



NEWS RELEASE
For immediate release

KP Tissue Releases Third Quarter 2017 Financial Results

Revenue Growth and Continuing Pulp Price Headwinds

Mississauga (ON), November 8, 2017 - KP Tissue Inc. (KPT) (TSX: KPT) reports the Q3 2017 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 16.0% interest in KPLP.

KPLP Q3 2017 Business and Financial Highlights

- Revenue increased by 7.5% to \$336.3 million in Q3 2017 compared to Q3 2016
- Adjusted EBITDA was \$39.4 million in Q3 2017 compared to \$45.6 million in Q3 2016
- TAD Products sales and Adjusted EBITDA contribution continued to be strong, in line with previously set targets
- Successful start-up of new Paper Machine #8 and a new converting line in Crabtree, Quebec site
- Declared a quarterly dividend of \$0.18 per share to be paid on January 15, 2018

"Third quarter results were in-line with our expectations, however they reflect the continued negative impact of rising pulp prices which have reached record levels, and also higher freight costs driven by the recent hurricanes in the southern U.S., said Mario Gosselin, CEO of KP Tissue and KPLP.

"Our new paper machine in Quebec started production during the third quarter, and as planned we incurred start-up costs. The project was completed on time and on budget, and we anticipate that it will positively contribute to our Away-from-Home business starting in the first quarter of Fiscal 2018.

"The selling price increase announced in the Canadian market in July has started to take effect in the fourth quarter. Given the further escalation in pulp prices, Adjusted EBITDA for Q4 2017 is expected to decrease compared to Q4 2016 Adjusted EBITDA of \$42.9 million," concluded Mr. Gosselin."

KPLP Q3 2017 Financial Results

Revenue in Q3 2017 was \$336.3 million, compared to \$312.8 million in Q3 2016, an increase of \$23.5 million or 7.5%. The increase in revenue was primarily due to higher sales volume, partially offset by the unfavourable impact of foreign exchange on U.S. dollar sales.

Cost of sales in Q3 2017 increased to \$290.8 million from \$256.8 million in Q3 2016, primarily due to higher sales volumes, a significant increase in fibre costs, as well as higher freight costs and PM#8 project start-up costs, partially offset by the favourable impact of foreign exchange on U.S. dollar denominated costs. As a percentage of revenue, cost of sales were 86.5% in Q3 2017 compared to 82.1% in Q3 2016.

Selling, general and administrative (SG&A) expenses in Q3 2017 were \$20.7 million, compared to \$22.7 million in Q3 2016. The decrease was primarily due to the timing of spend and cost reduction initiatives. As a percentage of revenue, SG&A expenses were 6.2% in Q3 2017, compared to 7.3% in Q3 2016.

Adjusted EBITDA in Q3 2017 was \$39.4 million, compared to \$45.6 million in Q3 2016, lower by \$6.2 million or 13.6%, primarily due to significantly higher fibre costs, increased freight costs, and start-up costs, partially offset by increased sales volume and lower SG&A costs.

Net income in Q3 2017 was \$16.5 million, compared to \$21.6 million in Q3 2016, primarily due to lower Adjusted EBITDA of \$6.2 million and higher depreciation expense of \$2.3 million. These items were partially offset by a change in foreign exchange gain of \$2.0 million.

Total liquidity, representing cash and cash equivalents and availability under the credit line within covenant limitations, was \$76.0 million as of September 24, 2017, compared to \$80.3 million as of June 25, 2017.

KPT Q3 2017 Financial Results

KPT incurred a net loss of \$0.1 million in Q3 2017. Included in the net loss was \$2.6 million representing KPT's share of KPLP's income. The income was reduced by depreciation expense of \$1.4 million related to adjustments to carrying amounts on acquisition and income tax expense of \$1.3 million.

Dividends on Common Shares

The Board of Directors of KPT declared a quarterly dividend of \$0.18 per share to be paid on January 15, 2018 to shareholders of record at the close of business on December 29, 2017.

Additional Information

For additional information please refer to Management's Discussion and Analysis (MD&A) of KPT and KPLP for the third quarter ended September 24, 2017 available on SEDAR at www.sedar.com or our website at www.kptissueinc.com.

