



KP TISSUE INC. AND KRUGER PRODUCTS L.P.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL POSITION**

FOR THE 3-MONTHS ENDED MARCH 31, 2022

DATED MAY 11, 2022

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The following Management's Discussion and Analysis (MD&A) dated May 11, 2022 for KP Tissue Inc. (KPT) and Kruger Products L.P. (KPLP) is intended to assist the readers in understanding the business environment, strategies, performance and risk factors relating to KPT and KPLP. It should be read in conjunction with the unaudited condensed financial statements of KPT for the 3-month periods ended March 31, 2022 and March 31, 2021, respectively, and the unaudited condensed consolidated financial statements of KPLP for the 3-month periods ended March 31, 2022 (Q1 2022) and March 31, 2021 (Q1 2021), respectively.

About KP Tissue Inc.

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 in an associate using the equity method of accounting. KPT currently holds a 14.3% interest in KPLP (14.4% as of March 31, 2022). The following MD&A provides discussion and analysis related to KPT to the extent necessary to understand the equity method of accounting. However, the majority of the discussion and analysis relates to KPLP and to KPT's investment in KPLP.

CAUTIONARY FORWARD LOOKING STATEMENT

Certain statements in this MD&A 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 MD&A include, but are not limited to, statements regarding the projected capacity of the Sherbrooke Expansion Project (as defined below), the anticipated benefits of 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.

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 10, 2022 available on SEDAR at www.sedar.com (the Annual Information Form): 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; risks associated with the Sherbrooke Expansion 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; information technology; cyber-security; insurance; internal controls; trade related; and risk related to COVID-19.

These factors are not intended to represent a complete list of the factors that could affect KPT and/or KPLP; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein or in the documents reproduced herein. KPT and KPLP cannot guarantee future results, levels of activity, performance, or achievements. Moreover, KPT and KPLP do not assume responsibility for the accuracy and completeness of the forward-looking statements. KPT and/or KPLP's actual results, performance or achievements could differ materially

from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that KPT and/or KPLP will derive therefrom.

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlooks within the meaning of securities laws, such information is being provided to demonstrate the potential benefits and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks, including refinancing and the Sherbrooke Expansion Project (as defined below), are, without limitation, based on the assumptions and subject to the risks set out above.

The forward-looking information contained herein is made as of the date of this MD&A and KPT and KPLP disclaim any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, unless required by applicable law.

OVERVIEW

Business Overview

KPLP is Canada's leading tissue products supplier by overall dollar and volume market share. It produces, distributes, markets and sells a wide range of disposable tissue products, including bathroom tissue, facial tissue, paper towels and napkins, for both the Consumer and the Away-From-Home (AFH) markets (in each case, as defined below). While its principal focus is on the Canadian consumer-branded tissue products market, KPLP is also a leader in the Canadian AFH market and has a considerable presence in the U.S. private label tissue market. The Consumer segment consists of well recognized brands such as *Cashmere*, *Purex*, *Scotties*, *SpongeTowels* and *Bonterra* in Canada and *White Cloud* in the United States.

KPLP is headquartered in Mississauga, Ontario and has approximately 2,700 employees across Canada and the United States. KPLP's Canadian paper manufacturing facilities, consisting of four tissue plants in Québec and one plant in British Columbia, have a combined annual tissue production capacity of approximately 350,000 metric tonnes which, according to RISI data, represents approximately 44% of Canada's annual production capacity.

KPLP's U.S. manufacturing facility, held in its wholly owned subsidiary K.T.G. (USA) Inc. (KTG), located in Memphis, Tennessee consists of two LDC paper machines with an aggregate annual capacity of 55,000 metric tonnes, and one adjacent TAD paper machine (Memphis TAD Machine) with an aggregate annual capacity of 55,000 metric tonnes.

Pursuant to its Articles, KPT's business is limited to (i) the investment in, holding of and disposition of limited partnership interests, units, shares or other securities of KPLP and its general partner, KPGP Inc. (KPGP) (or any successor entity of either KPLP or KPGP), (ii) the acquisition of, holding, operation and disposition of any assets, liabilities, operations or business of such entities, and (iii) all activities related, incidental or ancillary to any of the foregoing. As of the date of the MD&A and following participation by the partners in the Dividend Reinvestment Plan (DRIP) on April 15, 2022, KPT held 14.3% of the KPLP Partnership Units (KPLP Units).

Basis of Presentation

The unaudited condensed consolidated financial statements of KPLP presented for Q1 2022 and Q1 2021 and the unaudited condensed financial statements of KPT presented for the 3-month periods ended March 31, 2022 and March 31, 2021, respectively, have each been prepared in accordance with IFRS (International Financial Reporting Standards) for interim financial statements, including IAS 34, Interim Financial Reporting.

Accounting Periods

This MD&A includes financial information for the 3-month periods ended March 31, 2022 (Q1 2022) and March 31, 2021 (Q1 2021), respectively.

Non-GAAP Financial Measures

This MD&A refers to “Adjusted EBITDA”, a measure which does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other companies. KPLP believes that this measure provides useful information to management of KPLP and the readers of the financial information in measuring the financial performance and financial condition of KPLP.

“Adjusted EBITDA” is calculated by KPLP as net income (loss) before (i) interest expense and other finance costs, (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. We use “Adjusted EBITDA” to evaluate the performance of our business as it reflects its ongoing profitability. This MD&A contains a reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure, on page 5.

Outlook

KPLP is committed to building its consumer brands and developing innovative products for its retail and commercial customers. KPLP’s strategy is to maintain its leadership position in the Canadian market. Though the Canadian tissue market is expected to remain competitive, KPLP believes that its brands and products are well positioned for continued growth. KPLP will aim to sustain its consumer and AFH leadership position in the Canadian tissue industry by driving marketing and sales excellence, extending product lines, continuing to leverage product development and manufacturing technology to drive product superiority and cost savings, and emphasizing manufacturing quality and efficiency.

