



**NEWS RELEASE**  
**For immediate release**

**KP Tissue Releases Second Quarter 2019 Financial Results**  
*Sequential results improving*

**Mississauga (ON), August 8, 2019** - KP Tissue Inc. (KPT) (TSX: KPT) reports the Q2 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 15.4% interest in KPLP.

**KPLP Q2 2019 Business and Financial Highlights**

- Revenue increased by 7.9% to \$365.7 million in Q2 2019 compared to Q2 2018
- Adjusted EBITDA increased sequentially to \$31.5 million from \$23.6 million in Q1 2019, or 33.5%, and increased by \$0.9 million from \$30.6 million in Q2 2018
- Pulp costs moderated and were similar to the prior year quarter
- TAD Sherbrooke Project progressing on time and on budget
- Declared a quarterly dividend of \$0.18 per share to be paid on October 15, 2019

“We had a solid second quarter with significant progress over the first quarter in both the Consumer and Away-from-Home segments. The benefits of our Operational Excellence program started to take effect and there was a year-over-year benefit from our pricing actions. We are encouraged by the sequential improvement in the performance of our Away-from-Home business as the initiatives we have put in place are starting to create a positive impact,” indicated Dino Bianco, KP Tissue CEO.

“The TAD Sherbrooke project is progressing according to plan, on-time and on-budget. With our Operational Excellence program, we are improving operating efficiencies and creating a common culture for developing standard approaches across the supply chain. As for our trademark products, we are committed to enhancing our leadership position in Canada and will intensify our marketing programs and innovations going forward.

Looking ahead, we anticipate a stabilization of input costs and incremental benefits from the Operational Excellence initiatives as we continue to invest in the business to reinforce our long-term position,” concluded Mr. Bianco.

**Outlook**

KPLP will continue to 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 and more moderate input costs are expected to more than offset the unfavourable impacts of foreign exchange fluctuations and capacity related challenges. For Q3 2019, Adjusted EBITDA is forecast to show improvement compared to both Q2 2019 and Q3 2018.

**KPLP Q2 2019 Financial Results**

Revenue was \$365.7 million in Q2 2019 compared to \$338.8 million in Q2 2018, an increase of \$26.9 million or 7.9%. The increase in revenue was primarily due to the Consumer Canada price increase implemented in Q4 2018, price increases in the AFH segment and the benefit of foreign exchange fluctuations on U.S. sales.

Cost of sales was \$325.8 million in Q2 2019 compared to \$303.6 million in Q2 2018, an increase of \$22.2 million or 7.3%. Manufacturing costs increased primarily due to the unfavourable impact of foreign exchange fluctuations, increased costs resulting from capacity related challenges and maintenance, while pulp costs were relatively neutral and the operational transformation initiatives had a favourable impact in the quarter. Freight costs increased primarily due to the geographic mix of sales, partially offset by lower carrier rates. Warehousing costs increased related primarily to additional warehousing space. As a percentage of revenue, cost of sales were 89.1% in Q2 2019 compared to 89.6% in Q2 2018.

Selling, general and administrative (SG&A) expenses were \$25.4 million in Q2 2019 compared to \$20.1 million in Q2 2018, an increase of \$5.3 million or 26.3%. The increase was primarily due to increased costs in selling and administration including

compensation, higher advertising and promotion expenses, and the unfavourable impact of foreign exchange fluctuations. As a percentage of revenue, SG&A expenses were 6.9% in Q2 2019 compared to 5.9% in Q2 2018.

Adjusted EBITDA was \$31.5 million in Q2 2019 compared to \$30.6 million in Q2 2018, an increase of \$0.9 million. The higher Adjusted EBITDA resulted primarily from the Consumer Canada and AFH price increases, partially offset by unfavourable sales mix, higher cost of sales as discussed above and higher SG&A costs.

Net income was \$0.9 million in Q2 2019 compared to \$1.6 million in Q2 2018, a decrease of \$0.7 million. The decrease was primarily due to an unfavourable change in amortized cost of Partnership units liability of \$3.5 million, lower operating income of \$0.8 million, and higher income tax expense of \$0.6 million partially offset by a decrease in interest expense of \$2.4 million, and a positive foreign exchange difference of \$1.9 million.

