



Q4 2017 FINANCIAL RESULTS

March 8, 2018

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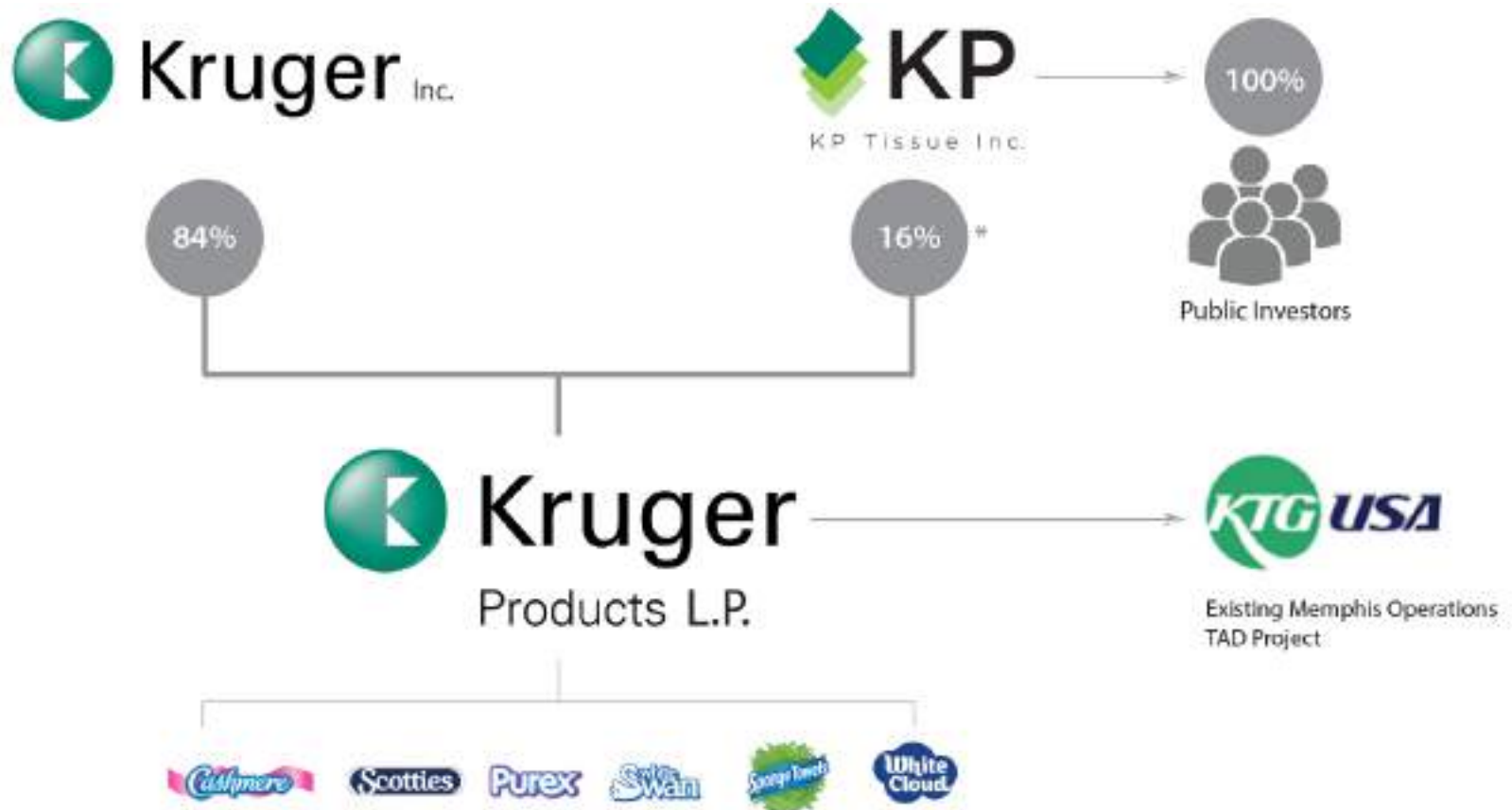
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Unless otherwise stated, references in this presentation to market shares or KPT’s market leadership are based on Nielsen dollar market share data and management estimates.

