



Q3 2017 FINANCIAL RESULTS

November 8, 2017

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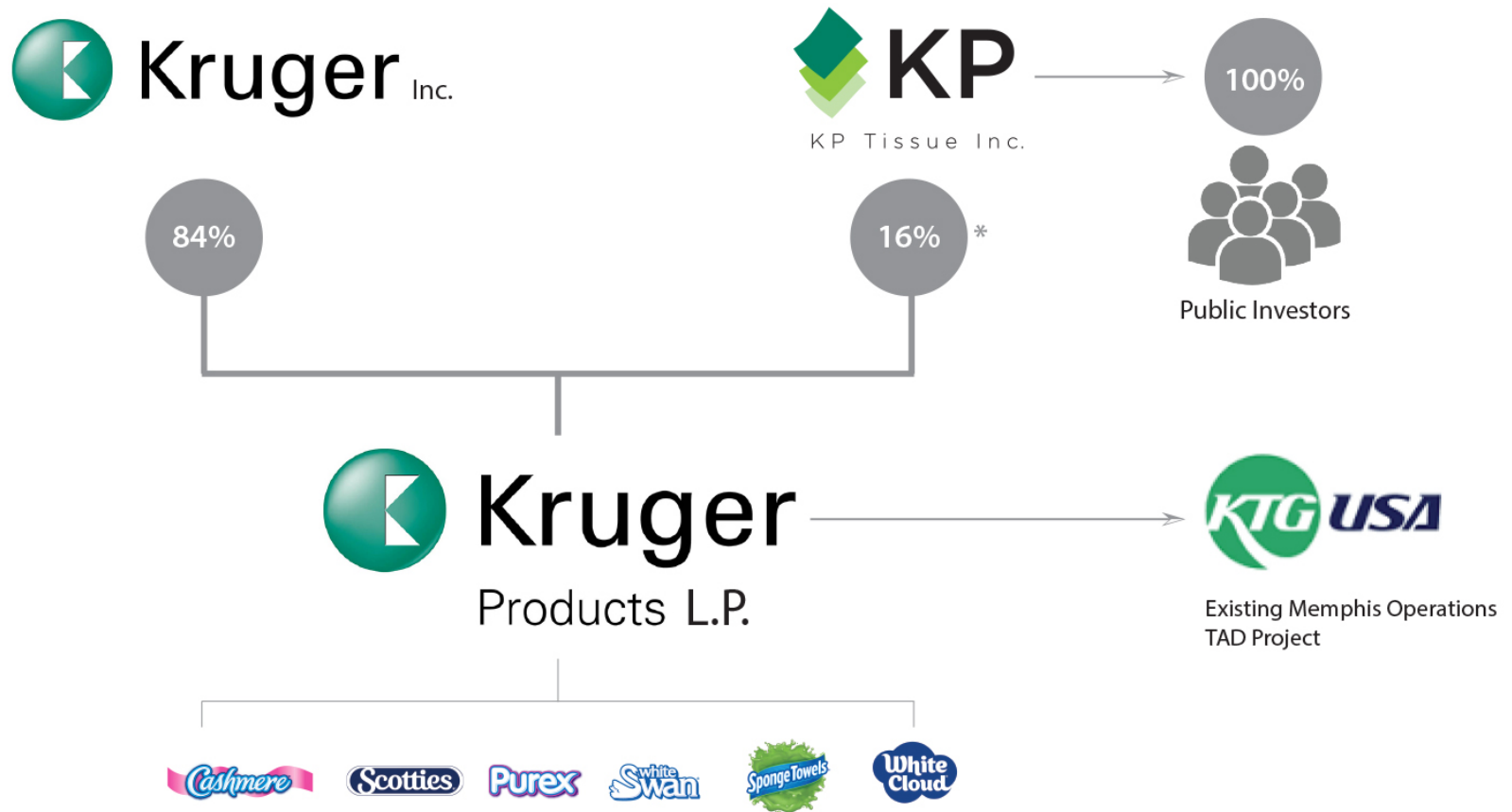
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Unless otherwise stated, references in this presentation to market shares or KPT’s market leadership are based on Nielsen dollar market share data and management estimates.

**The following presentation is to review Kruger Products L.P.
Q3 2017 financial results**

CORPORATE STRUCTURE



Kruger Products L.P. is the operating company.

KP Tissue Inc. is the publicly traded entity.