KPLP also expects to continue to grow by leveraging its TAD product capabilities in Canada and the United States and focusing on the high-end private label business in the U.S. market. KPLP’s U.S. strategy also includes the expansion of the White Cloud brand to additional U.S. retailers.

Refer to Business Highlights, Sherbrooke Expansion Project for additional details.

BUSINESS HIGHLIGHTS

Sherbrooke Expansion Project

On February 26, 2021, KPLP announced an investment of \$240 million to expand the Sherbrooke operations with a Light Dry Crepe (LDC) tissue machine and two new production lines as well as the construction of a new tissue manufacturing facility (the Sherbrooke Expansion Project) over the next three years. On December 17, 2021, KPLP announced an additional investment of \$111.5 million in the Sherbrooke Expansion Project, to increase the production capacity of the LDC paper machine, for a total investment of \$351.5 million. The cost of the project could be subject to change as a result of inflationary pressures across the supply chain. Management continues to monitor the project to minimize the overall impact. At maturity, the LDC Machine is expected to increase KPLP's annual output by at least 60,000 metric tonnes.

The additional capacity will allow KPLP to expand its product offering and is expected to enable it to grow its market share across its different categories, including bathroom tissue, paper towels and facial tissue for household and away-from-home use under such brands as Cashmere®, SpongeTowels®, Scotties®, Purex® and Bonterra™ in Canada, and White Cloud® in the U.S. Construction of this new facility is anticipated to start in the summer of 2022 on a site adjacent to the Sherbrooke TAD facility, with converting production line commissioning in 2023, and the LDC Machine start-up planned in 2024.

AgCredit Agreement

On March 30, 2022, the borrowers entered into the fourth amendment to the AgCredit Agreement (the Fourth Amendment) to make available through the TAD Sherbrooke Project Facility a new US\$87 million facility (the Term D Credit Facility) for the purpose of refinancing the borrowings outstanding under the \$111 million term loan facility (the Term C Credit Facility) and to extend the maturity dates on the revolving loans of US\$10 million and \$12.5 million from December 31, 2023 to December 31, 2026. The Term D Credit Facility was drawn in full on the effective date and was used to prepay in full the \$107.0 million of principal, accrued interest and fees outstanding under the Term C Credit Facility. The Term D Credit Facility is repayable by March 30, 2032. Refer to Liquidity and Capital Resources, Indebtedness for additional details.

RESULTS OF OPERATIONS

Results of Operations of KPLP

(C\$ millions, unless otherwise noted)	Q1 2022	Q1 2021	\$ Change Q1 2022 vs. Q1 2021
Statement of Operations Data:			
Revenue	398.7	310.4	88.3
Cost of sales	(363.8)	(263.3)	(100.5)
Selling, general and administrative expenses	(28.9)	(27.8)	(1.1)
Restructuring costs, net	(0.5)	(0.1)	(0.4)
Operating income	5.5	19.2	(13.7)
Interest expense and other finance costs	(17.5)	(12.9)	(4.6)
Other income	4.3	0.3	4.0
Income (loss) before income taxes	(7.7)	6.6	(14.3)
Income taxes:			
Combined income tax rate after manufacturing and processing credits	2.0	(1.7)	3.7
Income tax in partners' hands	(0.5)	2.3	(2.8)
Other	7.6	(0.4)	8.0
Income taxes	9.1	0.2	8.9
Net income	1.4	6.8	(5.4)

(C\$ millions, unless otherwise noted)	Q1 2022	Q1 2021	\$ Change Q1 2022 vs. Q1 2021
Reconciliation of Adjusted EBITDA to Net income:			
Net income	1.4	6.8	(5.4)
Interest expense and other finance costs	17.5	12.9	4.6
Income taxes	(9.1)	(0.2)	(8.9)
Depreciation and amortization	23.1	18.2	4.9
Foreign exchange gain	(4.3)	(3.7)	(0.6)
Change in amortized cost of Partnership units liability	-	3.4	(3.4)
Restructuring costs, net	0.5	0.1	0.4
Adjusted EBITDA	29.1	37.5	(8.4)

Results of Operations Q1 2022 compared to Q1 2021

Revenue

Revenue was \$398.7 million in Q1 2022 compared to \$310.4 million in Q1 2021, an increase of \$88.3 million or 28.5%. The increase in revenue was due to selling price increases in all segments and regions and higher sales volume in the Consumer segment compared to the year ago quarter that saw lower sales as a result of the de-stocking of tissue inventories by both retailers and consumers. The AFH segment also had significantly higher sales volume compared to Q1 2021 as the business continues to recover from the impact of COVID-19. From a geographic perspective, revenue in Canada increased \$48.3 million or 24.8%, while revenue in the U.S. increased \$40.0 million, or 34.6%.

Cost of Sales

Cost of sales was \$363.8 million in Q1 2022 compared to \$263.3 million in Q1 2021, an increase of \$100.5 million or 38.2%. Manufacturing costs increased primarily due to higher sales volumes, increased pulp costs, the impact of labour shortages in Memphis manufacturing, the unfavourable impact of overhead absorption as inventory levels were lower than the year ago quarter, along with higher depreciation expense and inflation. These increases were partially offset by more in-house production in AFH. Freight costs increased significantly compared to Q1 2021 primarily due to increased freight rates resulting from cost inflation and supply issues across North America and also higher sales volumes. As a percentage of revenue, cost of sales was 91.3% in Q1 2022 compared to 84.8% in Q1 2021.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses were \$28.9 million in Q1 2022 compared to \$27.8 million in Q1 2021, an increase of \$1.1 million or 3.9%. The increase was primarily due to higher advertising and promotion expenses. As a percentage of revenue, SG&A expenses were 7.2% in Q1 2022 compared to 8.9% in Q1 2021.