Total liquidity, representing cash and cash equivalents and availability under the credit line within covenant limitations, was \$115.5 million as of June 30, 2019, compared to \$167.5 million as of March 31, 2019. The June 30, 2019 balance includes \$86.1 million of cash and cash equivalents held by KPSI and committed to the TAD Sherbrooke Project.

KPLP has concluded a new land lease with the National Capital Commission for its Gatineau tissue plant that commences in March, 2028 and permits KPLP to secure the site until March, 2053.

### **KPT Q2 2019 Financial Results**

KPT had a net loss of \$2.6 million in Q2 2019. Included in the net loss was \$0.1 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 expense of \$1.4 million.

### **Dividends on Common Shares**

The Board of Directors of KPT declared a quarterly dividend of \$0.18 per share to be paid on October 15, 2019 to shareholders of record at the close of business on September 30, 2019.

### **Additional Information**

For additional information please refer to Management's Discussion and Analysis (MD&A) of KPT and KPLP for the second quarter ended June 30, 2019 available on SEDAR at [www.sedar.com](http://www.sedar.com) or our website at [www.kptissueinc.com](http://www.kptissueinc.com).

### **Second Quarter Results Conference Call Information**

KPT will hold its second quarter conference call on Thursday, August 8, 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](http://www.kptissueinc.com)

Presentation material referenced during the conference call will be available at [www.kptissueinc.com](http://www.kptissueinc.com).

A rebroadcast of the conference call will be available until midnight, August 15, 2019 by dialing 1-800-585-8367 or 416-621-4642 and entering passcode 2578938.

The replay of the webcast will remain available on the website until midnight, August 15, 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 15.4% interest in KPLP. For more information visit [www.kptissueinc.com](http://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](http://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) one-time consulting costs related to operational transformation initiatives, and (xii) M&A related costs. A reconciliation of Adjusted EBITDA to the relevant reported results can be found in the MD&A of KPT and KPLP for the second quarter ended June 30, 2019 available on SEDAR at [www.sedar.com](http://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 Q3 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](http://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.

**INFORMATION:**

Francois Paroyan  
General Counsel and Corporate Secretary  
KP Tissue Inc.  
Tel.: 905.812.6936  
[francois.paroyan@krugerproducts.ca](mailto:francois.paroyan@krugerproducts.ca)

**INVESTORS:**

Mike Baldesarra  
Director of Investor Relations  
KP Tissue Inc.  
Tel.: 905.812.6962  
[IR@KPTissueinc.com](mailto:IR@KPTissueinc.com)

