



NEWS RELEASE
For immediate release

KP Tissue Releases First Quarter 2020 Financial Results

Strong Results Driven by Higher Volume

Mississauga (ON), May 8, 2020 - KP Tissue Inc. (KPT) (TSX: KPT) reports the Q1 2020 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 14.8% interest in KPLP.

KPLP Q1 2020 Business and Financial Highlights

- Revenue increased by \$24.1 million or 6.9% to \$375.1 million in Q1 2020 compared to \$351.0 million in Q1 2019. Excluding the divested Mexico business, Q1 2020 revenue increased by \$50.2 million or 15.5%.
- Adjusted EBITDA was \$51.0 million in Q1 2020 compared to \$23.6 million in Q1 2019, an increase of 116.4%.
- TAD Sherbrooke site temporarily shutdown for one month due to COVID-19 pandemic, progressing well after restart.
- Declared a quarterly dividend of \$0.18 per share to be paid on July 15, 2020.

"In response to COVID-19, our company activated our pandemic response and business continuity plans early to ensure we could meet the increased demands while keeping our people safe. Our primary focus is on the safety of our people and we implemented significant practices to ensure we meet this challenge. On business continuity we have built several contingency plans and increased raw material supplies to manage any potential disruption," stated KP Tissue Chief Executive Officer, Dino Bianco.

"We no doubt had an exceptional quarter driven by unprecedented consumer demand for all our products due to the COVID-19 pandemic. As a result, Adjusted EBITDA was \$51.0 million, up 116% over last year. We are proud that our employees successfully managed the tremendous surge in demand, under very challenging conditions and with all the uncertainty surrounding the COVID-19 crisis. Our plants ran full out to keep pace and performed very well, so we could continue to deliver essential products to our valued customers and consumers. This performance also reflects the benefits and progress of the OpEx program put in place early last year.

"We saw increased demand in all our categories as consumers stocked up and used more product at home given work from home mandates and increased hygiene, particularly in paper towels and facial tissue. We expect this demand spike will partially reverse in the coming months as consumers get back to work and are well stocked on tissue products. The Away-from-Home ("AFH") segment is expected to face strong headwinds as end user markets have been severely impacted by COVID-19.

"Work on the TAD Sherbrooke construction site was temporarily halted for COVID-19 but resumed in late April. At this stage, we believe this interruption will not have any material impact on the timeline and budget of this project. The pandemic has clearly heightened the strategic importance of the TAD Sherbrooke facility and the new capacity it provides," concluded Mr. Bianco.

Outlook

Our business remains strong based on high demand for our products, particularly in the Consumer segment, and continued favourable input costs compared to 2019. Considering the risk and uncertainties associated with the COVID-19 pandemic and the impacts it could have on our operations, the company is providing the following general range of guidance for Q2 2020. The Adjusted EBITDA is expected to be in a range that is lower than Q1 2020 and higher than Q2 2019.

KPLP Q1 2020 Financial Results

Revenue was \$375.1 million in Q1 2020 compared to \$351.0 million in Q1 2019, an increase of \$24.1 million or 6.9%. The increase in revenue was primarily due to volume increases in Canada and the U.S., resulting primarily from COVID-19 buying

activity, and the impact of favourable sales mix, partially offset by lower prices in the Consumer segment and no volume from Mexico as a result of the share sale at the end of Q3 2019. Mexico revenue in Q1 2019 was \$26.1 million. Excluding the Mexico business, revenue increased by \$50.2 million or 15.5%.

Cost of sales was \$314.5 million in Q1 2020 compared to \$320.1 million in Q1 2019, a decrease of \$5.6 million or 1.7%. Manufacturing costs decreased primarily due to favourable pulp costs and lower outsourced manufacturing activity compared to Q1 2019, partially offset by inflation and additional maintenance costs, in part due to precautions taken in our manufacturing facilities as a result of COVID-19. Freight and warehousing costs both increased compared to Q1 2019. As a percentage of revenue, cost of sales was 83.8% in Q1 2020 compared to 91.2% in Q1 2019.

Selling, general and administrative (SG&A) expenses were \$29.6 million in Q1 2020 compared to \$22.1 million in Q1 2019, an increase of \$7.5 million or 34.4%. The increase was primarily due to higher compensation related costs compared to Q1 2019, higher selling expenses and increased advertising and promotion expenses. As a percentage of revenue, SG&A expenses were 7.9% in Q1 2020 compared to 6.3% in Q1 2019.