Adjusted EBITDA

Adjusted EBITDA¹ was \$29.1 million in Q1 2022 compared to \$37.5 million in Q1 2021, a decrease of \$8.4 million or 22.4%. The decrease was primarily due to higher pulp prices and other inflation, overhead absorption, labour shortages in Memphis manufacturing and higher freight rates, partially offset by higher sales volume and selling price increases.

Interest Expense and Other Finance Costs

Interest expense and other finance costs were \$17.5 million in Q1 2022 compared to \$12.9 million in Q1 2021, an increase of \$4.6 million. The increase was primarily due to higher debt levels as a result of the TAD Sherbrooke Project and a loss on extinguishment of debt under IFRS related to the refinancing of the \$107 million term loan in KPSI.

Other Income

Other income was \$4.3 million in Q1 2022 compared to \$0.3 million in Q1 2021. Other income in Q1 2022 was related to a foreign exchange gain on USD denominated debt of \$4.3 million (Q1 2021 – \$3.7 million). Q1 2021 also included a loss resulting from the change in amortized cost of Partnership units liability of \$3.4 million.

Income Taxes

An income tax recovery of \$9.1 million was recorded in Q1 2022 compared to \$0.2 million in Q1 2021. KPLP is not directly taxable on its Canadian business. The income tax recovery resulted from operating losses related to the U.S. entities. Income tax in partner's hands was an expense of \$0.5 million in Q1 2022 compared to a recovery of \$2.3 million in Q1 2021.

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the *Non-GAAP Financial Measures* section of this MD&A for more information on these measures.

Net Income

Net income was \$1.4 million in Q1 2022 compared to \$6.8 million in Q1 2021, a decrease of \$5.4 million. The decrease was primarily due to lower Adjusted EBITDA of \$8.4 million as discussed above, higher interest expense and other finance costs of \$4.6 million and higher depreciation and amortization of \$4.9 million, partially offset by higher income tax recovery of \$8.9 million and higher other income of \$4.0 million.

Results of Operations of KPT

(C\$ millions, unless otherwise noted)	3-month	3-month
	period ended	period ended
	March 31, 2022	March 31, 2021
Statement of Operations Data:		
Share of income	0.2	1.0
Depreciation of fair value increments	(1.3)	(1.3)
Equity loss	(1.1)	(0.3)
Dilution gain	0.1	-
Loss before income taxes	(1.0)	(0.3)
Income taxes:		
Current tax expense	-	(0.6)
Deferred tax recovery	2.0	2.1
Income taxes	2.0	1.5
Net income	1.0	1.2
Basic earnings per share (dollars)	0.10	0.12

The financial information presented above is based on KPT's interest in KPLP for Q1 2022 and Q1 2021. The share of income relates to KPT's share of income of KPLP. Refer to Results of Operations of KPLP above for an explanation of the results. The depreciation of fair value increments relates to adjustments to the carrying amount of certain assets of KPLP on its acquisition by KPT. Refer to note 4 in KPT's financial statements for additional details.

The current income tax expense is based on KPT's share of the taxable income of KPLP for the same periods. The deferred tax recovery is a result of changes in the temporary differences of KPLP's assets and liabilities since acquisition and the difference between the accounting and tax basis for KPT's investment in KPLP. Refer to note 5 in KPT's financial statements for additional details.

On February 28, 2022, pursuant to the Tax Distribution as defined in the Partnership Agreement, KPLP declared a Tax Distribution of \$14.1 million, of which the advances of \$13.8 million were offset and the remaining \$0.3 million was paid on February 28, 2022.

SEGMENT INFORMATION

Segment Operating Income

Segment operating income is the earnings (loss) for each such segment before (i) interest expense and other finance costs, (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. “Consumer Segment Adjusted EBITDA” and “AFH Segment Adjusted EBITDA” means in each case the Segment operating income for the referring respective segment of KPLP.

Segment Results

(C\$ millions, unless otherwise noted)	Q1 2022	Q1 2021	Q1 2022 vs Q1 2021	
			\$ Change	% Change
Segment Revenue				
Consumer	342.8	271.4	71.4	26.3%
AFH	55.9	39.0	16.9	43.3%
Total segment revenue	<u>398.7</u>	<u>310.4</u>	<u>88.3</u>	<u>28.4%</u>
Adjusted EBITDA				
Consumer	35.4	44.1	(8.7)	
AFH	(3.2)	(4.8)	1.6	
Corporate and other costs	(3.1)	(1.8)	(1.3)	
Total Adjusted EBITDA	<u>29.1</u>	<u>37.5</u>	<u>(8.4)</u>	

Consumer Segment

Q1 2022 compared to Q1 2021

Consumer segment revenue was \$342.8 million in Q1 2022 compared to \$271.4 million in Q1 2021, an increase of \$71.4 million or 26.3%. The increase in revenue was due to a Q3 2021 selling price increase in Canada and Q1 2022 selling price increase in the U.S., along with higher sales volume in both the U.S. and Canada compared to the year ago quarter that saw lower sales as a result of the de-stocking of tissue inventories by both retailers and consumers.

Consumer Segment Adjusted EBITDA was \$35.4 million in Q1 2022 compared to \$44.1 million in Q1 2021, a decrease of \$8.7 million. The decrease in Adjusted EBITDA was primarily due to higher cost of sales as described above in Results of Operations for Q1 2022 along with higher SG&A expenses, partially offset by higher sales volume and the selling price increase.

AFH Segment

Q1 2022 compared to Q1 2021

AFH segment revenue was \$55.9 million in Q1 2022 compared to \$39.0 million in Q1 2021, an increase of \$16.9 million or 43.3%. The increase was primarily due to higher sales volumes in both the U.S. and Canada as the business continues to recover from the impact of COVID-19, and a Q1 2022 selling price increase.

AFH Segment Adjusted EBITDA was a loss of \$3.2 million in Q1 2022 compared to \$4.8 million in Q1 2021, an improvement of \$1.6 million. The improvement was primarily due to the favourable impact of sales as described above, along with more in-house production compared to Q1 2021, partially offset by increased pulp costs and other inflation including freight rates.

