

KRUGER PRODUCTS SUCCESSFULLY STARTS UP TAD TISSUE PLANT IN SHERBROOKE AND ANNOUNCES \$240 MILLION EXPANSION PROJECT

Sherbrooke (Québec), February 26, 2021 – KP Tissue Inc. (“KPT”) (TSX: KPT) and Kruger Products L.P. (“KPLP”) today announced the completion of construction and successful start-up of their state-of-the-art Sherbrooke manufacturing facility featuring Canada’s largest and most modern through-air-dry (TAD) tissue machine. The new facility also comprises three converting lines which have been successfully commissioned.

“I congratulate everyone involved in building our new Sherbrooke Plant,” said Dino Bianco, CEO of Kruger Products. “Considering the circumstances of the pandemic, it was an incredible feat to complete this massive project on time and on budget. It makes me very proud to be part of this organization and to be surrounded by dedicated and resourceful people who thrive on innovation and are committed to excellence. On behalf of the entire Kruger Products team, I would like to extend a warm welcome and congratulations to the 180 new employees who have joined our team.”

At maturity, the TAD tissue machine will increase the Company’s annual output by approximately 70,000 metric tonnes of bathroom tissue and paper towels for the Canadian and U.S. markets.

Announcing an additional \$240M tissue investment

Kruger Products also announced today a further investment of \$240M to expand the Sherbrooke operation with new production lines as well as the construction of a new tissue manufacturing facility over the next three years. This investment is part of the Company’s broader focus on expanding its business and continuing to offer high quality tissue products to customers across North America. The investment announced today is supported by the Government of Québec through *Investissement Québec* (“IQ”) which is investing \$165M in loans.

“We couldn’t be more pleased to be making this additional investment as part of our strategic growth plan. Sherbrooke will become a major production hub that will work together with our existing facilities to reach our North American markets,” said Mr. Bianco.

The additional capacity will allow Kruger Products to expand its product offering and is expected to enable it to grow its market share across its different categories, including bathroom tissue, paper towels and facial tissue for household and away-from-home use. These are available to consumers under such favourite brands as Cashmere®, SpongeTowels®, Scotties® and Purex® in Canada, and White Cloud® in the U.S.

Project Details

As part of the \$240M investment, the Company plans to add a bathroom tissue converting line to the existing Sherbrooke plant (the "BT Line"), as well as build a new facility that will house an LDC tissue machine (the "LDC Machine") and a facial tissue converting line (the "FT Line").

Construction of this facility is anticipated to start in the summer of 2022 on a site adjacent to the Sherbrooke plant. The BT Line and the FT Line will be commissioned in 2022 and 2023 respectively, while the LDC Machine is expected to start up a year later, in 2024.

LDC, which stands for light dry crepe, is one of the most widely used tissue making technologies in the world. At maturity, the LDC Machine is expected to increase the Company's annual output by at least 30,000 MT. This project is also expected to result in the creation of 141 jobs which will add to the 180 jobs already created by the previous TAD project.

In addition to creating jobs, the project will bring significant benefits to the region in terms of direct spending estimated at \$110M and close to 410,000 person-hours for the construction of the new building and installation of the LDC Machine and two additional converting lines.

Financing Details

The \$240M project is expected to be financed 100% with debt. IQ has agreed to invest \$165M in the project as follows: (i) \$118M, by way of a \$75M convertible debenture and a \$43M subordinated loan to Kruger Products SB Inc. ("KPSB"), a newly created wholly owned subsidiary of KPLP which will operate the LDC machine and FT Line in the new facility, and (ii) \$47M by way of a subordinated loan to Kruger Products Sherbrooke Inc. ("KPSI"), which operates the Sherbrooke TAD facility. The debenture and loans have a ten year term.

As part of the commitment of the IQ financing, KPLP will be required to make annual payments of \$5.8M to Kruger Brompton L.P. ("KBLP") over a 10 year period in exchange for access to shared infrastructure and services, the transfer of properties to complete the project and KBLP's facilitation of the capital and financing structure for the project. The remaining \$75M required for the project is expected to be financed by a senior bank facility.

National Bank Financial acted as exclusive financial advisor to KPLP on the transaction.

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 Sherbrooke plant and the Sherbrooke project, the anticipated benefits of the Sherbrooke plant and the Sherbrooke project and the expected dates for commencement of construction and production of the 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.

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 30, 2020 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 Sherbrooke plant and project; operational risks; 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; risks relating to information technology; cyber-security; insurance; internal controls; trade; and risks related to COVID-19.

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.

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 14.7% 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 2,700 employees and operates eight FSC® COC-certified (FSC® C-104904) production facilities in North America. For more information visit www.krugerproducts.ca.

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