Adjusted EBITDA was \$51.0 million in Q1 2020 compared to \$23.6 million in Q1 2019, an increase of \$27.4 million or 116.4%. The increase was primarily due to higher sales volume and favourable sales mix, and the favourable impact of lower pulp prices and lower outsourced manufacturing compared to Q1 2019, partially offset by higher logistics and SG&A costs.

Net income was \$8.4 million in Q1 2020 compared to a net loss of \$3.2 million in Q1 2019, an increase of \$11.6 million. The increase was primarily due to higher Adjusted EBITDA, partially offset by a foreign exchange loss on USD debt, expense from the change in amortized cost of partnership units liability and consulting costs related to operational transformation initiatives.

KPLP Q1 2020 Financing Activity

In response to the uncertainty resulting from the COVID-19 pandemic, KPLP entered into discussions with the TAD Sherbrooke Borrowing Group lenders to amend certain terms of the agreement to provide greater flexibility for the project. As a result, the first amendment to the credit agreement was completed and closed on April 20, 2020 with an effective date of March 23, 2020.

Total liquidity, representing cash and availability under the Senior Credit Facility within covenant limitations, was \$217.7 million as of March 31, 2020. In addition, \$42.5 million of cash was held by KPSI and committed to the TAD Sherbrooke Project.

KPT Q1 2020 Financial Results

KPT had net income of \$1.7 million in Q1 2020. Included in net income was \$1.3 million representing KPT's share of KPLP's net income, depreciation expense of \$1.4 million related to adjustments to carrying amounts on acquisition and an income tax recovery of \$1.6 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, 2020 to shareholders of record at the close of business on July 3, 2020.

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, 2020 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 8, 2020 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 15, 2020 by dialing 1-800-585-8367 or 416-621-4642 and entering passcode 6936809.

The replay of the webcast will remain available on the website until midnight, May 15, 2020.

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 14.8% 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, (xi) consulting costs related to operational transformation initiatives, (xii) corporate development related costs and (xiii) loss (gain) on sale of shares. A reconciliation of Adjusted EBITDA to the relevant reported results can be found in the MD&A of KPT and KPLP for the year ended December 31, 2019 available on SEDAR at www.sedar.com.

COVID-19

In March 2020, the World Health Organization characterized the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19" as a global pandemic. This has resulted in the local governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses in the United States of America and Canada resulting in an economic slowdown. Equity markets have experienced significant volatility and weakness and the local governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. There is significant uncertainty as to the likely effects of this outbreak. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments to quantify the impact this pandemic may have on the financial results and condition of KPLP in future periods.

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 2020 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 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 TAD Sherbrooke 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.

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Kruger Products L.P.
Unaudited Condensed Consolidated Statement of Financial Position
(thousands of Canadian dollars)

	March 31, 2020	December 31, 2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	144,639	93,141
Trade and other receivables	124,623	89,236
Receivables from related parties	14	59
Current portion of advances to partners	-	80
Inventories	179,883	190,686
Income tax recoverable	-	466
Prepaid expenses	17,322	8,341
	<u>466,481</u>	<u>382,009</u>
Non-current assets		
Property, plant and equipment	1,030,114	935,010
Right-of-use assets	95,230	97,582
Other long-term assets	10	1,766
Goodwill	160,939	160,939
Intangible assets	15,988	15,317
Deferred income taxes	34,415	30,988
Total assets	<u><u>1,803,177</u></u>	<u><u>1,623,611</u></u>
Liabilities		
Current liabilities		
Trade and other payables	254,446	242,357
Payables to related parties	9,655	6,809
Income tax payable	629	325
Distributions payable	11,576	11,393
Current portion of provisions	1,805	759
Current portion of long-term debt	4,937	11,937
Current portion of lease liabilities	19,142	18,080
	<u>302,190</u>	<u>291,660</u>
Non-current liabilities		
Long-term debt	718,518	579,125
Lease liabilities	97,702	100,682
Provisions	6,683	6,148
Pensions	75,135	140,674
Post-retirement benefits	50,812	57,005
Liabilities to non-unitholders	<u>1,251,040</u>	<u>1,175,294</u>
Current portion of Partnership units liability	12,599	5,103
Long-term portion of Partnership units liability	128,333	138,412
Total Partnership units liability	<u>140,932</u>	<u>143,515</u>
Total liabilities	<u><u>1,391,972</u></u>	<u><u>1,318,809</u></u>
Equity		
Partnership units	418,987	408,978
Deficit	(113,501)	(183,188)
Accumulated other comprehensive income	105,719	79,012
Total equity	<u>411,205</u>	<u>304,802</u>
Total equity and liabilities	<u><u>1,803,177</u></u>	<u><u>1,623,611</u></u>