Corporate and Other Costs

Q1 2022 compared to Q1 2021

Corporate and other costs include certain management overhead costs not directly attributable to the business segments.

Corporate and other costs were \$3.1 million in Q1 2022 compared to \$1.8 million in Q1 2021, an increase of \$1.3 million resulting primarily from lower overhead costs allocated to Corporate in Q1 2021.

LIQUIDITY AND CAPITAL RESOURCES

Overview

KPLP's principal uses of funds are for operating costs, working capital, capital expenditures, pension contributions and Tax and Partnership Unit distributions (together, the Funding Requirements). To date, KPLP has met the Funding Requirements by using cash generated from operating activities and the Dividend Reinvestment Plan and borrowings under its various debt facilities. The registered defined benefit pension plans (RDBPP) sponsored by KPLP are currently in a solvency deficiency position, requiring KPLP to make funding contributions over the next ten years. KPLP Management believes that cash generated from operations and the Dividend Reinvestment Plan, together with amounts available under the various debt facilities will be sufficient to meet its future Funding Requirements. However, KPLP's ability to meet future Funding Requirements and its ability to make scheduled payments of interest and principal on its debt facilities and to satisfy any of its other present or future debt obligations will depend on its future operating performance, which will be affected by general economic, financial, and other factors including factors beyond its control. KPLP Management reviews investment opportunities in the normal course of its business and may, if suitable opportunities arise, make selected investments to implement KPLP's business strategy. Historically, the funding for any such investments has come from cash flows from operations and/or additional debt.

As of March 31, 2022, KPLP was in compliance with all of its financial covenants under all of its outstanding credit facilities. As of March 31, 2022, KPLP had drawn \$25.0 million from the \$200 million committed amount under the KPLP Senior Credit Facility and had \$19.1 million of letters of credit outstanding, resulting in \$155.9 million available from the KPLP Senior Credit Facility, subject to covenant limitations. As of March 31, 2022, KPLP had drawn US\$3.0 million (\$3.7 million) on the US\$10 million (\$12.5 million) and \$12.5 million committed amounts under the revolving loans of the TAD Sherbrooke Project Facility and had \$8.9 million of letters of credit outstanding, resulting in \$12.4 million available from the revolving loans, subject to covenant limitations. As of March 31, 2022, KPSB had not drawn on the \$5 million committed amount under the KPSB Revolving Facility, resulting in \$5 million available from the KPSB Revolving Facility, subject to covenant limitations. As of March 31, 2022, KPLP had total liquidity of \$206.9 million (December 31, 2021 - \$263.8 million) representing cash and cash equivalents and availability under the KPLP Senior Credit Facility, the revolving loans of the TAD Sherbrooke Project Facility and the KPSB Revolving Facility within the covenant limitations. In addition, \$76.4 million (December 31, 2021 - \$86.5 million) of cash and cash equivalents were held by KPLP for the TAD Sherbrooke and Sherbrooke Expansion projects.

As it pertains to capital expenditures, approximately \$25 million annually relates to maintenance projects and the remaining expenditures are focused on strategic and growth projects aimed at reducing costs and offsetting annual inflation or increasing production capacity. Regular growth projects focused on performance improvement generally have a 3 to 4 year payback. Capital expenditures were \$16.3 million in Q1 2022, including \$5.3 million related to the TAD Sherbrooke Project and \$6.0 million related to the Sherbrooke Expansion Project. Capital expenditures are expected to be approximately \$160 million to \$180 million in fiscal 2022, including the remaining TAD Sherbrooke Project expenditures and the Sherbrooke Expansion Project.

The tissue industry is generally characterized by high sales volume and rapid turnover of inventories and accounts receivable. In general, accounts receivable and inventories are readily convertible into cash. Investment in working capital may be affected by fluctuations in the prices of pulp and other supply costs, vendor terms and timing of collection of accounts receivable. KPLP participates in a factoring program to assist in managing working capital. Under the program, KPLP derecognizes certain receivables upon sale.

Cash Flows

(C\$ millions, unless otherwise stated)	Q1 2022	Q1 2021	\$ Change
			Q1 2022 vs. Q1 2021
Net cash flows used in operating activities	(19.2)	(84.5)	65.3
Net cash flows used in investing activities	(16.3)	(54.7)	38.4
Net cash flows from (used in) financing activities	(2.7)	68.5	(71.2)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(0.3)	(0.4)	0.1
Decrease in cash and cash equivalents	(38.5)	(71.1)	32.6
Beginning cash and cash equivalents, net	148.5	128.7	19.8
Ending cash and cash equivalents, net	110.0	57.6	52.4

Net Cash Flows used in Operating Activities

Net cash used in operating activities was \$19.2 million in Q1 2022 compared to \$84.5 million in Q1 2021. Cash used in operating activities in Q1 2022 was primarily driven by an increase in working capital of \$46.5 million (Q1 2021 – \$122.5 million), income tax payments of \$0.3 million (Q1 2021 - \$0.1 million) and provisions paid of \$0.2 million (Q1 2021 - \$0.2 million), partially offset by Adjusted EBITDA of \$29.1 million (Q1 2021 - \$37.5 million).

Net Cash Flows used in Investing Activities

Net cash used in investing activities was \$16.3 million in Q1 2022 compared to \$54.7 million in Q1 2021. Cash used in investing activities related to capital expenditures of \$16.3 million (including \$5.3 million for the TAD Sherbrooke Project, \$6.0 million for the Sherbrooke Expansion Project and \$5.0 million for all other sites) in Q1 2022 compared to \$54.7 million (including \$51.1 million for the TAD Sherbrooke Project and \$3.6 million for the other sites) in Q1 2021.

