



Q3 2016 FINANCIAL RESULTS

November 3, 2016

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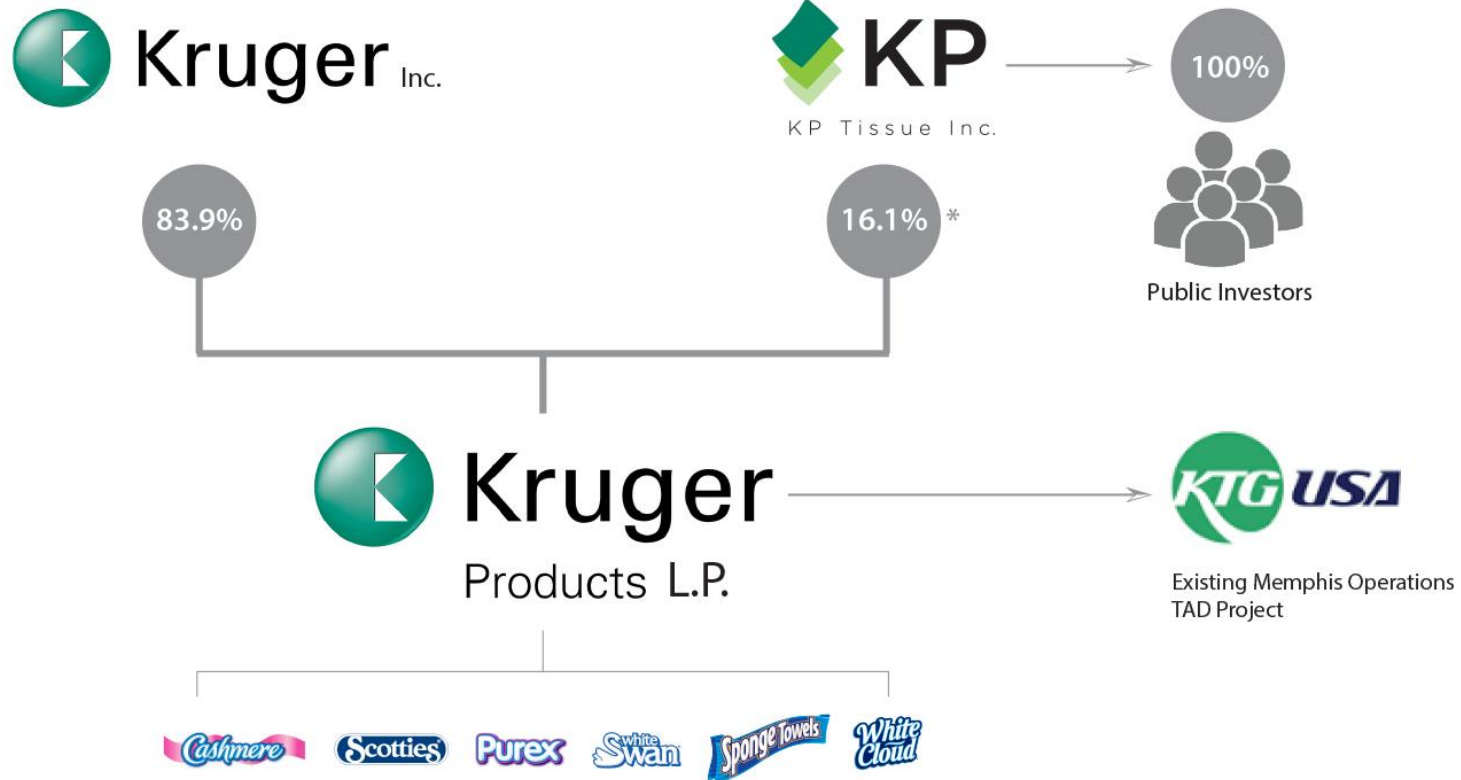
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Unless otherwise stated, references in this presentation to market shares or KPT’s market leadership are based on Nielsen dollar market share data and management estimates.

**The following presentation is to review Kruger Products L.P.
Q3 2016 financial results**

CORPORATE STRUCTURE



Kruger Products L.P. is the operating company.