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

	3-month period ended March 31, 2020	3-month period ended March 31, 2019
	<u>\$</u>	<u>\$</u>
Revenue	375,146	350,977
Expenses		
Cost of sales	314,513	320,108
Selling, general and administrative expenses	29,634	22,056
Loss on sale of non-financial assets	1	-
Restructuring costs, net	<u>738</u>	<u>65</u>
Operating income	30,260	8,748
Interest expense	10,580	11,297
Other expense	<u>11,421</u>	<u>849</u>
Income (loss) before income taxes	8,259	(3,398)
Income taxes	<u>(129)</u>	<u>(186)</u>
Net income (loss) for the period	<u>8,388</u>	<u>(3,212)</u>
Other comprehensive income (loss)		
Items that will not be reclassified to net income (loss):		
Remeasurements of pensions	66,377	2,027
Remeasurements of post-retirement benefits	6,508	(2,130)
Items that may be subsequently reclassified to net income (loss):		
Cumulative translation adjustment	<u>26,707</u>	<u>(6,390)</u>
Total other comprehensive income (loss) for the period	<u>99,592</u>	<u>(6,493)</u>
Comprehensive income (loss) for the period	<u><u>107,980</u></u>	<u><u>(9,705)</u></u>

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

	3-month period ended March 31, 2020	3-month period ended March 31, 2019
	\$	\$
Cash flows from (used in) operating activities		
Net income (loss) for the period	8,388	(3,212)
Items not affecting cash		
Depreciation	16,445	14,380
Amortization	374	362
Gain on sale of property, plant and equipment	-	(5)
Change in amortized cost of Partnership units liability	2,520	1,547
Foreign exchange (gain) loss	9,261	(698)
Change in fair value of derivatives	(360)	-
Interest expense	10,580	11,297
Pension and post-retirement benefits	3,780	2,445
Provisions	1,755	170
Income taxes	(129)	(186)
Loss on sale of non-financial assets	1	-
Total items not affecting cash	44,227	29,312
Net change in non-cash working capital	(21,505)	(52,625)
Contributions to pension and post-retirement benefit plans	(4,085)	(3,112)
Provisions paid	(208)	(65)
Income tax payments	-	(259)
Net cash from (used in) operating activities	26,817	(29,961)
Cash flows from (used in) investing activities		
Purchases of property, plant and equipment	(4,046)	(5,521)
Purchases of property, plant and equipment related to the TAD Sherbrooke Project	(64,693)	(11,116)
Interest paid on credit facilities related to the TAD Sherbrooke Project	(2,150)	(684)
Purchases of software	(1,045)	(1,218)
Proceeds on sale of shares	992	-
Proceeds on sale of property, plant and equipment	-	5
Net cash used in investing activities	(70,942)	(18,534)
Cash flows from (used in) financing activities		
Proceeds from long-term debt	105,573	24,777
Repayment of long-term debt	(1,267)	(1,254)
Payment of deferred financing fees	(5)	(286)
Payment of lease liabilities	(4,491)	(4,225)
Interest paid on long-term debt	(1,920)	(2,588)
Distributions and advances paid, net	(6,497)	(1,970)
Net cash from financing activities	91,393	14,454
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	4,230	(838)
Increase (decrease) in cash and cash equivalents during the period	51,498	(34,879)
Cash and cash equivalents - Beginning of period	93,141	169,884
Cash and cash equivalents - End of period	144,639	135,005