Net Cash Flows from (used in) Financing Activities

Net cash used in financing activities was \$2.7 million in Q1 2022 compared to net cash from financing activities of \$68.5 million in Q1 2021. Net cash used in financing activities in Q1 2021 was primarily due to interest paid of \$8.9 million (Q1 2021 - \$7.0 million), lease payments of \$7.0 million (Q1 2021 - \$6.6 million), distributions and advances paid of \$7.0 million (Q1 2021 - \$20.5 million) primarily driven by a lower Tax Distribution compared to Q1 2021, deferred financing fees paid of \$2.1 million (Q1 2021 - \$0.3 million) and the change in Restricted cash of \$1.1 million (Q1 2021 – nil), partially offset by proceeds from debt net of repayments of \$23.4 million (Q1 2021 - \$103.0 million).

Contractual Obligations

KPLP's contractual obligations consist of long-term debt (principal repayments and interest payments), right-of-use leases for the rental of property, equipment and motor vehicles, Partnership units liability and pensions.

As of March 31, 2022, KPLP had \$31.3 million of commitments related to the Sherbrooke Expansion Project.

KPLP's cash pension contribution for defined benefit pension arrangements in Q1 2022 was \$3.2 million, while its post-retirement benefits contribution was \$0.6 million. In addition, as of March 31, 2022, KPLP had \$18.7 million of letters of credit related to pensions outstanding. Pension contributions for fiscal 2022 are expected to be \$14.1 million and post-retirement contributions for fiscal 2022 are expected to be \$2.4 million.

Indebtedness

AgCredit Agreement

On March 30, 2022, the borrowers entered into the fourth amendment to the AgCredit Agreement (the Fourth Amendment) to make available through the TAD Sherbrooke Project Facility a new US\$87 million facility (the Term D Credit Facility) for the purpose of refinancing the borrowings outstanding under the \$111 million term loan facility (the Term C Credit Facility) and to extend the maturity dates on the revolving loans of US\$10 million and \$12.5 million from December 31, 2023 to December 31, 2026. The Term D Credit Facility was drawn in full on the effective date and was used to prepay in full the \$107.0 million of principal, accrued interest and fees outstanding under the Term C Credit Facility. The Term D Credit Facility is repayable by March 30, 2032 by quarterly principal instalment payments commencing on June 30, 2026 and bearing interest at a 6.07% maximum fixed interest rate.

Pursuant to the Fourth Amendment, within 120 days after the end of each fiscal year, commencing with the fiscal year ending on or about December 31, 2022 through and including the fiscal year ending on or about December 31, 2025, a subsidiary of the Partnership, Kruger Products Sherbrooke Inc. (KPSI) agreed to deposit an aggregate amount equal to 75% of the Canadian Borrower Excess Cash Flow (as defined in the Fourth Amendment) for such fiscal year in a designated bank account (the KPSI Dedicated Account) to be used only for the purpose of prepaying the Term D Credit Facility, subject to certain conditions specified in the Fourth Amendment. The KPSI Dedicated Account constitutes collateral and is subject to a Blocked Account Control Agreement (as defined in the Fourth Amendment) in favour of the lender.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. KPLP's financial instruments exposed to credit risk as of March 31, 2022 included cash and cash equivalents, restricted cash, trade and other receivables, and receivables from related parties. KPLP places its cash, cash equivalents and restricted cash with financial institutions of high creditworthiness.

KPLP sells its products to a variety of customers under certain credit terms and therefore is exposed to credit risks. Normal trade receivables are due within 30 days from the invoice date and amounts in excess of 90 days past the invoice date are considered delinquent. KPLP routinely assesses the financial strength of its customers and mitigates against identified exposure primarily by lowering credit limits with high risk accounts. KPLP's customers are well established companies and accordingly, KPLP has experienced limited financial loss with respect to credit risk. As a result, KPLP believes that its exposure to credit risk is limited.

On November 16, 2018, KPLP entered into a factoring arrangement with the Bank of Nova Scotia, pursuant to a Receivables Purchase Agreement, as amended by a first amendment agreement dated November 12, 2020 and a second amendment agreement dated November 8, 2021. As a result, KPLP sells to the Bank of Nova Scotia eligible trade receivables owing by certain key customers with a facility limit of \$50 million. Eligible trade receivables are sold on a non-recourse basis. KPLP receives 95% of customer invoices sold net of a dilution factor. The dilution factor is an estimate of rebates accrued for each customer in respect of the customer invoice. KPLP is restricted from selling or pledging these trade receivables. The factoring arrangement bears interest at a floating interest rate based on CDOR plus applicable margin. KPLP was committed to a two year term, renewable for additional one year periods. On November 8, 2021, the term was renewed for an additional one year period, maturing November 15, 2022.

Currency Risk

Currency risk is the risk that KPLP's earnings may fluctuate due to changes in Canadian to U.S. dollar exchange rates, as the financial results are reported in Canadian dollars. KPLP sells certain of its products in U.S. dollars at prevailing U.S. dollar prices. The currency exposure is more than offset by U.S. dollar costs and expenses and the U.S. dollar denominated debt. KPLP is generally a net buyer of U.S. dollars.

As of March 31, 2022, KPLP had net liabilities denominated in U.S. dollars of \$275.3 million (March 31, 2021 – \$256.3 million). Assuming the Canadian dollar strengthened (weakened) by 5% against the U.S. dollar, with all other variables held constant, the result on net income before tax in Q1 2022 would have been an increase (decrease) of \$13.8 million (Q1 2021 – \$12.8 million).

Liquidity Risk

The purpose of liquidity risk management is to maintain sufficient cash and cash equivalents and to ensure KPLP has sufficient authorized credit facilities to maintain liquidity and meet its future obligations as they come due.

The ability to pay its obligations relies on KPLP collecting its trade receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs. KPLP's trade and other payables of \$235.2 million as of March 31, 2022 (December 31, 2021 – \$258.6 million) are all due for payment within twelve months of the dates of the unaudited condensed consolidated statements of financial position.

