<u>14,454</u>	<u>23,549</u>
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	<u>(838)</u>	<u>322</u>
Increase (decrease) in cash and cash equivalents during the period	(34,879)	1,551
Cash and cash equivalents - Beginning of period	<u>169,884</u>	<u>(214)</u>
Cash and cash equivalents - End of period	<u><u>135,005</u></u>	<u><u>1,337</u></u>

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

	3-month period ended March 31, 2019	Restated 3-month period ended April 1, 2018
	\$	\$
	<hr/>	<hr/>
<i>Segment Information</i>		
Segment Revenue		
Consumer	296,184	270,210
AFH	54,793	53,525
Total segment revenue	<hr/> <u>350,977</u>	<hr/> <u>323,735</u>
Segment Adjusted EBITDA		
Consumer	30,092	31,067
AFH	(6,584)	250
Other	42	(641)
Total segment Adjusted EBITDA	<hr/> <u>23,550</u>	<hr/> <u>30,676</u>
Reconciliation to Net Income (Loss):		
Depreciation and amortization	14,742	15,493
Interest expense	11,297	12,649
Change in amortized cost of Partnership units liability	1,547	2,678
Change in fair value of derivatives	-	(649)
(Gain) loss on sale of property, plant and equipment	(5)	434
Gain on sale of non-financial assets	-	(215)
Restructuring costs, net	65	-
Foreign exchange gain	(698)	(241)
Income (loss) before income taxes	<hr/> <u>(3,398)</u>	<hr/> <u>527</u>
Income taxes	(186)	(1,050)
Net income (loss)	<hr/> <u>(3,212)</u>	<hr/> <u>1,577</u>
Geographic Revenue		
Canada	197,417	188,653
U.S.	127,512	115,552
Mexico	26,048	19,530
Total revenue	<hr/> <u>350,977</u>	<hr/> <u>323,735</u>

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

	March 31, 2019	Restated December 31, 2018	Restated January 1, 2018
	\$	\$	\$
Assets			
Current assets			
Distributions receivable	1,705	1,694	1,658
Receivable from Partnership	313	269	-
Income tax recoverable	230	230	826
	<u>2,248</u>	<u>2,193</u>	<u>2,484</u>
Non-current assets			
Investment in associate	95,122	99,421	94,952
Total Assets	<u><u>97,370</u></u>	<u><u>101,614</u></u>	<u><u>97,436</u></u>
Liabilities			
Current liabilities			
Dividend payable	1,705	1,694	1,658
Payable to Partnership	-	-	52
Current portion of advances from Partnersh	269	-	309
	<u>1,974</u>	<u>1,694</u>	<u>2,019</u>
Non-current liabilities			
Advances from Partnership	-	269	731
Deferred income taxes	3,509	3,634	515
Total liabilities	<u>5,483</u>	<u>5,597</u>	<u>3,265</u>
Equity			
Common shares	17,683	17,090	15,014
Contributed surplus	144,819	144,819	144,819
Deficit	(85,892)	(82,269)	(77,706)
Accumulated other comprehensive income	15,277	16,377	12,044
Total equity	<u>91,887</u>	<u>96,017</u>	<u>94,171</u>
Total liabilities and equity	<u><u>97,370</u></u>	<u><u>101,614</u></u>	<u><u>97,436</u></u>

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

	3-month period ended March 31, 2019	3-month period ended April 1, 2018
	<u>\$</u>	<u>\$</u>
Equity loss	(1,949)	(1,202)
Dilution gain	89	43
Loss before income taxes	(1,860)	(1,159)
Income taxes	92	(321)
Net loss for the period	<u>(1,952)</u>	<u>(838)</u>
Other comprehensive income (loss)		
net of tax expense (recovery)		
Items that will not be reclassified to net loss:		
Remeasurements of pensions	277	2,332
Remeasurements of post-retirement benefits	(196)	89
Items that may be subsequently reclassified to net loss:		
Cumulative translation adjustment	(1,100)	1,472
Total other comprehensive income (loss) for the period	<u>(1,019)</u>	<u>3,893</u>
Comprehensive income (loss) for the period	<u>(2,971)</u>	<u>3,055</u>
Basic loss per share	<u>(0.21)</u>	<u>(0.09)</u>
Weighted average number of shares outstanding	<u>9,464,356</u>	<u>9,245,170</u>

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

	3-month period ended March 31, 2019 \$	3-month period ended April 1, 2018 \$
Cash flows from (used in) operating activities		
Net loss for the periods	(1,952)	(838)
Items not affecting cash		
Equity loss	1,949	1,202
Dilution gain	(89)	(43)
Income taxes	92	(321)
Total items not affecting cash	1,952	838
Tax payments	-	(244)
Advances received	-	244
Net cash from (used in) operating activities	-	-
Cash flows from investing activities		
Partnership unit distributions received	1,148	1,144
Net cash from investing activities	1,148	1,144
Cash flows used in financing activities		
Dividends paid	(1,148)	(1,144)
Net cash used in financing activities	(1,148)	(1,144)
Increase (decrease) in cash and cash equivalents during the period	-	-
Cash and cash equivalents - Beginning of period	-	-
Cash and cash equivalents - End of period	-	-