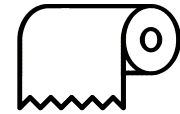
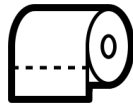
*As of September 24, 2017 (16.0% as of November 7, 2017)

Q3 2017 HIGHLIGHTS

- Q3 2017 revenue of \$336.3 million, up 7.5% over Q3 2016
- Revenues increased in Canada (+7.2%), the U.S. (+7.6%) and Mexico (+10.4%)
- Adjusted EBITDA¹ of \$39.4 million, down \$6.2 million from Q3 2016
 - Significant impact of higher pulp prices
 - Higher freight costs
 - Incurred start-up costs from PM8
- TAD products contribution improved over prior year and in-line with expectations
- Continued growth in AFH revenues, which increased by 5.2% to \$62.5 million
- Net income of \$16.5 million compared to \$21.6 million in Q3 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



Kruger
Products

#1
36.7%

#1
31.6%

#2
23.0%



19.4%

20.4%

11.3%

P&G

11.2%

0.7%

31.5%



Kimberly-Clark

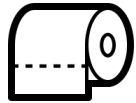
3.7%

17.4%

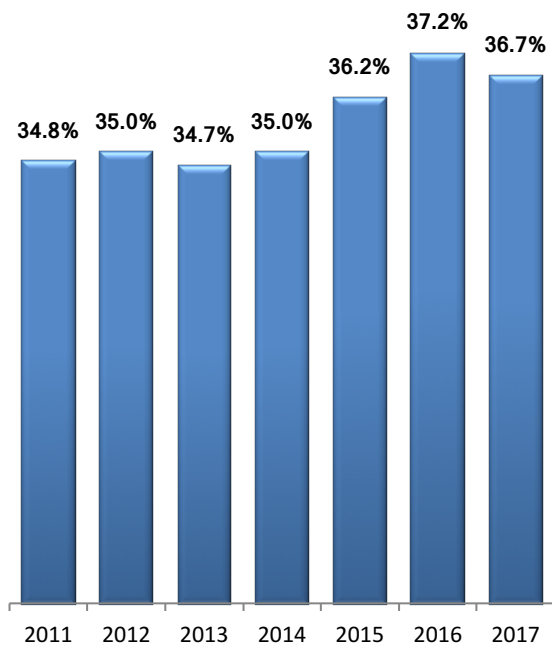
2.6%

Source: Nielsen; dollar market share for the 52-week period ended September 16, 2017.