Refer to Liquidity and Capital Resources, Overview for additional details.

Interest Rate Risk

KPLP's interest rate risk arises from its variable rate debt related to the KPLP Senior Credit Facility, certain credit facilities made available as part of the TAD Sherbrooke Project Facility and the KPSB Senior Credit Facility. As of March 31, 2022, KPLP had variable rate debts of \$28.7 million (December 31, 2021 – \$106.7 million). The KPLP Senior Credit Facility bears interest at a base rate of Canadian prime rate, U.S. base rate, banker's acceptance rates, LIBOR or the applicable benchmark replacement rate, plus an applicable margin ranging between 0.20% and 3.50%. The revolving loans of US\$10 million and \$12.5 million made available as part of the TAD Sherbrooke Project Facility bear interest at a floating interest rate of U.S. base rate, Canadian prime rate or CDOR plus an applicable margin ranging between 1.35% and 3.25%. The KPSB Senior Credit Facility bears interest at a base rate of Canadian prime rate, U.S. base rate, banker's acceptance rates, LIBOR or the applicable benchmark replacement rate, plus an applicable margin ranging between 1.50% and 3.25%.

A 100 basis point increase (decrease) in the market rate of interest would result in a decrease (increase) in net income before tax of \$0.3 million.

From time to time, KPLP uses interest rate swaps to manage part of its exposure to movements in interest rates on its credit facilities.

Commodity Price Risk

Commodity price risk is the risk that future cash flows associated with purchasing required raw materials will fluctuate due to changes in commodity prices, which can be affected by foreign exchange and other trade related risks. KPLP is subject to commodity price fluctuations since KPLP's main raw material is fibre, which changes price due to market conditions, and therefore can result in periodic earnings volatility in the short term. Historically, the industry has generally been able to mitigate its exposure to commodity price risk over the medium term by passing increases in its supply costs onto its customers through incremental price increases, depending on the supply and demand balance. The ability to eventually pass through the full amount of pulp cost increases can be impacted by the competitive market situation. There can be no assurance that the historical ability to pass through increases in costs will continue to occur in the future. From time to time, KPLP enters into futures contracts to manage its commodity risk. No such contracts were outstanding as of March 31, 2022 and March 31, 2021.

TRANSACTIONS WITH RELATED PARTIES

KPLP and Kruger are parties to a Third Amended and Restated Management Services Agreement dated as of November 15, 2019 with effect as of January 1, 2020 (the "Management Services Agreement") pursuant to which Kruger provides certain management and support services to KPLP, including corporate management support and administrative support services; accounting and tax support; corporate financing and treasury support; benefits and human resources support services; corporate insurance; corporate procurement services complementary to KPLP procurement; project development

and management services, corporate development support, environmental support and corporate engineering support services.

During Q1 2022, management fees of \$2.4 million (Q1 2021 - \$1.9 million) were paid to Kruger Inc. for management services provided to KPLP.

Kruger Inc. is also providing certain management and support services related to the Sherbrooke Expansion Project including project management services, and engineering, construction, accounting and corporate finance support services.

KPLP also leases warehouses located in Laval, Québec and Vancouver, British Columbia from an entity of which an affiliate of Kruger is a 50% owner.

KPLP purchases certain supplies and services from Kruger Inc. and its affiliates, including fibre and small quantities of pulp and packaging. These transactions generally take place on arm's-length terms. KPLP also has the ability to procure these goods and services from third party suppliers.

Sales of goods and services to Kruger Inc. during Q1 2022 were \$0.1 million (Q1 2021 – \$0.05 million). Sales of goods to subsidiaries of Kruger Inc. during Q1 2022 were \$1.3 million (Q1 2021 – \$0.2 million). Goods are sold based on the price lists in force and terms that would be available to third parties.

Purchases of goods and services from Kruger Inc. during Q1 2022 were \$2.4 million (Q1 2021 - \$2.1 million). Purchases of goods and services from subsidiaries of Kruger Inc. during Q1 2022 were \$18.8 million (Q1 2021 - \$11.8 million).

As of March 31, 2022, an obligation of \$43.0 million was recorded in the unaudited condensed consolidated statement of financial position as Long-term payable to related party (December 31, 2021 - \$42.5 million). During the 3-month period ended March 31, 2022, the increase in the obligation due to passage of time was \$0.6 million and was recognized as Interest expense and other finance costs in the unaudited condensed consolidated statement of comprehensive income. As of March 31, 2022, a deferred financing fee related to the KPSB IQ Debenture of \$18.6 million was recorded in the unaudited condensed consolidated statement of financial position, \$11.9 million as Other long-term assets and \$6.7 million netted against Long-term debt, based on the pro rata portion of the KPSB IQ Debenture issued as of period end. As of March 31, 2022, a deferred financing fee related to the IQ Bathroom Tissue Loan of \$11.7 million was recorded in the unaudited condensed consolidated statement of financial position, \$10.6 million as Other long-term assets and \$1.1 million netted against Long-term debt, based on the pro rata portion of the IQ Bathroom Tissue Loan drawn as of period end. Also as of March 31, 2022, a deferred financing fee related to the IQ Facial Tissue Loan of \$10.7 million was recorded in the unaudited condensed consolidated statement of financial position as Other long-term assets.

OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

KPLP has entered into right-of-use lease commitments related to land, buildings, IT services, vehicles and other machines and equipment. Refer to Liquidity and Capital Resources, Contractual Obligations for additional details on contractual obligations including these right-of-use leases.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited condensed consolidated financial statements is in accordance with IFRS, which requires KPLP Management to make estimates and assumptions that affect the reported amounts and disclosures made in the KPLP and KPT financial statements and accompanying notes. KPLP Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on KPLP Management's historical experience, best knowledge of current events and conditions and activities that KPLP and KPT may undertake in the future. Actual results could differ materially from these estimates. The estimates and assumptions described in this section depend upon subjective or complex judgment that may be uncertain and changes in these estimates and assumptions could materially impact the financial statements.