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

	3-month period ended March 31, 2020	3-month period ended March 31, 2019
	\$	\$
<i>Segment Information</i>		
Segment Revenue		
Consumer	313,289	296,184
AFH	61,857	54,793
Total segment revenue	<u>375,146</u>	<u>350,977</u>
Adjusted EBITDA		
Consumer	54,349	30,092
AFH	(1,021)	(6,584)
Corporate and other costs	(2,377)	42
Total Adjusted EBITDA	50,951	23,550
Reconciliation to Net Income (Loss):		
Depreciation and amortization	16,819	14,742
Interest expense	10,580	11,297
Change in amortized cost of Partnership units liability	2,520	1,547
Change in fair value of derivatives	(360)	-
Gain on sale of property, plant and equipment	-	(5)
Loss on sale of non-financial assets	1	-
Restructuring costs, net	738	65
Foreign exchange (gain) loss	9,261	(698)
Consulting costs related to operational transformation initiatives	3,133	-
Income (loss) before income taxes	8,259	(3,398)
Income taxes	(129)	(186)
Net income (loss)	<u>8,388</u>	<u>(3,212)</u>
Geographic Revenue		
Canada	230,095	197,417
US	145,051	127,512
Mexico	-	26,048
Total revenue	<u>375,146</u>	<u>350,977</u>

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

	March 31, 2020	December 31, 2019
	<u>\$</u>	<u>\$</u>
Assets		
Current assets		
Distributions receivable	1,739	1,733
Receivable from Partnership	73	247
	<u>1,812</u>	<u>1,980</u>
Non-current assets		
Investment in associate	94,628	81,052
Total Assets	<u><u>96,440</u></u>	<u><u>83,032</u></u>
Liabilities		
Current liabilities		
Dividend payable	1,739	1,733
Current portion of advances from Partnership	-	80
Income tax payable	788	944
	<u>2,527</u>	<u>2,757</u>
Non-current liabilities		
Deferred income taxes	3,124	3,158
Total liabilities	<u>5,651</u>	<u>5,915</u>
Equity		
Common shares	19,337	18,997
Contributed surplus	144,819	144,819
Deficit	(91,445)	(100,696)
Accumulated other comprehensive income	18,078	13,997
Total equity	<u>90,789</u>	<u>77,117</u>
Total liabilities and equity	<u><u>96,440</u></u>	<u><u>83,032</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, 2020	3-month period ended March 31, 2019
	<u>\$</u>	<u>\$</u>
Equity loss	(125)	(1,949)
Dilution gain	220	89
Income (loss) before income taxes	<u>95</u>	<u>(1,860)</u>
Income taxes	<u>(1,606)</u>	<u>92</u>
Net income (loss) for the period	<u>1,701</u>	<u>(1,952)</u>
Other comprehensive income (loss)		
net of tax expense (recovery)		
Items that will not be reclassified to net income (loss):		
Remeasurements of pensions	8,692	277
Remeasurements of post-retirement benefits	597	(196)
Items that may be subsequently reclassified to net income (loss):		
Cumulative translation adjustment	<u>4,081</u>	<u>(1,100)</u>
Total other comprehensive income (loss) for the period	<u>13,370</u>	<u>(1,019)</u>
Comprehensive income (loss) for the period	<u>15,071</u>	<u>(2,971)</u>
Basic earnings (loss) per share	<u>0.18</u>	<u>(0.21)</u>
Weighted average number of shares outstanding	<u>9,655,383</u>	<u>9,464,356</u>

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

	3-month period ended March 31, 2020	3-month period ended March 31, 2019
	\$	\$
Cash flows from (used in) operating activities		
Net income (loss) for the period	1,701	(1,952)
Items not affecting cash		
Equity loss	125	1,949
Dilution gain	(220)	(89)
Income taxes	(1,606)	92
Total items not affecting cash	(1,701)	1,952
Net change in non-cash working capital	93	-
Tax payments	(874)	-
Tax Distribution	781	-
Net cash from (used in) operating activities	-	-
Cash flows from investing activities		
Partnership unit distributions received	1,393	1,148
Net cash from investing activities	1,393	1,148
Cash flows used in financing activities		
Dividends paid	(1,393)	(1,148)
Net cash used in financing activities	(1,393)	(1,148)
Increase (decrease) in cash and cash equivalents during the period	-	-
Cash and cash equivalents - Beginning of period	-	-
Cash and cash equivalents - End of period	-	-