Third Quarter Results Conference Call Information

KPT will hold its third quarter conference call on Wednesday, November 8, 2017 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, November 15, 2017 by dialing 800-585-8367 or 416-621-4642 and entering passcode 84517935.

The replay of the webcast will remain available on the website until midnight, November 15, 2017.

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 16.0% 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 reference Adjusted EBITDA as a non-IFRS financial measure. This term replaces the previously referenced non-IFRS financial measure EBITDA. Our definition of Adjusted EBITDA is unchanged from our former definition of EBITDA. Accordingly, this change in terminology has no impact on our reported financial results for prior periods. 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, and (x) one-time costs due to pension revaluations related to past service. A reconciliation of Adjusted EBITDA to the relevant reported results can be found in the MD&A of KPT and KPLP for the third quarter ended September 24, 2017 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 TAD Project on Adjusted EBITDA; the expectation of continued growth in sales of TAD products in the U.S.; a successful ramp-up of the Crabtree paper machine; improved performance of the Away-From-Home business; and expanded distribution of White Cloud to select U.S. retailers. 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.

The outlook provided in respect of Adjusted EBITDA for Q4 2017 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 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 Annual Information Form dated March 9, 2017 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 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, restrictive covenants; interest rate and refinancing risk; information technology; cyber-security; insurance; internal controls; and trade related risk.

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)

	September 24, 2017	December 31, 2016
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	26,997	36,511
Trade and other receivables	126,591	123,095
Receivables from related parties	69	185
Advances to partners	6,417	5,465
Inventories	174,003	179,543
Income tax recoverable	293	423
Prepaid expenses	10,503	7,286
	<u>344,873</u>	<u>352,508</u>
Non-current assets		
Property, plant and equipment	748,458	762,270
Other long-term assets	6,150	6,075
Goodwill	160,939	160,939
Intangible assets	14,955	15,270
Deferred income taxes	33,359	39,913
	<u>1,308,734</u>	<u>1,336,975</u>
Total assets	<u>1,308,734</u>	<u>1,336,975</u>
Liabilities		
Current liabilities		
Bank indebtedness	-	9,007
Trade and other payables	196,459	201,477
Payables to related parties	5,089	3,606
Income tax payable	592	1,779
Distributions payable	10,324	10,148
Current portion of provisions	757	1,885
Current portion of long-term debt	186,695	8,859
	<u>399,916</u>	<u>236,761</u>
Non-current liabilities		
Long-term debt	238,487	415,379
Provisions	6,969	6,487
Pensions	112,671	92,646
Post-retirement benefits	57,881	57,162
	<u>815,924</u>	<u>808,435</u>
Liabilities to non-unitholders		
Current portion of Partnership units liability	5,571	8,611
Long-term portion of Partnership units liability	135,903	137,296
	<u>141,474</u>	<u>145,907</u>
Total Partnership units liability	<u>141,474</u>	<u>145,907</u>
Total liabilities	<u>957,398</u>	<u>954,342</u>
Equity		
Partnership units	351,381	336,576
Deficit	(61,775)	(42,792)
Accumulated other comprehensive income	61,730	88,849
	<u>351,336</u>	<u>382,633</u>
Total equity	<u>351,336</u>	<u>382,633</u>
Total equity and liabilities	<u>1,308,734</u>	<u>1,336,975</u>

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

	3-month period ended September 24, 2017 \$	3-month period ended September 25, 2016 \$	9-month period ended September 24, 2017 \$	9-month period ended September 25, 2016 \$
Revenue	336,284	312,823	939,943	888,270
Expenses				
Cost of sales	290,777	256,823	802,108	747,348
Selling, general and administrative expenses	20,726	22,645	66,467	66,283
Gain on sale of non-financial assets	(12)	(395)	(80)	(395)
Restructuring costs, net	(245)	25	(234)	418
Operating income	25,038	33,725	71,682	74,616
Interest expense	10,533	11,192	31,554	33,327
Other (income) expense	(2,103)	813	1,860	(307)
Income before income taxes	16,608	21,720	38,268	41,596
Income taxes	158	162	4,922	1,612
Net income for the period	16,450	21,558	33,346	39,984
Other comprehensive loss				
Items that will not be reclassified to net income:				
Remeasurements of pensions	(5,424)	(20,097)	(20,647)	(63,986)
Remeasurements of post-retirement benefits	2,929	(2,885)	(272)	(4,519)
Items that may be subsequently reclassified to net income:				
Available-for-sale investment	-	-	-	(290)
Cumulative translation adjustment	(23,774)	3,969	(27,119)	(16,858)
Total other comprehensive loss for the period	(26,269)	(19,013)	(48,038)	(85,653)
Comprehensive income (loss) for the period	(9,819)	2,545	(14,692)	(45,669)