Pension and Post-Retirement Benefit Obligations

The cost and accrued benefit plan obligations of KPLP's pension plans, consisting of the RDBPP, supplementary retirement arrangements and the Annuity Arrangement and other benefit plans are accrued based on actuarial valuations that are dependent on assumptions determined by KPLP Management. These assumptions include the discount rate, the expected growth rate of health care costs, the rate of compensation increase, retirement ages and mortality rates. These assumptions are reviewed quarterly by KPLP Management and KPLP's actuaries. The discount rate (based on market rates) and the expected growth rate in health care costs represent the most significant assumptions.

Partnership Units Liability

On December 13, 2012, in connection with the issuance of Partnership units to KPT, the Limited Partnership Agreement was amended to require KPLP, subject to compliance with contractual obligations and applicable law, to make distributions to its partners in such amounts as would enable KPT to discharge its obligation to pay federal and provincial income taxes (the Tax Distribution). Each partner is entitled to its share of the Tax Distribution made in respect of any given year. KPLP determined that it was appropriate to reclassify a portion of its equity to Partnership units liability, since the Tax Distribution represents a contractual obligation to deliver cash and, as such, meets the definition of a financial liability for accounting purposes under IFRS.

The liability is based on KPLP Management's best estimate of the net present value of expected future Tax Distributions, which are made on a pro rata basis based on taxes payable by KPT, which results from KPT's taxable income from its partnership interest in KPLP. KPLP updates the net present value of the liability annually and records any resulting change in Other income (expense). The net present value of the liability is based on a number of assumptions including estimates of taxable income and tax rates, as well as discount rates, growth rates, forecasted Adjusted EBITDA, future commodity prices and foreign exchange rates. Taxable income can differ significantly from accounting income as a result of both timing and permanent tax differences based on enacted tax legislation and therefore changes in the Partnership units obligation are not necessarily indicative of a change in the expected future profitability of KPLP.

As of March 31, 2022, \$159.1 million was recorded as a liability in respect of this obligation (December 31, 2021 - \$173.2 million). There was no change in amortized cost of Partnership units liability recorded during Q1 2022 (Q1 2021 - \$3.4 million was included in Other income), reflecting KPLP's best estimate of the quarterly portion of the full year Tax Distribution.

Equity Method of Accounting

The equity method of accounting is being applied by KPT as it relates to its investment in KPLP. The conclusion to account for an investment using the equity method, particularly when the percentage of ownership is below 20%, is based on an assessment of several facts and circumstances and ultimately requires significant judgment in reaching a conclusion. Management has reviewed the agreements and made an assessment of the rights of KPT. Based on KPT having four of ten seats on the board of directors of KPGP, KPT Management has concluded that KPT has the ability to exercise significant influence over KPLP.

Impairment Tests

KPLP performs annual impairment tests for goodwill, as it relates to the Consumer Canada CGU and indefinite lived trademarks. KPT is required to perform an impairment test on its investment in KPLP if there is objective evidence that the investment may be impaired. Under IFRS, KPT and KPLP did not perform an impairment test as of March 31, 2022, as there were no events or changes in circumstances to indicate that the assets may be impaired.

Income Taxes

KPLP computes its income taxes in each jurisdiction in which its subsidiaries operate. Estimation of income taxes includes evaluating the recoverability of the deferred tax assets based on an assessment of the ability to use the underlying tax deductions and credits against future taxable income. The assessment requires an estimate of future taxable income compared to the net operating loss carry forwards and U.S. State tax credits. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

KPT has not recognized at the date of acquisition the deferred tax assets and liabilities related to the differences between the accounting and tax basis of KPLP's assets and liabilities. Accordingly, KPT is tracking temporary differences that are subject to the initial recognition exemption and recognizes newly created temporary differences as they arise. The determination of the temporary differences that are subject to the initial recognition exemption requires significant judgment. KPT has not recognized the deferred tax asset related to its investment in KPLP.

Leases

A number of critical judgements are required in the application of IFRS 16. These judgements include identifying whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in an arrangement, and determining the stand-alone selling price of lease and non-lease components.

Key estimates in the application of IFRS 16 include estimating the lease term, determining the appropriate rate to discount lease payments, and assessing whether a right-of-use asset is impaired.

ACCOUNTING CHANGES AND FUTURE ACCOUNTING STANDARDS

Accounting Standards Implemented effective January 1, 2022

- (i) IFRS 3, Reference to Conceptual Framework. In May 2020, the IASB issued an amendment to IFRS 3 to (i) clarify references to the 2018 Conceptual Framework in order to determine what constitutes an asset or liability in a business combination, (ii) add an exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 and (iii) clarify that an acquirer should not recognize contingent assets at the acquisition date. The mandatory effective date was for annual periods beginning on or after January 1, 2022. The amended standard had no impact on the unaudited condensed consolidated financial statements.
- (ii) IAS 37, Onerous Contracts – Cost of Fulfilling a Contract. In May 2020, the IASB issued an amendment to IAS 37 to clarify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The mandatory effective date was for annual periods beginning on or after January 1, 2022. The amended standard had no impact on the unaudited condensed consolidated financial statements.
- (iii) IAS 16, Proceeds before Intended Use. In May 2020, the IASB issued an amendment to IAS 16 to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The mandatory effective date was for annual periods beginning on or after January 1, 2022. The amended standard had no impact on the unaudited condensed consolidated financial statements.

Future Accounting Standards

The following revised standards and amendments are effective for annual periods beginning on or after January 1, 2023, and with earlier application permitted. KPLP and KPT Management are in the process of assessing the impact of these standards and amendments and have determined that the standards and amendments will not be early adopted.

