



NEWS RELEASE

For immediate release

KP Tissue Releases Fourth Quarter and Full Year 2020 Financial Results

Strong Revenue, Successful TAD Sherbrooke Start-up

Mississauga (ON), March 11, 2021 - KP Tissue Inc. (KPT) (TSX: KPT) reports the Q4 2020 and full year 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 (AFH) market, and continues to expand in the U.S. Consumer market with the White Cloud® brand and premium private label products. KPT currently holds a 14.7% interest in KPLP.

KPLP Q4 2020 Business and Financial Highlights

- Revenue was \$385.0 million in Q4 2020 compared to \$348.1 million in Q4 2019, an increase of \$36.9 million or 10.6%.
- Adjusted EBITDA was \$36.2 million in Q4 2020, including \$4.5 million of TAD Sherbrooke start-up costs, compared to \$46.0 million in Q4 2019, a decrease of 21.3%.
- Successful start-up of new TAD Sherbrooke paper machine, project completed on time and on budget.
- Announced the \$240 million Sherbrooke Expansion Project.
- Declared a quarterly dividend of \$0.18 per share to be paid on April 15, 2021.

KPLP Full Year 2020 Business and Financial Highlights

- Revenue was \$1,516.0 million in 2020 compared to \$1,357.2 million excluding the divested Mexico business in 2019, an increase of \$158.8 million or 11.7%.
- Adjusted EBITDA was \$197.8 million in 2020, up from \$145.0 million in 2019, an increase of 36.4%.

"The year 2020 brought more than its share of challenges along with unprecedented market conditions that our team successfully tackled. Strong demand across all consumer product categories and market share momentum translated into a record high Adjusted EBITDA, while the Away-From-Home segment remained under pressure from the impact of COVID-19. Revenues increased a solid 11.7% to just over \$1.5 billion while Adjusted EBITDA increased significantly by 36.4% to \$197.8 million," stated KP Tissue Chief Executive Officer, Dino Bianco.

"Under the most challenging circumstances, our team did amazing work completing TAD Sherbrooke on time and on budget. Production on the new TAD paper machine has commenced and, at this stage, is tracking ahead of the ramp-up curve. To further support our North American footprint and consumer demand, we recently announced a new \$240 million investment at our Sherbrooke site. A new facility will house a Light-Dry-Crepe paper machine and facial tissue converting line while a new bathroom tissue converting line will be added to the existing TAD Sherbrooke facility. At maturity, the combined annual capacity of the two facilities will reach over 100,000 metric tonnes.

"We completed the initial 2-year phase of our OpEx program ahead of our annual cost saving targets. As indicated before, the program was instrumental in our ability to more effectively address strong market demand and volatility caused by the pandemic. Among the longer-term benefits, this program fosters a culture shift with a higher-level of employee engagement towards operational excellence.

"In 2021, we look forward to leveraging TAD Sherbrooke to further support our North American customers. We are closely monitoring the unprecedented increase in pulp prices and developing action plans to address. Finally, we will be continuing further investments in our brands, and leveraging our innovation and marketing strategy to reinforce our leadership position," concluded Mr. Bianco.

Outlook for Q1 2021

Demand for our products is expected to remain healthy and more stable in the Consumer segment. The AFH segment will however continue to see suppressed demand due to COVID-19 restrictions. For Q1 2021, with increased investments in

marketing to support our brands, higher pulp prices and TAD Sherbrooke start-up costs, Adjusted EBITDA is expected to be in the same range as Q4 2020.

KPLP Q4 2020 Financial Results

Revenue was \$385.0 million in Q4 2020 compared to \$348.1 million in Q4 2019, an increase of \$36.9 million or 10.6%. Revenue continued to be favourably impacted primarily by COVID-19 buying activity, with volume increasing in the Consumer segment while decreasing in the AFH segment. Geographically, revenue increased in Canada by 9.9% and in the U.S. by 11.8%.

Cost of sales was \$332.2 million in Q4 2020 compared to \$294.1 million in Q4 2019, an increase of \$38.1 million or 13.0%. The increase was primarily due to higher sales volume, additional manufacturing overhead costs, in part due to precautions taken in our manufacturing facilities as a result of COVID-19 and a one-time hourly workforce bonus, start-up costs related to the TAD Sherbrooke Project, increased outsourcing costs compared to Q4 2019 required to meet continuing demand, and increased freight costs. These increases were partially offset by slightly lower pulp costs. As a percentage of revenue, cost of sales was 86.3% in Q4 2020 compared to 84.5% in Q4 2019.