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

	3-month period ended September 24, 2017 \$	3-month period ended September 25, 2016 \$	9-month period ended September 24, 2017 \$	9-month period ended September 25, 2016 \$
Cash flows from (used in) operating activities				
Net income for the period	16,450	21,558	33,346	39,984
Items not affecting cash				
Depreciation	14,350	12,007	38,414	33,775
Amortization	286	296	775	876
Gain on sale of property, plant and equipment	-	-	(2)	(3)
Change in amortized cost of Partnership units liability	(882)	-	4,178	1,234
Gain on sale of investment	-	-	-	(324)
Foreign exchange (gain) loss	(1,221)	813	(2,318)	(1,217)
Interest expense	10,533	11,192	31,554	33,327
Pension and post retirement benefits	2,513	2,487	7,539	7,805
Provisions	(127)	392	211	1,191
Income taxes	158	162	4,922	1,612
Gain on sale of non-financial assets	(12)	(395)	(80)	(395)
Total items not affecting cash	25,598	26,954	85,193	77,881
Net change in non-cash working capital	5,130	(6,009)	(25,959)	(10,471)
Contributions to pension and post-retirement benefit plans	(3,735)	(2,613)	(11,406)	(13,918)
Provisions paid	(565)	(334)	(1,015)	(1,452)
Income tax payments	(115)	(514)	(3,169)	(1,887)
Net cash from operating activities	42,763	39,042	76,990	90,137
Cash flows from (used in) investing activities				
Purchases of property, plant and equipment	(12,033)	(19,965)	(50,278)	(58,666)
Capitalized interest paid	(116)	-	(497)	-
Proceeds on sale of investment	-	-	-	1,439
Government assistance received	923	-	3,872	1,209
Purchases of software	(460)	-	(460)	(71)
Proceeds on sale of property, plant and equipment	14	535	1,184	539
Net cash used in investing activities	(11,672)	(19,430)	(46,179)	(55,550)
Cash flows from (used in) financing activities				
Proceeds from long-term debt	(5,893)	4,204	20,877	4,995
Repayment of long-term debt	(4,749)	(596)	(5,250)	(8,106)
Payment of deferred financing fees	-	(376)	(12)	(711)
Interest paid on long-term debt	(7,819)	(8,538)	(18,930)	(18,294)
Distributions and advances paid, net	(8,263)	(4,806)	(25,992)	(16,883)
Net cash used in financing activities	(26,724)	(10,112)	(29,307)	(38,999)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(1,924)	(80)	(2,011)	(1,519)
Increase (decrease) in cash and cash equivalents during the period	2,443	9,420	(507)	(5,931)
Cash and cash equivalents - Beginning of period	24,554	10,104	27,504	25,455
Cash and cash equivalents - End of period	26,997	19,524	26,997	19,524

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

	3-month period ended September 24, 2017 \$	3-month period ended September 25, 2016 \$	9-month period ended September 24, 2017 \$	9-month period ended September 25, 2016 \$
Segment Information				
Segment Revenue				
Consumer	272,917	248,792	763,996	708,868
AFH	62,497	59,411	171,090	167,513
Other	870	4,620	4,857	11,889
Total segment revenue	<u>336,284</u>	<u>312,823</u>	<u>939,943</u>	<u>888,270</u>
Segment Adjusted EBITDA				
Consumer	38,077	42,907	105,951	104,433
AFH	1,852	2,425	4,840	4,230
Other	(512)	326	(236)	948
Total segment Adjusted EBITDA	39,417	45,658	110,555	109,611
Reconciliation to Net Income:				
Depreciation and amortization	14,636	12,303	39,189	34,651
Interest expense	10,533	11,192	31,554	33,327
Change in amortized cost of Partnership units liability	(882)	-	4,178	1,234
Gain on sale of property, plant and equipment	-	-	(2)	(3)
Gain on sale of non-financial assets	(12)	(395)	(80)	(395)
Restructuring costs, net	(245)	25	(234)	418
Foreign exchange (gain) loss	(1,221)	813	(2,318)	(1,217)
Income before income taxes	16,608	21,720	38,268	41,596
Income taxes	158	162	4,922	1,612
Net income	<u>16,450</u>	<u>21,558</u>	<u>33,346</u>	<u>39,984</u>
Geographic Revenue				
Canada	209,289	195,186	570,949	539,221
U.S.	113,157	105,114	332,710	311,517
Mexico	13,838	12,523	36,284	37,532
Total revenue	<u>336,284</u>	<u>312,823</u>	<u>939,943</u>	<u>888,270</u>