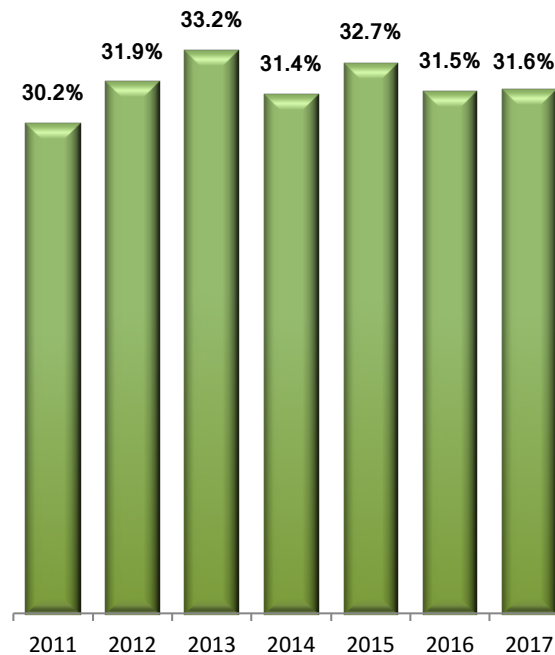
BRAND LEADERSHIP POSITION



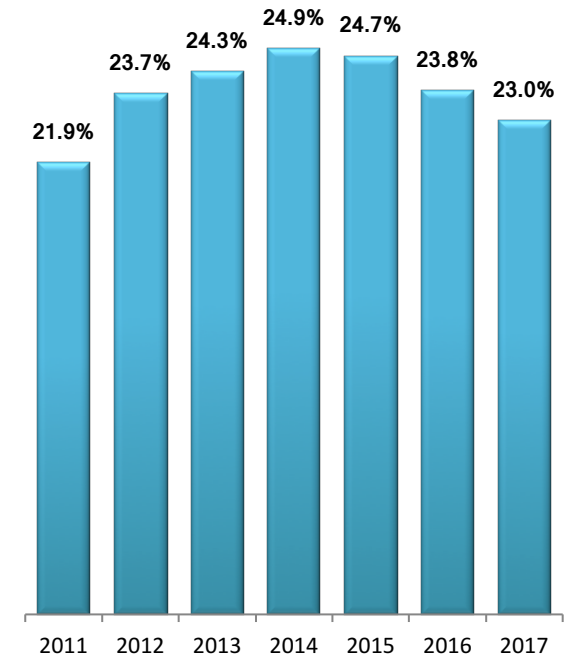
#1 Bathroom Tissue



#1 Facial Tissue



#2 Paper Towel

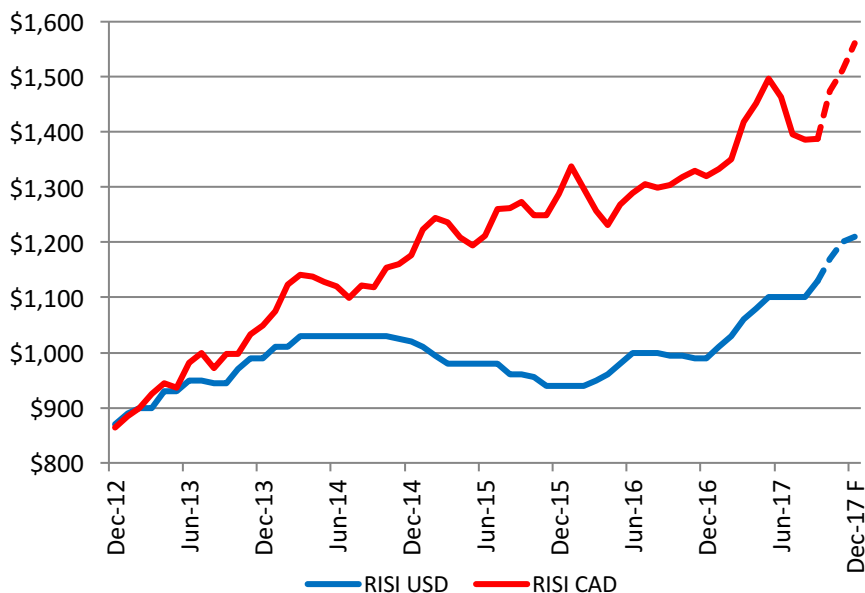


Source: Nielsen Canadian dollar market share for 52-week period data. 2017 and 2016 represent the latest 12 months ending September 16, 2017 and September 17, 2016 respectively

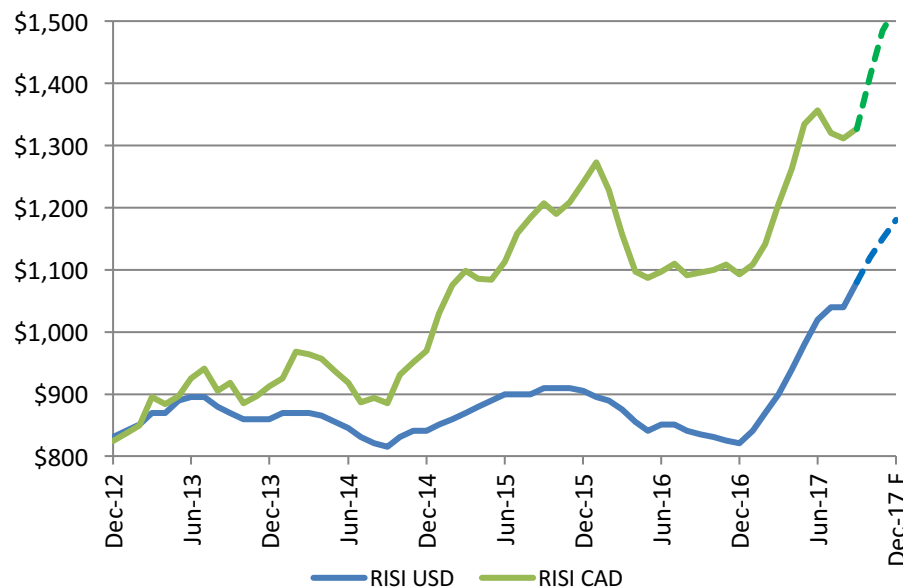
PULP INPUT PRICES

- Q3 pulp prices rose sequentially compared to Q2 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
(Q3 2017 +11% YOY in USD)



BEK List Prices per MT
(Q3 2017 +25% YOY in USD)



(USD average 1.26 in Q3 2017 compared to 1.30 in Q3 2016)