Selling, general and administrative (SG&A) expenses were \$36.7 million in Q4 2020 compared to \$26.4 million in Q4 2019, an increase of \$10.3 million or 38.8%. The increase compared to Q4 2019 was primarily due to increased investment in marketing to support our brands, higher compensation and personnel related costs, and increased spending on Information Technology. As a percentage of revenue, SG&A expenses were 9.5% in Q4 2020 compared to 7.6% in Q4 2019.

Adjusted EBITDA was \$36.2 million in Q4 2020 compared to \$46.0 million in Q4 2019, a decrease of \$9.8 million or 21.3%. The decrease was primarily due to higher cost of sales as described above along with higher SG&A costs, partially offset by the favourable sales impact.

Net loss was \$28.5 million in Q4 2020 compared to a net loss of \$6.1 million in Q4 2019, an increase in the loss of \$22.4 million. The increase was primarily due to lower EBITDA, a higher loss on the change in amortized cost of the Partnership units liability and an impairment charge on AFH goodwill of \$8.9 million, partially offset by a foreign exchange gain.

KPLP Q4 2020 Financing Activity

Total liquidity, representing cash and availability under the Senior Credit Facility within covenant limitations, was \$316.8 million as of December 31, 2020. In addition, \$32.3 million of cash was held by KPSI and committed to the TAD Sherbrooke Project.

KPLP 2020 Financial Results

Revenue was \$1,516.0 million in Fiscal 2020 compared to \$1,434.1 million in Fiscal 2019, an increase of \$81.9 million or 5.7%. Excluding revenue of \$76.9 million from the divested Mexico business in Fiscal 2019, revenue increased by \$158.8 million or 11.7%. Revenue was favourably impacted primarily by COVID-19 buying activity, with volume increasing in the Consumer segment in Canada and the U.S. and decreasing in the AFH segment.

Adjusted EBITDA was \$197.8 million in Fiscal 2020 compared to \$145.0 million in Fiscal 2019, an increase of \$52.8 million or 36.4%. The increase was primarily due to favourable sales volume and mix impact, lower pulp prices, the OpEx program and the COVID-19 transition to a reduced sku production environment that increased production efficiency, partially offset by additional manufacturing overhead costs in part due to precautions taken in our manufacturing facilities as a result of COVID-19 and a one-time hourly workforce bonus, start-up costs related to the TAD Sherbrooke Project, inflation, and higher SG&A costs.

Net income was \$27.3 million in Fiscal 2020 compared to \$2.1 million in Fiscal 2019, an increase of \$25.2 million. The increase was primarily due to higher Adjusted EBITDA and a foreign exchange gain, partially offset by a higher loss on the change in amortized cost of the Partnership units liability, the impairment charge on AFH goodwill and higher depreciation expense.

KPT Q4 2020 Financial Results

KPT had a net loss of \$4.3 million in Q4 2020. Included in the net loss was \$4.2 million representing KPT's share of KPLP's net loss and a dilution gain of \$0.1 million, depreciation expense of \$1.4 million related to adjustments to carrying amounts on acquisition and an income tax recovery of \$1.2 million.

KPT 2020 Financial Results

KPT had a net loss of 2.0 million in 2020. Included in net loss was \$4.1 million representing KPT's share of KPLP's net income, a dilution gain of \$0.6 million, depreciation expense of \$5.5 million related to adjustments to carrying amounts on acquisition and income tax expense of \$1.2 million.

Dividends on Common Shares

The Board of Directors of KPT declared a quarterly dividend of \$0.18 per share to be paid on April 15, 2021 to shareholders of record at the close of business on April 1, 2021.

Additional Information

For additional information please refer to Management's Discussion and Analysis (MD&A) of KPT and KPLP for the fourth quarter and fiscal year ended December 31, 2020 available on SEDAR at www.sedar.com or our website at www.kptissueinc.com.

Fourth Quarter Results Conference Call Information

KPT will hold its fourth quarter conference call on Thursday, March 11, 2021 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, March 18, 2021 by dialing 1-800-585-8367 or 416-621-4642 and entering passcode 6174355.

The replay of the webcast will remain available on the website until midnight, March 18, 2021.

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.