**The following presentation is to review Kruger Products L.P.
Q4 2017 financial results**

CORPORATE STRUCTURE



Kruger Products L.P. is the operating company.

KP Tissue Inc. is the publicly traded entity.

*As of December 31, 2017 (15.9% as of March 7, 2018)

2017 HIGHLIGHTS

- Record revenue of \$1.3 billion, up 4.2% over 2016, driven primarily by higher sales volume
- Revenues increased in all geographic regions: Canada (+3.8%), the U.S. (+5.4%) and Mexico (+1.6%)
- Adjusted EBITDA¹ of \$144.2 million, down 5.4% over 2016 primarily due to the significant run-up in pulp prices as well as an unprecedented increase in freight costs, partially offset by higher sales volume and lower SG&A
- TAD product contribution achieved its target
- Net income of \$15.3 million compared to \$35.5 million last year
- Named #2 Best Employer in Canada by Forbes Magazine

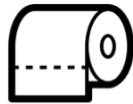
¹ Non-GAAP measure – see MD&A for the definition and reconciliation of the most comparable GAAP measure

Q4 2017 HIGHLIGHTS

- Q4 2017 revenue of \$340.0 million, up 0.1% over Q4 2016
- Revenues increased in Mexico (+14.4%), the U.S. (+1.7%) and decreased in Canada (-1.7%)
- Adjusted EBITDA¹ of \$33.7 million, down \$9.2 million from Q4 2016
 - Significant run-up in pulp prices
 - Unprecedented increase in freight costs
 - Canadian Consumer segment volume impacted by Q4 price increase
 - Partially offset by lower SG&A, and the benefits of cost-saving initiatives and capital investment program
- New Crabtree paper machine performance exceeded expectations in Q4
- Net loss of \$18.0 million in the quarter compared to a loss of \$4.5 million in Q4 2016

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

CANADA'S LEADING TISSUE COMPANY



Bathroom Tissue

Facial Tissue

Paper Towel



#1
36.3%

#1
31.4%

#2
22.6%



18.5%

19.4%

11.5%



11.5%

0.8%

32.3%



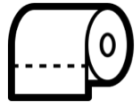
3.6%

18.1%

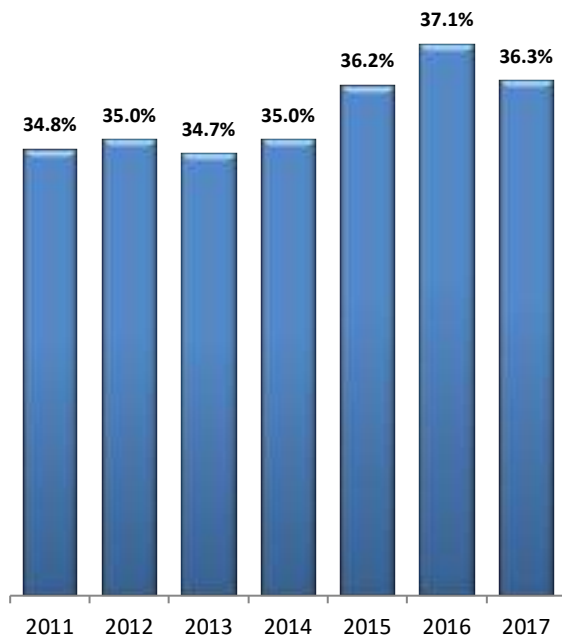
2.3%

Source: Nielsen; dollar market share for the 52-week period ended January 6, 2018.