- (i) IAS 1, Classification of Liabilities as Current or Non-current. In January 2020, the IASB issued an amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The mandatory effective date would be annual periods beginning on or after January 1, 2023, with early adoption permitted. Management is evaluating the amended standard and has not yet determined the impact on the unaudited condensed consolidated financial statements.
- (ii) IAS 1, Disclosure of Accounting Policies. In February 2021, the IASB issued amendments to IAS 1 to provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The mandatory effective date would be annual periods beginning on or after January 1, 2023, with early adoption permitted. The amended standard is not expected to have an impact on the unaudited condensed consolidated financial statements.

- (iii) IAS 8, Accounting Policies, Changes to Accounting Estimates and Errors. In February 2021, the IASB issued amendments to IAS 8 to introduce a new definition of accounting estimates to clarify the distinction between changes in accounting policies and changes in accounting estimates and the correction of errors. The mandatory effective date would be annual periods beginning on or after January 1, 2023, with early adoption permitted. The amended standard is not expected to have an impact on the unaudited condensed consolidated financial statements.
- (iv) IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction. In May 2021, the IASB issued amendments to IAS 12 that require an entity to recognize deferred tax on certain transactions such as leases and decommissioning obligations that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. The mandatory effective date would be annual periods beginning on or after January 1, 2023, with early adoption permitted. The amended standard is not expected to have an impact on the unaudited condensed consolidated financial statements.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table provides selected financial information for KPT and KPLP:

(C\$ millions, unless otherwise stated)	March 31, 2022	December 31, 2021
KPT Financial Information		
Total assets	92.0	80.7
Total liabilities	6.2	4.8
KPLP Financial Information		
Total assets	2,138.6	2,122.3
Total liabilities	1,618.4	1,706.2

The following table summarizes quarterly financial results for KPLP for the last eight quarters:

(C\$ millions, unless otherwise stated)	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Number of days in the period	90	92	92	91	90	92	92	91
Revenue	398.7	424.1	391.4	339.3	310.4	385.0	369.1	386.8
Net income (loss) for the period	1.4	42.3	(9.3)	2.2	6.8	(28.5)	18.5	28.9
Reconciliation of Net income (loss) to Adjusted EBITDA								
Net income (loss)	1.4	42.3	(9.3)	2.2	6.8	(28.5)	18.5	28.9
Interest expense and other finance costs	17.5	22.8	18.7	16.3	12.9	9.3	9.8	11.3
Income taxes	(9.1)	(43.2)	(4.6)	(3.0)	(0.2)	0.7	(0.7)	8.8
Depreciation and amortization	23.1	21.8	23.5	22.2	18.2	19.0	15.9	17.0
Foreign exchange (gain) loss	(4.3)	(1.3)	8.3	(4.1)	(3.7)	(10.4)	(3.4)	(5.8)
Change in amortized cost of								
Partnership units liability	-	(5.0)	3.5	3.4	3.4	36.2	5.8	2.5
Other expense	-	0.4	-	-	-	-	-	-
Loss on sale of property, plant and equipment	-	0.1	-	0.3	-	0.9	-	-
Impairment charge	-	-	-	-	-	8.9	-	-
Restructuring costs, net	0.5	0.4	0.2	(0.1)	0.1	-	0.1	0.5
Consulting costs related to								
operational transformation initiatives	-	-	-	-	-	-	-	1.2
Corporate development related costs	-	-	-	0.1	-	0.1	0.2	-
Adjusted EBITDA	29.1	38.3	40.3	37.3	37.5	36.2	46.2	64.4

SHARE INFORMATION

KPT's authorized share capital consists of an unlimited number of Common Shares. As of May 11, 2022, there were 9,935,777 Common Shares issued and outstanding. Pursuant to the Exchange Agreement, Kruger Inc. has the right to exchange KPLP Units it holds from time to time for Common Shares on the basis of one KPLP Unit for one Common Share, subject to adjustment as set out in the Exchange Agreement. If Kruger Inc. were to exchange all KPLP Units held by it as of May 11, 2022 for Common Shares, it would hold approximately 85.7% of the issued and outstanding Common Shares. As of May 11, 2022, there were no potentially dilutive instruments outstanding.

Pursuant to the Limited Partnership Agreement, KPLP may issue an unlimited number of KPLP Units. As of May 11, 2022, there were 69,365,788 KPLP Units issued and outstanding.

RISK FACTORS

For a detailed description of risk factors associated with KPT and KPLP, refer to the "Risk Factors" section of the 2021 Annual Information Form dated March 10, 2022 available on SEDAR at www.sedar.com. KPLP Management is not aware of any significant changes to the risk factors associated with KPT and KPLP from those disclosed at that time.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures within KPT and KPLP (collectively, the Corporations) have been designed to provide reasonable assurance that all relevant information is identified to its Chief Executive Officer (CEO), its Chief Financial Officer (CFO) and its Disclosure Policy Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by Management, under the supervision of, and with the participation of the Corporations' CEO and CFO, to provide reasonable assurance regarding the reliability of the Corporations' financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Corporations will file certifications, signed by the Corporations' CEO and CFO, with the Canadian Securities Administrators (CSA) upon filing of the Corporations' Annual Information Form. In those filings, the Corporations' CEO and CFO will certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporations' disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting. The Corporations' CEO and CFO also certify the appropriateness of the financial disclosures in the Corporations' interim filings with securities regulators. In those interim filings, the Corporations' CEO and CFO also certify the design of the Corporations' disclosure controls and procedures and the design of internal controls over financial reporting.

The Corporations' Audit Committees reviewed this MD&A and the financial statements and notes of KPT and the consolidated financial statements and notes of KPLP, and the Corporations' Boards of Directors approved these documents prior to their release.

Changes in Internal Controls over Financial Reporting

There have been no changes to the Corporations' internal controls over financial reporting during Q1 2022 that have materially affected, or are reasonably expected to materially affect, its internal controls over financial reporting.

ADDITIONAL INFORMATION

Additional information relating to KPT and KPLP, including the Annual Information Form, is available on SEDAR at www.sedar.com.