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, 2020 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 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 and the Sherbrooke Expansion Project, the anticipated benefits of the TAD Sherbrooke Project and the Sherbrooke Expansion Project and the expected dates for commencement of construction and production of the Sherbrooke Expansion Project; KPLP's expansion efforts in U.S. premium private label; and KPLP's future business strategy. 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 Q1 2021 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 11, 2021 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; and 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.
Consolidated Statement of Financial Position
(thousands of Canadian dollars)

	December 31, 2020	December 31, 2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	128,739	93,141
Trade and other receivables	88,041	89,236
Receivables from related parties	13	59
Current portion of advances to partners	5,647	80
Inventories	215,934	190,686
Income tax recoverable	358	466
Prepaid expenses	8,315	8,341
	<u>447,047</u>	<u>382,009</u>
Non-current assets		
Property, plant and equipment	1,194,191	935,010
Right-of-use assets	107,633	97,582
Other long-term assets	10	1,766
Goodwill	152,021	160,939
Intangible assets	26,205	15,317
Deferred income taxes	24,217	30,988
Total assets	<u><u>1,951,324</u></u>	<u><u>1,623,611</u></u>
Liabilities		
Current liabilities		
Trade and other payables	332,072	242,357
Payables to related parties	9,097	6,809
Income tax payable	554	325
Distributions payable	11,919	11,393
Current portion of provisions	4,913	759
Current portion of long-term debt	9,495	4,937
Current portion of lease liabilities	25,341	18,080
	<u>393,391</u>	<u>284,660</u>
Non-current liabilities		
Long-term debt	743,978	586,125
Lease liabilities	105,634	100,682
Provisions	9,549	6,148
Other long-term liabilities	575	-
Pensions	161,333	140,674
Post-retirement benefits	63,038	57,005
Liabilities to non-unitholders	<u>1,477,498</u>	<u>1,175,294</u>
Current portion of Partnership units liability	31,244	5,103
Long-term portion of Partnership units liability	154,180	138,412
Total Partnership units liability	<u>185,424</u>	<u>143,515</u>
Total liabilities	<u><u>1,662,922</u></u>	<u><u>1,318,809</u></u>
Equity		
Partnership units	439,571	408,978
Deficit	(224,503)	(183,188)
Accumulated other comprehensive income	73,334	79,012
Total equity	<u>288,402</u>	<u>304,802</u>
Total equity and liabilities	<u><u>1,951,324</u></u>	<u><u>1,623,611</u></u>

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

	3-month period ended December 31, 2020 \$	3-month period ended December 31, 2019 \$	12-month period ended December 31, 2020 \$	12-month period ended December 31, 2019 \$
Revenue	384,971	348,104	1,515,983	1,434,113
Expenses				
Cost of sales	332,193	294,095	1,264,448	1,256,979
Selling, general and administrative expenses	36,669	26,426	128,062	99,603
Loss on sale of non-financial assets	-	6	1	13
Impairment charge	8,918	-	8,918	-
Restructuring costs, net	2	58	1,275	1,904
Operating income	7,189	27,519	113,279	75,614
Interest expense	9,306	10,896	40,965	45,071
Other expense	25,724	21,894	36,353	25,951
Income (loss) before income taxes	(27,841)	(5,271)	35,961	4,592
Income taxes	600	838	8,655	2,494
Net income (loss) for the period	(28,441)	(6,109)	27,306	2,098
Other comprehensive income (loss)				
Items that will not be reclassified to net income (loss):				
Remeasurements of pensions	23,820	24,708	(16,977)	(35,422)
Remeasurements of post-retirement benefits	(1,044)	4,631	(4,871)	(2,121)
Items that may be subsequently reclassified to net income (loss):				
Cumulative translation adjustment	(13,585)	(5,551)	(5,678)	(14,027)
Total other comprehensive income (loss) for the period	9,191	23,788	(27,526)	(51,570)
Comprehensive income (loss) for the period	(19,250)	17,679	(220)	(49,472)