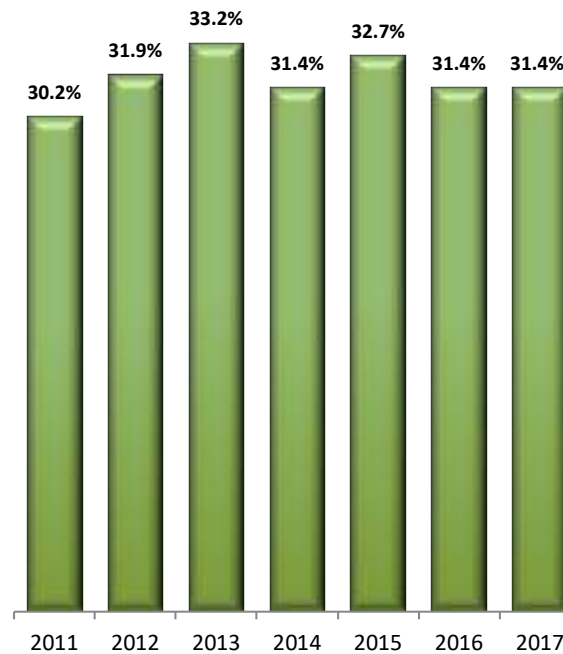
BRAND LEADERSHIP POSITION



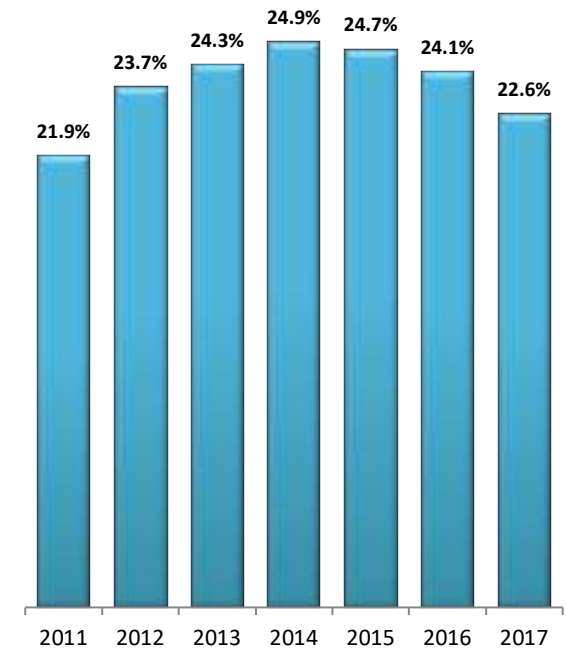
#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel

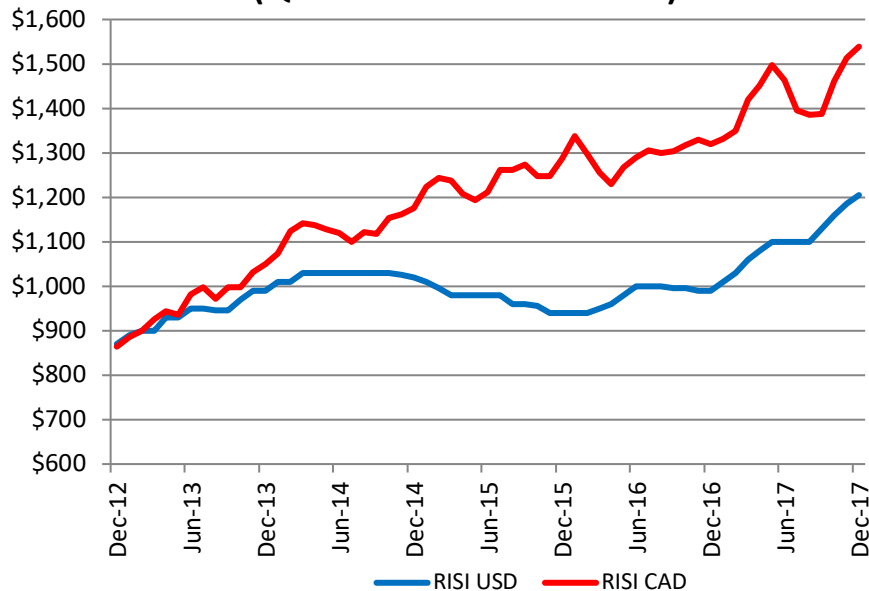


Source: Nielsen Canadian dollar market share for 52-week period data. 2017 and 2016 represent the latest 12 months ending January 6, 2018 and January 7, 2017 respectively