QUARTERLY FINANCIAL SUMMARY

<i>(C\$ millions, unless otherwise noted)</i>	Q3 2017	Q2 2017	Q3 2016	% Change	
				Y/Y	Q/Q
<i># of days in Qtr</i>	91	91	91	0.0%	0.0%
Revenue	336.3	314.4	312.8	7.5%	7.0%
Cost of Sales	290.8	267.1	256.8		
Gross Profit	45.5	47.3	56.0	(18.8)%	(3.8)%
<i>Gross Margin</i>	13.5%	15.0%	17.9%		
Adjusted EBITDA	39.4	37.3	45.6	(13.6)%	5.6%
<i>Adjusted EBITDA Margin</i>	11.7%	11.9%	14.6%		
Net Income	16.5	9.9	21.6		
<i>Net Income Margin</i>	4.9%	3.1%	6.9%		

QUARTERLY SEGMENTED RESULTS

<i>(C\$ millions, unless otherwise noted)</i>	Q3 2017	Q2 2017	Q3 2016	% Change	
				Y/Y	Q/Q
# of days in Qtr	91	91	91	0.0%	0.0%
Segmented Revenue					
Consumer	272.9	252.2	248.8	9.7%	8.2%
AFH	62.5	59.9	59.4	5.2%	4.3%
Other	0.9	2.3	4.6		
Total segment revenue	336.3	314.4	312.8	7.5%	7.0%
Segment Adjusted EBITDA					
Consumer	38.1	34.9	42.9	(11.2)%	9.2%
AFH	1.8	2.3	2.4	(25.0)%	(21.7)%
Other	(0.5)	0.1	0.3		
Total segment Adjusted EBITDA	39.4	37.3	45.6	(13.6)%	5.6%
Segment Adjusted EBITDA Margin					
Consumer	14.0%	13.8%	17.2%		
AFH	2.9%	3.8%	4.0%		
Total segment Adjusted EBITDA Margin	11.7%	11.9%	14.6%		

Q3 2017 REVENUE COMPARED TO Q3 2016

- Q3 2017 revenue increased by \$23.5 million or 7.5% over Q3 2016 primarily due to the following factors:
 - Consumer segment revenue increased \$24.1 million or 9.7% driven by sales volume growth in all geographic regions, partially offset by unfavourable F/X on U.S. sales
 - AFH revenue was up 5.2%

From a geographic perspective:

- Revenue increased in Canada by \$14.1 million or 7.2%, primarily due to higher sales volume in the Consumer and also AFH
- Revenue in the U.S. increased by \$8.0 million or 7.7%, primarily due to higher sales volume in the Consumer segment

Q3 2017 ADJUSTED EBITDA COMPARED TO Q3 2016

- Q3 2017 Adjusted EBITDA decreased by \$6.2 million or 13.6% to \$39.4 million primarily due to the following factors:
 - Higher commodity costs for pulp and SOW
 - Higher freight costs (i.e Hurricanes)
 - PM8 start-up costs
 - Partially offset by:
 - Increased sales volume
 - Lower SG&A
- Gross margin decreased (13.5% in Q3 2017 versus 17.9% in Q3 2016) primarily due to the above factors

Q3 2017 REVENUE COMPARED TO Q2 2017

- Q3 2017 revenue increased by \$21.9 million or 7.0% over Q2 2017, primarily due to the following factors:
 - Consumer segment revenue increased by \$20.7 million or 8.2%
 - AFH segment revenue increased by \$2.6 million or 4.3%

From a geographic perspective

- Revenue increased in:
 - Canada by \$21.5 million or 11.5%
 - U.S. decreased \$1.8 million or (1.5%)

Q3 2017 ADJUSTED EBITDA COMPARED TO Q2 2017

- Q3 2017 Adjusted EBITDA increased by \$2.1 million over Q2 2017 due to the combination of the following factors:
 - Higher volume
 - Partially offset by:
 - Higher pulp prices
 - Increased freight costs
 - PM8 start-up costs
- Gross margin decreased (13.5% in Q3 2017 versus 15.0% in Q2 2017) primarily due to higher pulp prices