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

	June 30, 2019	Restated December 31, 2018	Restated January 1, 2018
	\$	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	125,351	169,884	8,837
Trade and other receivables	132,249	127,633	113,194
Receivables from related parties	-	172	85
Current portion of advances to partners	268	-	1,928
Inventories	206,446	202,916	192,394
Income tax recoverable	293	362	522
Prepaid expenses	12,415	4,065	5,509
	<u>477,022</u>	<u>505,032</u>	<u>322,469</u>
<b>Non-current assets</b>			
Advances to partners	-	1,704	4,489
Property, plant and equipment	807,094	786,022	761,610
Right-of-use assets	88,579	94,247	99,174
Other long-term assets	6,359	10	6,331
Goodwill	160,939	160,939	160,939
Intangible assets	15,526	14,924	15,327
Deferred income taxes	33,283	33,440	26,092
<b>Total assets</b>	<u><u>1,588,802</u></u>	<u><u>1,596,318</u></u>	<u><u>1,396,431</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness	9,916	-	9,051
Trade and other payables	217,281	238,856	190,698
Payables to related parties	4,746	5,620	2,596
Income tax payable	327	80	498
Distributions payable	11,032	10,723	10,382
Current portion of provisions	261	292	333
Current portion of long-term debt	9,255	13,939	190,947
Current portion of lease liabilities	15,719	16,178	15,169
	<u>268,537</u>	<u>285,688</u>	<u>419,674</u>
<b>Non-current liabilities</b>			
Long-term debt	596,663	563,955	225,368
Lease liabilities	93,817	98,952	104,888
Provisions	5,755	5,398	5,973
Pensions	155,612	104,939	119,558
Post-retirement benefits	60,814	54,051	60,457
<b>Liabilities to non-unitholders</b>	<u>1,181,198</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	113,431	116,524	158,381
<b>Total Partnership units liability</b>	<u>119,618</u>	<u>116,524</u>	<u>160,309</u>
<b>Total liabilities</b>	<u><u>1,300,816</u></u>	<u><u>1,229,507</u></u>	<u><u>1,096,227</u></u>
<b>Equity</b>			
Partnership units	391,602	376,274	356,240
Deficit	(184,142)	(102,502)	(123,123)
Accumulated other comprehensive income	80,526	93,039	67,087
<b>Total equity</b>	<u><u>287,986</u></u>	<u><u>366,811</u></u>	<u><u>300,204</u></u>
<b>Total equity and liabilities</b>	<u><u>1,588,802</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 June 30, 2019 \$	Restated 3-month period ended July 1, 2018 \$	6-month period ended June 30, 2019 \$	Restated 6-month period ended July 1, 2018 \$
<b>Revenue</b>	365,674	338,773	716,651	662,508
<b>Expenses</b>				
Cost of sales	325,723	303,605	645,831	589,657
Selling, general and administrative expenses	25,370	20,048	47,426	42,982
(Gain) loss on sale of non-financial assets	6	7	6	(208)
Restructuring costs, net	232	1	297	1
<b>Operating income</b>	14,343	15,112	23,091	30,076
Interest expense	11,433	13,837	22,730	26,486
Other (income) expense	864	(779)	1,713	1,009
<b>Income (loss) before income taxes</b>	2,046	2,054	(1,352)	2,581
<b>Income taxes</b>	1,114	410	928	(640)
<b>Net income (loss) for the period</b>	932	1,644	(2,280)	3,221
<b>Other comprehensive income (loss)</b>				
<b>Items that will not be reclassified to net income (loss):</b>				
Remeasurements of pensions	(52,439)	865	(50,412)	17,671
Remeasurements of post-retirement benefits	(4,201)	(216)	(6,331)	422
<b>Items that may be subsequently reclassified to net income (loss):</b>				
Cumulative translation adjustment	(6,123)	6,066	(12,513)	14,910
<b>Total other comprehensive income (loss) for the period</b>	(62,763)	6,715	(69,256)	33,003
<b>Comprehensive income (loss) for the period</b>	(61,831)	8,359	(71,536)	36,224