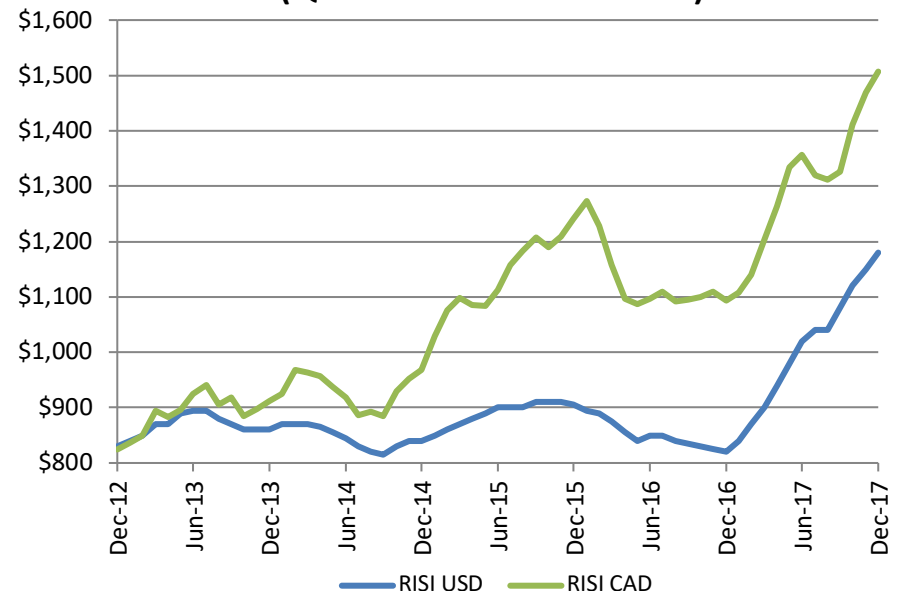
PULP INPUT PRICES

- Q4 pulp prices rose sequentially compared to Q3 2017, and also year-over-year, in both USD and CAD.
- Based on industry information, management expects pulp prices in USD to increase in the short term. The volatile CAD will create further fluctuations in pulp input costs.

NBSK North American List Prices per MT
(Q4 2017 +19% YOY in USD)



BEK List Prices per MT
(Q4 2017 +39% YOY in USD)



(USD average 1.27 in Q4 2017 compared to 1.33 in Q4 2016)

QUARTERLY FINANCIAL SUMMARY

<i>(C\$ millions, unless otherwise noted)</i>	Q4 2017	Q3 2017	Q4 2016	% Change	
				Y/Y	Q/Q
<i># of days in Qtr</i>	98	91	97	1.0%	7.7%
Revenue	340.0	336.3	339.6	0.1%	1.1%
Cost of Sales	296.0	290.8	284.2		
Gross Profit	44.0	45.5	55.4	(20.6)%	(3.3)%
Gross Margin	12.9%	13.5%	16.3%		
Adjusted EBITDA	33.7	39.4	42.9	(21.4)%	(14.5)%
Adjusted EBITDA Margin	9.9%	11.7%	12.6%		
Net Income	(18.0)	16.5	(4.5)		
Net Income Margin	-5.3%	4.9%	-1.3%		

QUARTERLY SEGMENTED RESULTS

<i>(C\$ millions, unless otherwise noted)</i>	Q4 2017	Q3 2017	Q4 2016	% Change	
				Y/Y	Q/Q
<i># of days in Qtr</i>	98	91	97	1.0%	7.7%
Segmented Revenue					
Consumer	276.4	272.9	278.0	(0.6)%	1.3%
AFH	62.2	62.5	59.5	4.5%	(0.5)%
Other	1.4	0.9	2.1		
Total segment revenue	340.0	336.3	339.6	0.1%	1.1%
Segment Adjusted EBITDA					
Consumer	32.2	38.1	41.9	(23.2)%	(15.5)%
AFH	1.4	1.8	1.0	40.0%	(22.2)%
Other	0.1	(0.5)	-		
Total segment Adjusted EBITDA	33.7	39.4	42.9	(21.4)%	(14.5)%
Segment Adjusted EBITDA Margin					
Consumer	11.6%	14.0%	15.1%		
AFH	2.3%	2.9%	1.7%		
Total segment Adjusted EBITDA Margin	9.9%	11.7%	12.6%		