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

	3-month period ended December 31, 2020	3-month period ended December 31, 2019	12-month period ended December 31, 2020	12-month period ended December 31, 2019
	\$	\$	\$	\$
Cash flows from (used in) operating activities				
Net income (loss) for the period	(28,441)	(6,109)	27,306	2,098
Items not affecting cash				
Depreciation	18,632	15,580	67,129	59,113
Amortization	473	437	1,657	1,542
(Gain) loss on sale of property, plant and equipment	822	(13)	909	(18)
Change in amortized cost of Partnership units liability	36,109	22,350	47,012	26,991
Loss on sale of shares	-	-	-	586
Foreign exchange gain	(10,385)	(816)	(10,299)	(1,986)
Change in fair value of derivatives	-	360	(360)	360
Interest expense	9,306	10,896	40,965	45,071
Pension and post-retirement benefits	3,514	2,789	14,635	11,064
Provisions	94	621	6,231	4,058
Income taxes	600	838	8,655	2,494
Loss on sale of non-financial assets	-	6	1	13
Impairment charge	8,918	-	8,918	-
Total items not affecting cash	68,083	53,048	185,453	149,288
Net change in non-cash working capital	33,242	34,442	60,328	1,487
Contributions to pension and post-retirement benefit plans	(3,829)	(3,834)	(15,622)	(15,475)
Provisions paid	(140)	(177)	(2,194)	(1,037)
Income tax payments	70	(327)	(1,738)	(2,741)
Net cash from operating activities	68,985	77,043	253,533	133,620
Cash flows from (used in) investing activities				
Purchases of property, plant and equipment	(18,823)	(10,670)	(31,581)	(29,942)
Purchases of property, plant and equipment and software related to the TAD Sherbrooke Project	(69,230)	(45,127)	(263,348)	(139,587)
Interest paid on credit facilities related to the TAD Sherbrooke Project	(3,829)	(1,339)	(10,676)	(3,546)
Government assistance received	398	325	398	325
Purchases of software	(3,341)	(478)	(4,974)	(1,935)
Purchases of trademarks	(4,538)	-	(4,538)	-
Proceeds on sale of shares	-	2,410	992	5,724
Proceeds on sale of property, plant and equipment	-	13	-	18
Net cash used in investing activities	(99,043)	(54,866)	(313,727)	(168,943)
Cash flows from (used in) financing activities				
Proceeds from long-term debt	69,135	29,948	262,673	53,933
Repayment of long-term debt	(8,194)	(26,018)	(92,714)	(35,382)
Payment of deferred financing fees	(9)	(103)	(509)	(1,383)
Payment of lease liabilities	(4,777)	(4,365)	(19,283)	(16,978)
Interest paid on long-term debt	(3,944)	(9,478)	(25,706)	(29,526)
Distributions and advances paid, net	(8,032)	(1,257)	(26,404)	(10,243)
Net cash from (used in) financing activities	44,179	(11,273)	98,057	(39,579)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(2,851)	(170)	(2,265)	(1,841)
Increase (decrease) in cash and cash equivalents during the period	11,270	10,734	35,598	(76,743)
Cash and cash equivalents - Beginning of period	117,469	82,407	93,141	169,884
Cash and cash equivalents - End of period	128,739	93,141	128,739	93,141

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

	3-month period ended December 31, 2020	3-month period ended December 31, 2019	12-month period ended December 31, 2020	12-month period ended December 31, 2019
	\$	\$	\$	\$
Segment Information				
Segment Revenue				
Consumer	333,199	285,580	1,304,599	1,186,461
AFH	51,772	62,524	211,384	247,652
Total segment revenue	<u>384,971</u>	<u>348,104</u>	<u>1,515,983</u>	<u>1,434,113</u>
Adjusted EBITDA				
Consumer	44,198	47,437	223,391	158,869
AFH	(2,358)	(1,142)	(8,990)	(12,690)
Corporate and other costs	(5,627)	(308)	(16,566)	(1,142)
Total Adjusted EBITDA	<u>36,213</u>	<u>45,987</u>	<u>197,835</u>	<u>145,037</u>
Reconciliation to Net Income (loss)				
Depreciation and amortization	19,105	16,017	68,786	60,655
Interest expense	9,306	10,896	40,965	45,071
Change in amortized cost of Partnership units liability	36,109	22,350	47,012	26,991
Change in fair value of derivatives	-	360	(360)	360
(Gain) loss on sale of property, plant and equipment	822	(13)	909	(18)
Loss on sale of non-financial assets	-	6	1	13
Impairment charge	8,918	-	8,918	-
Loss on sale of shares	-	-	-	586
Restructuring costs, net	2	58	1,275	1,904
Foreign exchange gain	(10,385)	(816)	(10,299)	(1,986)
Consulting costs				
related to operational transformation initiatives	-	2,400	4,331	6,015
Corporate development related costs	177	-	336	854
Income (loss) before income taxes	<u>(27,841)</u>	<u>(5,271)</u>	<u>35,961</u>	<u>4,592</u>
Income taxes	600	838	8,655	2,494
Net income (loss)	<u>(28,441)</u>	<u>(6,109)</u>	<u>27,306</u>	<u>2,098</u>
Geographic Revenue				
Canada	244,093	222,144	915,898	840,902
U.S.	140,878	125,960	600,085	516,305
Mexico	-	-	-	76,906
Total revenue	<u>384,971</u>	<u>348,104</u>	<u>1,515,983</u>	<u>1,434,113</u>