KP Tissue Inc. is the publicly traded entity.

** As of August 10, 2016 (16.2% as of June 26, 2016)*

Q3 2016 HIGHLIGHTS



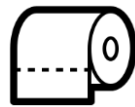
- Q3 2016 revenue of \$312.8 million, up 6.5% over Q3 2015, driven primarily by higher sales volume and a selling price increase in Canada. Revenue was up in all geographic regions
- Adjusted EBITDA¹ of \$45.7 million compared to \$34.8 million last year primarily due to higher sales volume, improved pricing, strong manufacturing performance and operating efficiencies, a more favourable product mix and cost reduction initiatives
- Adjusted EBITDA from TAD products² of \$12.7 million, up from \$11.2 million in Q3 2015
- Net Income of \$21.6 million in the quarter compared to a loss of \$5.9 million in Q3 2015

¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure

² Represents Adjusted EBITDA attributable to the sale of KTG's TAD products



CANADA'S LEADING TISSUE COMPANY



Bathroom Tissue

Facial Tissue

Paper Towel



#1
36.8%

#1
31.5%

#2
23.8%



21.1%

20.3%

9.8%



10.2%

1.0%

32.3%



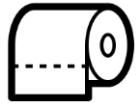
4.4%

18.2%

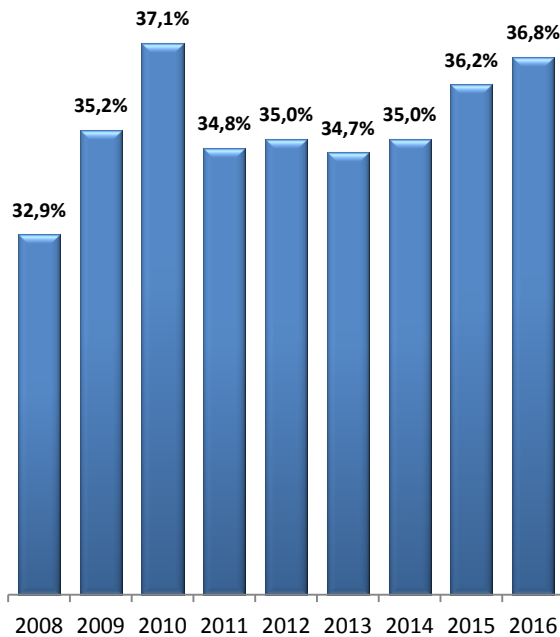
2.6%

Source: Nielsen; dollar market share for the 52-week period ended September 17, 2016.