Q4 2017 REVENUE COMPARED TO Q4 2016

- Q4 2017 revenue increased by \$0.4 million or 0.1% over Q4 2016, and was impacted by the following factors:
 - Consumer segment revenue decreased \$1.6 million or 0.6% due to lower consumer sales volume in Canada and the unfavourable impact of foreign exchange fluctuations on U.S. sales (USD average 1.27 in Q4 2017 compared to 1.33 in Q4 2016), partially offset by the selling price increase implemented in Canada in Q4 2017

From a geographic perspective:

- Revenue increased in Mexico by \$2.1 million or 14.4%, primarily due to higher sales volume in the Consumer segment
- Revenue in the U.S. increased by \$1.9 million or 1.7%, primarily due to higher sales volume in the Consumer segment
- Revenue in Canada decreased by \$3.6 million or 1.7%, primarily due to lower sales volume in the Consumer segment

Q4 2017 ADJUSTED EBITDA COMPARED TO Q4 2016

- Q4 2017 Adjusted EBITDA decreased by \$9.2 million or 21.4% to \$33.7 million primarily due to the following factors:
 - Higher commodity costs for pulp and SOW
 - Higher freight costs
 - Lower Canadian Consumer segment volume due to the price increase
 - Partially offset by lower SG&A and benefits from cost-saving initiatives and capital investment program
- Gross margin decreased (12.9% in Q4 2017 versus 16.3% in Q4 2016) primarily due to the above mentioned factors

Q4 2017 REVENUE COMPARED TO Q3 2017

- Q4 2017 revenue increased by \$3.7 million or 1.1% over Q3 2017, primarily due to the following factors:
 - Consumer segment revenue increased by \$3.5 million or 1.3%
 - AFH revenue was stable

From a geographic perspective

- Revenue increased in:
 - U.S. by \$7.0 million or 6.2%
 - Mexico by \$2.4 million or 17.4%
 - Canada decreased \$5.7 million or 2.7%

Q4 2017 ADJUSTED EBITDA COMPARED TO Q3 2017

- Q4 2017 Adjusted EBITDA decreased by \$5.7 million over Q3 2017 due to the combination of the following factors:
 - Higher pulp costs
 - Increased freight costs
- Gross margin decreased (12.9% in Q4 2017 versus 13.5% in Q3 2017) primarily due to the above mentioned factors