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

	December 31, 2020	December 31, 2019
	<u>\$</u>	<u>\$</u>
Assets		
Current assets		
Distributions receivable	1,755	1,733
Receivable from Partnership	21	247
	<u>1,776</u>	<u>1,980</u>
Non-current assets		
Investment in associate	69,537	81,052
Total assets	<u><u>71,313</u></u>	<u><u>83,032</u></u>
Liabilities		
Current liabilities		
Dividend payable	1,755	1,733
Current portion of advances from Partnership	874	80
Income tax payable	1,722	944
	<u>4,351</u>	<u>2,757</u>
Non-current liabilities		
Deferred income taxes	634	3,158
Total liabilities	<u>4,985</u>	<u>5,915</u>
Equity		
Common shares	20,355	18,997
Contributed surplus	144,819	144,819
Deficit	(111,907)	(100,696)
Accumulated other comprehensive income	13,061	13,997
Total equity	<u>66,328</u>	<u>77,117</u>
Total liabilities and equity	<u><u>71,313</u></u>	<u><u>83,032</u></u>

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

	3-month period ended December 31, 2020 \$	3-month period ended December 31, 2019 \$	12-month period ended December 31, 2020 \$	12-month period ended December 31, 2019 \$
Equity loss	(5,583)	(2,353)	(1,428)	(5,375)
Dilution gain	106	209	634	574
Loss before income taxes	(5,477)	(2,144)	(794)	(4,801)
Income taxes	(1,181)	(531)	1,159	1,727
Net loss for the period	(4,296)	(1,613)	(1,953)	(6,528)
Other comprehensive income (loss)				
net of tax expense (recovery)				
Items that will not be reclassified to net loss:				
Remeasurements of pensions	2,169	2,690	(1,841)	(4,769)
Remeasurements of post-retirement benefits	(94)	441	(442)	(200)
Items that may be subsequently reclassified to net loss:				
Cumulative translation adjustment	(2,064)	(905)	(936)	(2,380)
Total other comprehensive income (loss) for the period	11	2,226	(3,219)	(7,349)
Comprehensive income (loss) for the period	(4,285)	613	(5,172)	(13,877)
Basic loss per share	(0.44)	(0.17)	(0.20)	(0.68)
Weighted average number of shares outstanding	9,747,812	9,618,637	9,703,625	9,542,384

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

	3-month period ended December 31, 2020	3-month period ended December 31, 2019	12-month period ended December 31, 2020	12-month period ended December 31, 2019
	\$	\$	\$	\$
Cash flows from (used in) operating activities				
Net loss for the period	(4,296)	(1,613)	(1,953)	(6,528)
Items not affecting cash				
Equity loss	5,583	2,353	1,428	5,375
Dilution gain	(106)	(209)	(634)	(574)
Income taxes	(1,181)	(531)	1,159	1,727
Total items not affecting cash	4,296	1,613	1,953	6,528
Net change in non-cash working capital	52	21	146	189
Tax payments	(297)	-	(1,801)	-
Tax Distribution received	-	-	781	-
Advances received (paid)	245	(21)	874	(189)
Net cash from (used in) operating activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Partnership unit distributions received	1,402	1,278	5,595	4,984
Net cash from investing activities	<u>1,402</u>	<u>1,278</u>	<u>5,595</u>	<u>4,984</u>
Cash flows used in financing activities				
Dividends paid	(1,402)	(1,278)	(5,595)	(4,984)
Net cash used in financing activities	<u>(1,402)</u>	<u>(1,278)</u>	<u>(5,595)</u>	<u>(4,984)</u>
Increase (decrease) in cash and cash equivalents during the period	-	-	-	-
Cash and cash equivalents - Beginning of period	-	-	-	-
Cash and cash equivalents - End of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>