BRAND LEADERSHIP POSITION



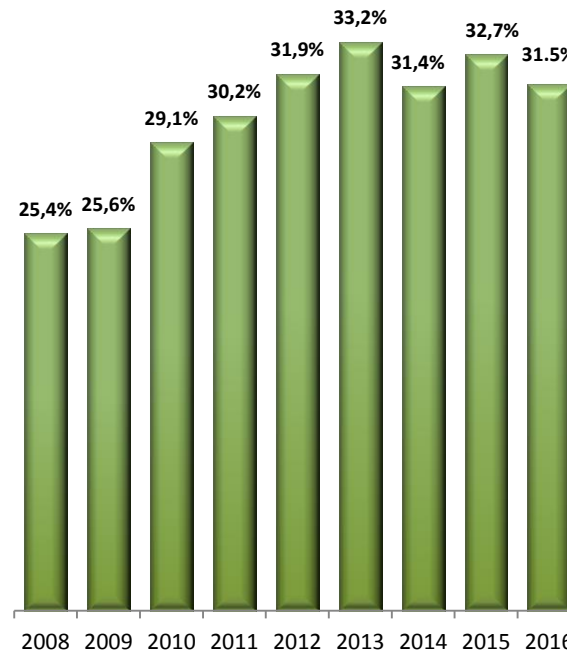
#1 Bathroom Tissue



Ended September 17, 2016



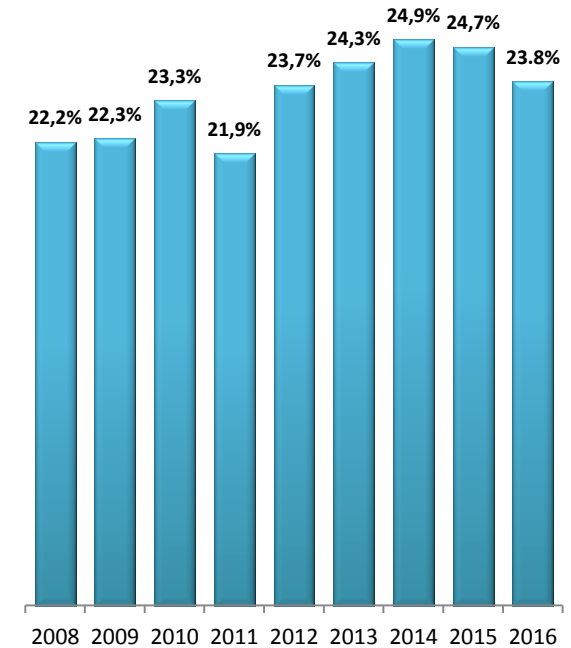
#1 Facial Tissue



Ended September 17, 2016



#2 Paper Towel



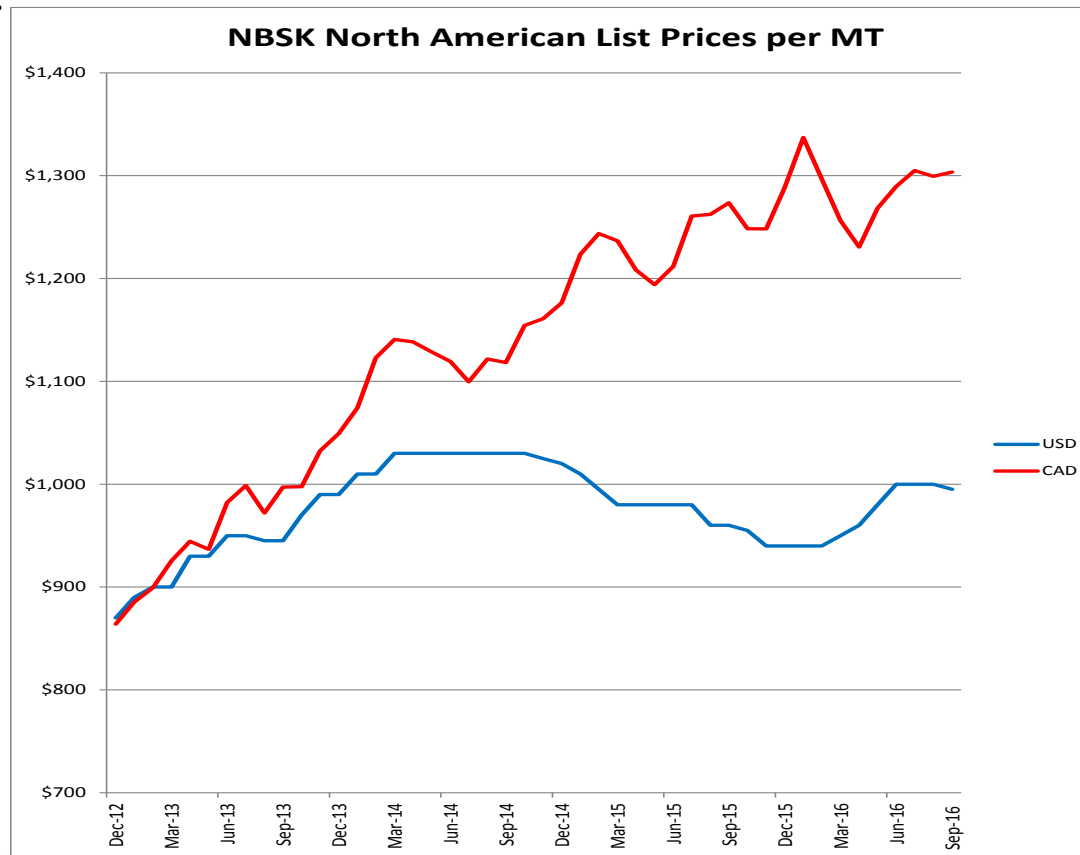
Ended September 17, 2016

Source: Nielsen Canadian dollar market share for 52-week period data.