BALANCE SHEET

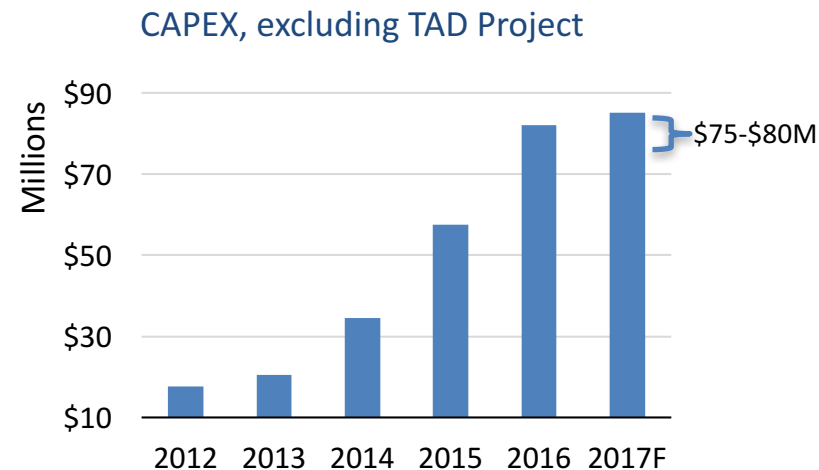
(C\$ millions, unless otherwise noted)

	Q3 2017	Q2 2017
Cash & bank indebtedness	27.0	24.6
Current portion of long-term debt	186.7	8.8
Long-term debt	238.5	441.2
Net Debt	398.2	425.4
LTM Adjusted EBITDA	153.5	159.6
Net Debt/LTM Adjusted EBITDA	2.6	2.7

CAPEX

- Q3 2017 CAPEX of \$12.5 million, down from \$20.0 million in Q3 2016, spending mainly on PM8 in Crabtree
- 2017 focus on high return CAPEX projects – total estimated at approximately \$75-\$80 million

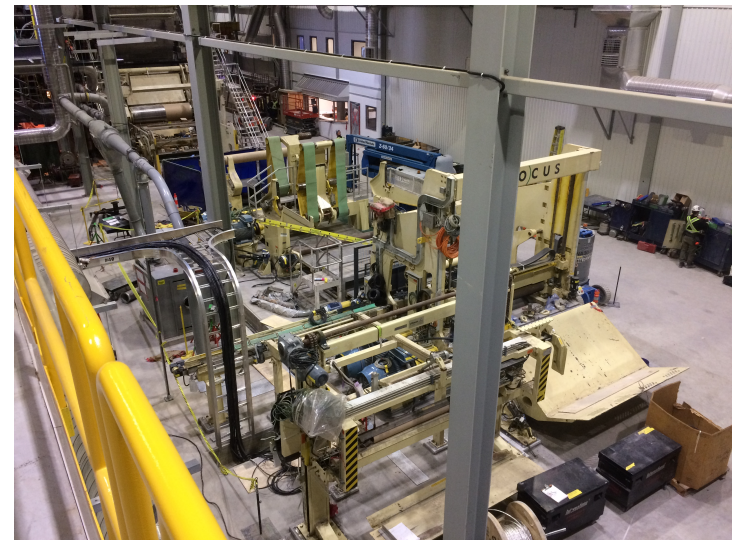
CAPEX COMPONENTS	Target
Capacity/Growth	50%
Cost reductions	25%
Maintenance	25%
Total	100%



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

NEW CRABTREE PAPER MACHINE (PM8)

- Total project CAPEX of \$55 million with approximately \$3 million of CAPEX remaining as of the end of Q3 2017
- Project on time and on budget
- Incurred start-up costs of approximately \$0.7 million during the quarter
- PM8 Timeline:
 - Q3 2017**
 - Commissioning/initial start-up costs
 - Q4 2017**
 - Commercial/neutral contribution
 - Q1 2018**
 - Commercial ramp-up/positive contribution

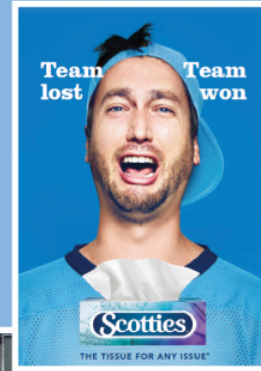


CONCLUSION

- Maintain market share leadership in the Canadian consumer segment in the context of a competitive and price sensitive environment
- A price increase to Canadian retailers was announced in late July 2017 and will take effect during Q4
- Continued benefits of cost reduction program and capital projects
- 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

- Paper machine in Crabtree commissioning started Q3 2017. Positive contribution to AFH expected in Q1 2018
- Above normal CAPEX in fiscal 2017 dedicated to improve profitability and manufacturing efficiencies, both in the Consumer and AFH segments – estimated at \$75-\$80 million. Positive impact on Adjusted EBITDA will start primarily in fiscal 2018
- Adjusted EBITDA for Q4 2017 is expected to decrease over Q4 2016, due to higher pulp prices



THANK YOU