BALANCE SHEET

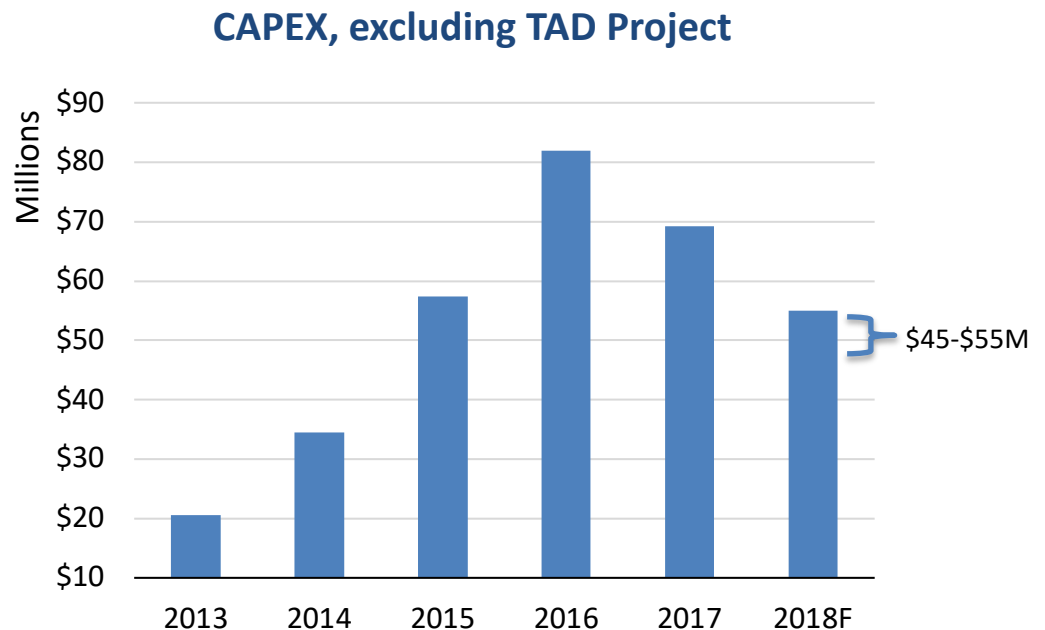
BALANCE SHEET

(C\$ millions, unless otherwise noted)

	Q4 2017	Q4 2016
Cash & bank indebtedness	(0.2)	27.5
Current portion of long-term debt	190.9	8.9
Long-term debt	225.4	415.4
Net Debt	416.5	396.8
LTM Adjusted EBITDA	144.2	152.5
Net Debt/LTM Adjusted EBITDA	2.9	2.6

CAPEX

- Q4 2017 CAPEX of \$18.6 million, down from \$23.3 million in Q4 2016, spending mainly on PM8 in Crabtree
- 2018 focus on high return CAPEX projects – total estimated at approximately \$45-\$55 million
- Cost reduction and Capacity/Growth projects generally have 3 to 4 year paybacks



NEW CRABTREE PAPER MACHINE (PM8)

- Total project CAPEX of approximately \$55 million. Project completed in Q3 ahead of schedule
- PM8 Timeline:
 - Q4 2017**
 - Commercial/neutral contribution
 - Q1 2018**
 - Commercial ramp-up/positive contribution
- Q4 2017 production performance exceeded management's expectations



CONCLUSION

- Maintain market share leadership in the Canadian consumer paper tissue market in the context of a competitive and price sensitive environment
- A price increase to Canadian retailers was implemented during the fourth quarter and will fully take effect in Q1 2018
- Continued benefits of cost reduction program and capital projects including PM8
- Pursue White Cloud® customer diversification strategy with additional retailers
- Continue to leverage TAD products market potential
- AFH segment – new production line projects improving manufacturing costs

CONCLUSION

- CAPEX in Fiscal 2018 will return to more normal levels after two years of significant investments
- Initiating a value creation program to partially offset extraordinary short-term market conditions
- Adjusted EBITDA for Q1 2018 is expected to decrease over Q1 2017, due primarily to the significant run-up in pulp prices as well as an unprecedented increase in freight costs

APPENDIX

ANNUAL FINANCIAL SUMMARY

<i>(C\$ millions, unless otherwise noted)</i>	2017	2016	% Change
Revenue	1,280.0	1,227.9	4.2%
Cost of Sales	1,098.1	1,031.6	6.4%
Gross Profit	181.9	196.3	(7.3)%
<i>Gross Margin</i>	14.2%	16.0%	
Adjusted EBITDA	144.2	152.5	(5.4)%
<i>Adjusted EBITDA Margin</i>	11.3%	12.4%	
Operating Income (EBIT)	92.1	105.9	
<i>EBIT Margin</i>	7.2%	8.6%	
Net Income	15.3	35.5	
<i>Net Income Margin</i>	1.2%	2.9%	

ANNUAL SEGMENTED RESULTS

<i>(C\$ millions, unless otherwise noted)</i>	2017	2016	% Change
Segmented Revenue			
Consumer	1,040.4	986.8	5.4%
AFH	233.3	227.1	2.7%
Other	6.3	14.0	
Total segment revenue	1,280.0	1,227.9	4.2%
Segment EBITDA			
Consumer	138.2	146.4	(5.6)%
AFH	6.2	5.2	19.2%
Other	(0.2)	0.9	
Total segment EBITDA	144.2	152.5	(5.4)%
Segment EBITDA Margin			
Consumer	13.3%	14.8%	
AFH	2.7%	2.3%	
Other			
Total segment EBITDA Margin	11.3%	12.4%	



THANK YOU