PULP INPUT PRICES



- Q3 pulp prices (NBSK) rose sequentially compared to Q2 2016 in both USD and CAD and also year-over-year in CAD. Eucalyptus prices (BEK) were lower however.
- Based on industry information, management expects pulp prices in USD to remain relatively stable in the near term. The continuing weak and volatile CAD will further create fluctuations in pulp input costs during 2016.



(USD average 1.30 in Q3 2016 compared to 1.30 in Q3 2015)

QUARTERLY FINANCIAL SUMMARY



<i>(C\$ millions, unless otherwise noted)</i>	Q3 2016	Q2 2016	Q3 2015	% Change	
				Y/Y	Q/Q
Revenue	312.8	295.8	293.6	6.5%	5.7%
Cost of Sales	256.8	249.9	248.0		
Gross Profit	56.0	45.9	45.6	22.8%	22.0%
Gross Margin	17.9%	15.5%	15.5%		
Adjusted EBITDA	45.7	35.9	34.8	31.3%	27.3%
Adjusted EBITDA Margin	14.6%	12.1%	11.9%		
Operating Income (EBIT)	33.7	23.5	24.3		
EBIT Margin	10.8%	7.9%	8.3%		
Net Income (Loss)	21.6	12.0	(5.9)		
Net Income Margin	6.9%	4.1%	-2.0%		

QUARTERLY SEGMENTED RESULTS



QUARTERLY SEGMENTED RESULTS

(C\$ millions, unless otherwise noted)	Q3 2016	Q2 2016	Q3 2015	% Change	
				Y/Y	Q/Q
Segmented Revenue					
Consumer	248.8	232.4	230.2	8.1%	7.1%
AFH	59.4	59.1	59.5	(0.2)%	0.5%
Other	4.6	4.3	3.9		
Total segment revenue	312.8	295.8	293.6	6.5%	5.7%
Segment Adjusted EBITDA					
Consumer	43.9	34.1	32.3	35.8%	28.7%
AFH	1.5	1.4	1.8	(14.9)%	7.1%
Other	0.3	0.4	0.7		
Total segment Adjusted EBITDA	45.7	35.9	34.8	31.2%	27.3%
Segment Adjusted EBITDA Margin					
Consumer	17.6%	14.7%	14.0%		
AFH	2.5%	2.4%	3.0%		
Other					
Total segment Adjusted EBITDA Margi	14.6%	12.1%	11.9%		

Q3 2016 REVENUE COMPARED TO Q3 2015



- Q3 2016 revenue increased by \$19.2 million or 6.5% over Q3 2015 primarily due to the following factors:
 - Consumer segment revenue increased \$18.6 million or 8.1% driven by sales volume growth in all geographic regions, as well as a selling price increase in Canada. F/X impact on revenue was not significant
 - AFH segment revenue was flat

From a geographic perspective:

- Revenue in the U.S. increased by \$7.3 million or 7.2%, due primarily to higher sales volume in the Consumer segment
- Revenue increased in Canada by \$7.8 million, or 4.3%, and in Mexico increased \$4.1 million or 48.3%

Q3 2016 ADJUSTED EBITDA COMPARED TO Q3 2015



- Q3 2016 Adjusted EBITDA increased by \$10.9 million or 31.3% compared to Q3 2015 due to the following factors:
 - Higher sales volume in the Consumer segment
 - Improved pricing in Canadian Consumer segment
 - More favourable product mix
 - Cost reduction initiatives
 - Strong manufacturing performance and operating efficiencies
 - Benefit of previously initiated capital projects
- Gross margin increased (17.9% in Q3 2016 versus 15.5% in Q3 2015) primarily due to the above mentioned factors