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

	3-month period ended June 30, 2019	Restated 3-month period ended July 1, 2018	6-month period ended June 30, 2019	Restated 6-month period ended July 1, 2018
	\$	\$	\$	\$
<b>Cash flows from (used in) operating activities</b>				
Net income (loss) for the period	932	1,644	(2,280)	3,221
Items not affecting cash				
Depreciation	14,516	15,048	28,896	30,246
Amortization	370	438	732	733
Loss (gain) on sale of property, plant and equipment	-	-	(5)	434
Change in amortized cost of Partnership units liability	1,547	(1,962)	3,094	716
Foreign exchange loss (gain)	(960)	898	(1,658)	657
Change in fair value of derivatives	277	285	277	(364)
Interest expense	11,433	13,837	22,730	26,486
Pension and post-retirement benefits	2,756	3,575	5,201	6,919
Provisions	503	13	673	61
Income taxes	1,114	410	928	(640)
Loss (gain) on sale of non-financial assets	6	7	6	(208)
Total items not affecting cash	31,562	32,549	60,874	65,040
Net change in non-cash working capital	7,819	(4,279)	(44,806)	(40,900)
Contributions to pension and post-retirement benefit plans	(4,041)	(4,152)	(7,153)	(8,139)
Provisions paid	(407)	(206)	(472)	(247)
Income tax payments	(1,338)	(997)	(1,597)	(1,349)
<b>Net cash from operating activities</b>	<b>34,527</b>	<b>24,559</b>	<b>4,566</b>	<b>17,626</b>
<b>Cash flows from (used in) investing activities</b>				
Purchases of property, plant and equipment	(6,759)	(12,600)	(12,280)	(28,318)
Purchases of property, plant and equipment related to the TAD2 project	(31,092)	-	(42,208)	-
Interest paid on credit facilities related to the TAD2 project	(769)	-	(1,453)	-
Government assistance received	-	11	-	11
Purchases of software	(116)	(1,025)	(1,334)	(1,025)
Proceeds on sale of property, plant and equipment	-	(7)	5	324
<b>Net cash used in investing activities</b>	<b>(38,736)</b>	<b>(13,621)</b>	<b>(57,270)</b>	<b>(29,008)</b>
<b>Cash flows from (used in) financing activities</b>				
Proceeds from long-term debt	10,411	157,063	35,188	195,113
Repayment of long-term debt	(6,032)	(126,823)	(7,286)	(127,108)
Payment of deferred financing fees	(67)	(3,685)	(353)	(3,917)
Payment of lease liabilities	(4,041)	(3,819)	(8,266)	(7,538)
Interest paid on long-term debt	(11,359)	(13,636)	(13,947)	(16,876)
Distributions and advances paid, net	(3,574)	(5,740)	(5,544)	(12,765)
<b>Net cash from financing activities</b>	<b>(14,662)</b>	<b>3,360</b>	<b>(208)</b>	<b>26,909</b>
<b>Effect of exchange rate changes on cash and cash equivalents held in foreign currency</b>	<b>(699)</b>	<b>157</b>	<b>(1,537)</b>	<b>479</b>
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>(19,570)</b>	<b>14,455</b>	<b>(54,449)</b>	<b>16,006</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>135,005</b>	<b>1,337</b>	<b>169,884</b>	<b>(214)</b>
<b>Cash and cash equivalents - End of period</b>	<b>115,435</b>	<b>15,792</b>	<b>115,435</b>	<b>15,792</b>

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

	3-month period ended June 30, 2019 \$	Restated 3-month period ended July 1, 2018 \$	6-month period ended June 30, 2019 \$	Restated 6-month period ended July 1, 2018 \$
<b>Segment Information</b>				
<b>Segment Revenue</b>				
Consumer	299,663	279,190	595,848	549,400
AFH	66,011	59,583	120,803	113,108
Total segment revenue	<u>365,674</u>	<u>338,773</u>	<u>716,651</u>	<u>662,508</u>
<b>Segment Adjusted EBITDA</b>				
Consumer	35,354	34,303	65,446	65,370
AFH	(3,045)	(2,376)	(9,629)	(2,126)
Other	(820)	(1,321)	(778)	(1,962)
Total segment Adjusted EBITDA	31,489	30,606	55,039	61,282
<b>Reconciliation to Net Income (Loss):</b>				
Depreciation and amortization	14,886	15,487	29,628	30,979
Interest expense	11,433	13,837	22,730	26,486
Change in amortized cost of Partnership units liability	1,547	(1,962)	3,094	716
Change in fair value of derivatives	277	285	277	(364)
(Gain) loss on sale of property, plant and equipment	-	-	(5)	434
(Gain) loss on sale of non-financial assets	6	7	6	(208)
Restructuring costs, net	232	-	297	1
Foreign exchange (gain) loss	(960)	898	(1,658)	657
One-time consulting costs related to operational transformation initiatives	1,283	-	1,283	-
M&A related costs	739	-	739	-
Income (loss) before income taxes	2,046	2,054	(1,352)	2,581
Income taxes	1,114	410	928	(640)
Net income (loss)	<u>932</u>	<u>1,644</u>	<u>(2,280)</u>	<u>3,221</u>
<b>Geographic Revenue</b>				
Canada	208,163	202,884	405,579	391,537
U.S.	132,063	115,808	259,576	231,360
Mexico	25,448	20,081	51,496	39,611
Total revenue	<u>365,674</u>	<u>338,773</u>	<u>716,651</u>	<u>662,508</u>