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

	September 24, 2017	December 31, 2016
	\$	\$
Assets		
Current assets		
Distributions receivable	1,653	1,636
Receivable from Partnership	-	426
Income tax recoverable	1,031	-
	<u>2,684</u>	<u>2,062</u>
Non-current assets		
Investment in associate	104,650	117,349
Total Assets	<u>107,334</u>	<u>119,411</u>
Liabilities		
Current liabilities		
Dividend payable	1,653	1,636
Payable to Partnership	52	-
Advances from Partnership	1,040	914
Income tax payable	-	884
	<u>2,745</u>	<u>3,434</u>
Non-current liabilities		
Deferred income taxes	1,946	893
Total liabilities	<u>4,691</u>	<u>4,327</u>
Equity		
Common shares	14,573	13,176
Contributed surplus	144,819	144,819
Deficit	(67,862)	(58,729)
Accumulated other comprehensive income	11,113	15,818
Total equity	<u>102,643</u>	<u>115,084</u>
Total liabilities and equity	<u>107,334</u>	<u>119,411</u>

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

	3-month period ended September 24, 2017 \$	3-month period ended September 25, 2016 \$	9-month period ended September 24, 2017 \$	9-month period ended September 25, 2016 \$
Equity income	1,179	2,010	931	2,101
Dilution gain	39	58	136	142
Income before income taxes	1,218	2,068	1,067	2,243
Income taxes	1,288	1,299	2,288	3,557
Net income (loss) for the period	(70)	769	(1,221)	(1,314)
Other comprehensive loss net of tax expense (recovery)				
Items that will not be reclassified to net income (loss):				
Remeasurements of pensions	(755)	(2,825)	(2,885)	(9,034)
Remeasurements of post-retirement benefits	287	(285)	(27)	(447)
Items that may be subsequently reclassified to net income (loss):				
Available-for-sale investment	-	-	-	(41)
Cumulative translation adjustment	(4,086)	711	(4,705)	(3,495)
Total other comprehensive loss for the period	(4,554)	(2,399)	(7,617)	(13,017)
Comprehensive loss for the period	(4,624)	(1,630)	(8,838)	(14,331)
Basic earnings (loss) per share	(0.01)	0.08	(0.13)	(0.15)
Weighted average number of shares outstanding	9,176,138	9,051,321	9,146,312	9,021,008

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

	3-month period ended September 24, 2017 \$	3-month period ended September 25, 2016 \$	9-month period ended September 24, 2017 \$	9-month period ended September 25, 2016 \$
Cash flows from (used in) operating activities				
Net income (loss) for the period	(70)	769	(1,221)	(1,314)
Items not affecting cash				
Equity income	(1,179)	(2,010)	(931)	(2,101)
Dilution gain	(39)	(58)	(136)	(142)
Income taxes	1,288	1,299	2,288	3,557
Total items not affecting cash	70	(769)	1,221	1,314
Net change in non-cash working capital	(219)	-	478	-
Tax payments	(225)	-	(1,999)	(205)
Tax Distribution received	-	-	481	-
Advances received	444	-	1,040	205
Net cash from (used in) operating activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Partnership unit distributions received	1,218	1,180	3,586	3,728
Net cash from investing activities	<u>1,218</u>	<u>1,180</u>	<u>3,586</u>	<u>3,728</u>
Cash flows used in financing activities				
Dividends paid	(1,218)	(1,180)	(3,586)	(3,728)
Net cash used in financing activities	<u>(1,218)</u>	<u>(1,180)</u>	<u>(3,586)</u>	<u>(3,728)</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>	<u><u>-</u></u>	<u><u>-</u></u>