Q3 2016 REVENUE COMPARED TO Q2 2016



- Q3 2016 revenue increased by \$17.0 million or 5.7% over Q2 2016, primarily due to:
 - Consumer segment revenue increased by \$16.4 million or 7.1% due to higher sales volume and improved pricing in the Canadian Consumer segment
 - AFH segment revenue was flat

From a geographic perspective:

- Revenue increased in Canada by \$11.0 million or 6.1%
- Revenue increased in the U.S. by \$6.4 million or 6.2%

Q3 2016 ADJUSTED EBITDA COMPARED TO Q2 2016



- Q3 2016 Adjusted EBITDA increased by \$9.8 million over Q2 2016 due to the combination of the following factors:
 - Higher sales volumes in Canada and the U.S.
 - Improved pricing in the Canadian Consumer segment
 - More favourable product mix
 - Cost reduction initiatives
 - Benefit of previously initiated capital projects
- Gross margin increased (17.9% in Q3 2016 versus 15.5% in Q2 2016) primarily due to the above mentioned factors

BALANCE SHEET



(C\$ millions, unless otherwise noted)

	Q3 2016	Q2 2016
Cash & cash equivalents	19.5	10.1
Current portion of long-term debt	9.0	9.1
Long-term debt	415.7	408.4
Net Debt	405.1	407.5
LTM EBITDA	139.9	129.0
Net Debt/LTM EBITDA	2.9	3.2

CAPEX



- Q3 2016 CAPEX of \$20.0 million, up from \$17.3 million in Q3 2015
- Year-to-date CAPEX of \$58.7 million, up from \$35.1 million last year
- 2016 focus on high return CAPEX projects – total estimated at approximately \$80-\$90 million (from prior range of \$80-\$95 million)

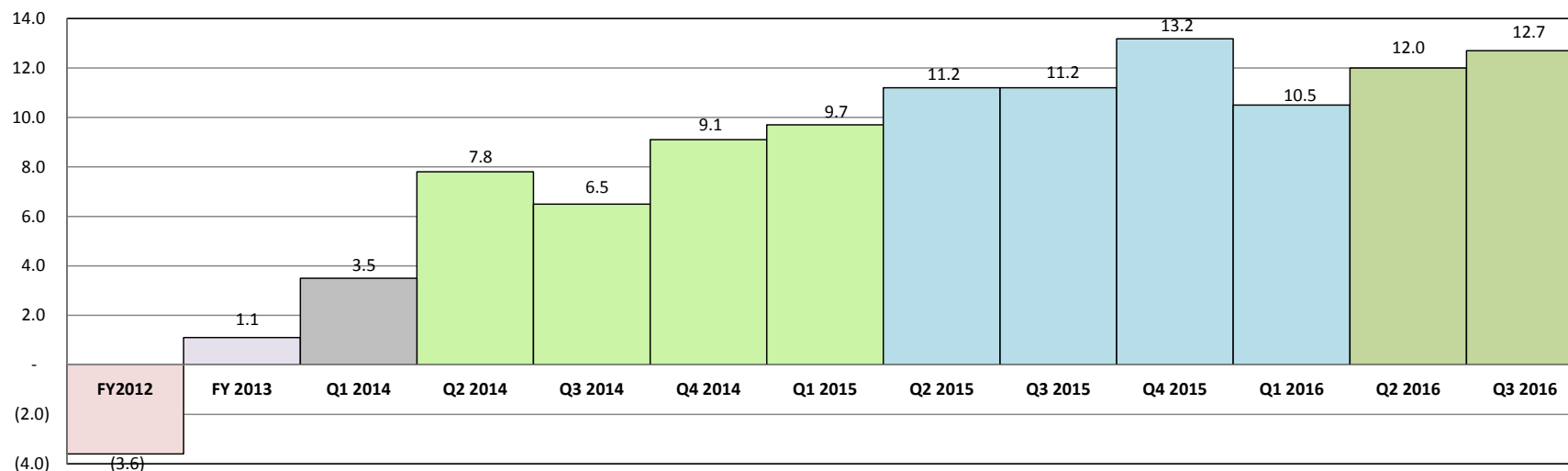
CAPEX COMPONENTS	Fiscal 2016 %
Capacity/Growth	48%
Cost reductions	27%
Maintenance	25%
Total	100%