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

	<b>June 30, 2019</b>	<b>Restated December 31, 2018</b>	<b>Restated January 1, 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Distributions receivable	1,714	1,694	1,658
Receivable from Partnership	312	269	-
Income tax recoverable	225	230	826
	<u>2,251</u>	<u>2,193</u>	<u>2,484</u>
<b>Non-current assets</b>			
Investment in associate	82,674	99,421	94,952
<b>Total assets</b>	<u><u>84,925</u></u>	<u><u>101,614</u></u>	<u><u>97,436</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Dividend payable	1,714	1,694	1,658
Payable to Partnership	-	-	52
Current portion of advances from Partnership	268	-	309
	<u>1,982</u>	<u>1,694</u>	<u>2,019</u>
<b>Non-current liabilities</b>			
Advances from Partnership	-	269	731
Deferred income taxes	3,156	3,634	515
<b>Total liabilities</b>	<u>5,138</u>	<u>5,597</u>	<u>3,265</u>
<b>Equity</b>			
Common shares	18,114	17,090	15,014
Contributed surplus	144,819	144,819	144,819
Deficit	(97,411)	(82,269)	(77,706)
Accumulated other comprehensive income	14,265	16,377	12,044
<b>Total equity</b>	<u>79,787</u>	<u>96,017</u>	<u>94,171</u>
<b>Total liabilities and equity</b>	<u><u>84,925</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 June 30, 2019 \$	3-month period ended July 1, 2018 \$	6-month period ended June 30, 2019 \$	6-month period ended July 1, 2018 \$
<b>Equity loss</b>	(1,288)	(1,195)	(3,237)	(2,397)
<b>Dilution gain</b>	142	46	231	89
<b>Loss before income taxes</b>	(1,146)	(1,149)	(3,006)	(2,308)
<b>Income taxes</b>	1,437	180	1,529	(141)
<b>Net loss for the period</b>	(2,583)	(1,329)	(4,535)	(2,167)
<b>Other comprehensive income (loss)</b>				
<b>net of tax expense (recovery)</b>				
<b>Items that will not be reclassified to net loss:</b>				
Remeasurements of pensions	(6,827)	116	(6,550)	2,448
Remeasurements of post-retirement benefits	(390)	(30)	(586)	59
<b>Items that may be subsequently reclassified to net loss:</b>				
Cumulative translation adjustment	(1,012)	1,033	(2,112)	2,505
<b>Total other comprehensive income (loss) for the period</b>	(8,229)	1,119	(9,248)	5,012
<b>Comprehensive income (loss) for the period</b>	(10,812)	(210)	(13,783)	2,845
<b>Basic loss per share</b>	(0.27)	(0.14)	(0.48)	(0.23)
<b>Weighted average number of shares outstanding</b>	9,515,910	9,291,212	9,490,276	9,268,192

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

	3-month period ended June 30, 2019 \$	3-month period ended July 1, 2018 \$	6-month period ended June 30, 2019 \$	6-month period ended July 1, 2018 \$
<b>Cash flows from (used in) operating activities</b>				
Net loss for the periods	(2,583)	(1,329)	(4,535)	(2,167)
Items not affecting cash				
Equity loss	1,288	1,195	3,237	2,397
Dilution gain	(142)	(46)	(231)	(89)
Income taxes	1,437	180	1,529	(141)
Total items not affecting cash	2,583	1,329	4,535	2,167
Tax payments	-	(30)	-	(274)
Advances received	-	30	-	274
<b>Net cash from (used in) operating activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Partnership unit distributions received	1,279	1,157	2,427	2,301
<b>Net cash from investing activities</b>	<b>1,279</b>	<b>1,157</b>	<b>2,427</b>	<b>2,301</b>
<b>Cash flows used in financing activities</b>				
Dividends paid	(1,279)	(1,157)	(2,427)	(2,301)
<b>Net cash used in financing activities</b>	<b>(1,279)</b>	<b>(1,157)</b>	<b>(2,427)</b>	<b>(2,301)</b>
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents - Beginning of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents - End of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>