- Cost reduction and Capacity/Growth projects generally have 3 to 4 year paybacks

TAD PRODUCT



ADJUSTED EBITDA from TAD products
(In millions of Cdn. dollars)



- Q3 2016 Adjusted EBITDA from TAD products of \$12.7 million, up from \$11.2 million in Q3 2015
- YTD 2016 Adjusted EBITDA from TAD products of \$35.2 million, up from \$32.1 million in YTD 2015
- Adjusted EBITDA from TAD products for Q4 2016 expected to be higher than Q4 2015, primarily due to sales ramp-up from new customers
- Our outlook for Fiscal 2017 Adjusted EBITDA remains at \$60 million for TAD products

CONCLUSION

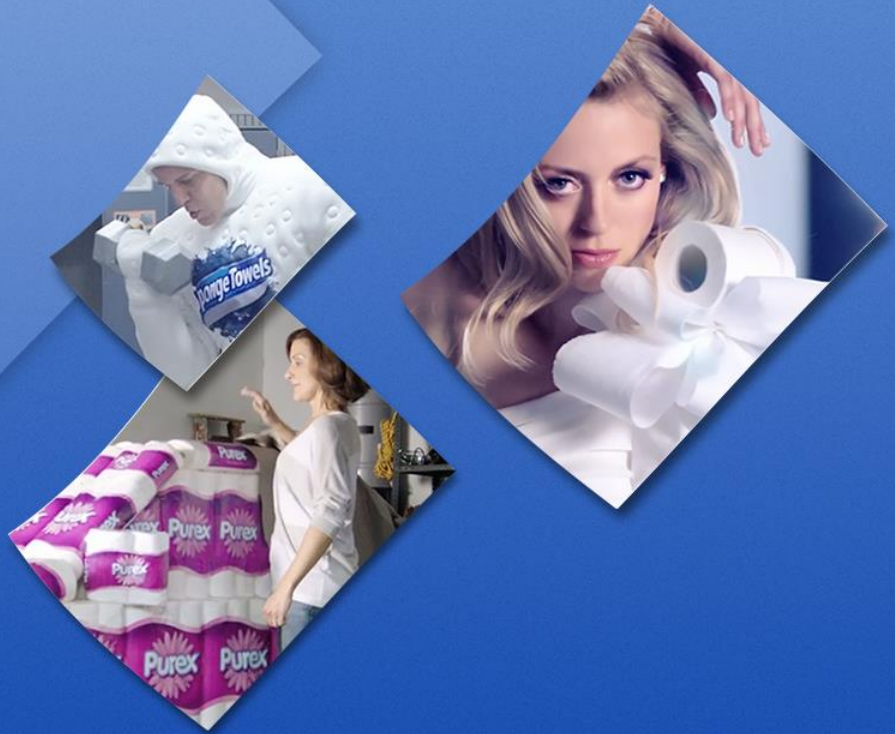


- Very solid quarter for the Canadian Consumer business (price/volume)
- Maintain market share leadership in Canadian consumer segment in the context of a competitive and price sensitive environment
- Cost reduction program and previously initiated capital projects are delivering according to plan
- Leverage TAD product manufacturing capacity to take advantage of growth opportunities in the U.S. premium private label market
- AFH segment – complete new production line projects to improve manufacturing costs with anticipated benefits starting in Fiscal 2017

CONCLUSION



- New paper machine in Crabtree primarily dedicated to AFH with CAPEX of \$55 million. Construction started in August. Expected benefits starting in Fiscal 2018
- Above normal CAPEX in Fiscal 2016 dedicated to improve profitability and manufacturing efficiencies, both in the Consumer and AFH segments – estimated at \$80-\$90 million. Benefits on Adjusted EBITDA will start in Fiscal 2017
- Adjusted EBITDA for Q4 2016 is expected to increase over last year and decline when compared with the third quarter of 2016, reflecting seasonality



FOR MORE INFORMATION:

WWW.KPTISSUEINC.COM

WWW.KRUGERPRODUCTS.CA