



KP Tissue Inc.



2017

ANNUAL MEETING
OF SHAREHOLDERS

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This Presentation on behalf of KP Tissue Inc. (the “Corporation” or “KPT”) does not constitute or form part of any offer for sale or solicitation of any offer to buy or subscribe for any securities nor shall it or any part of it form the basis of or be relied on in connection with, or act as any inducement to enter into, any contract or commitment whatsoever.

The information contained in this Presentation does not purport to be all-inclusive. This Presentation is being supplied to you solely for your information and may not be reproduced, further distributed or published in whole or in part by any other person. Neither this Presentation nor any copy of it may be taken or transmitted into or distributed any other jurisdiction which prohibits the same except in compliance with applicable securities laws. Any failure to comply with this restriction may constitute a violation of securities law.

No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of the directors, officers or employees of any such entities as to the accuracy, completeness or fairness of the information or opinions contained in this Presentation and no responsibility or liability is accepted by any person for such information or opinions. In furnishing this Presentation, the Company does not undertake or agree to any obligation to provide the attendees with access to any additional information or to update this Presentation or to correct any inaccuracies in, or omissions from, this Presentation that may become apparent. The information and opinions contained in this Presentation are provided as at the date of this Presentation. The contents of this Presentation are not to be construed as legal, financial or tax advice. Each person receiving this Presentation should contact his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

Certain statements in this presentation about the Corporation and Kruger Products L.P. (“KPLP”) as it relates to their 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. 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 information is based on certain key expectations and assumptions made by the Corporation or KPLP, including the continued growth of the U.S. private label market and the continued growth in sales of TAD products in the U.S., orders for the TAD machine’s products, a successful start-up of the Crabtree paper machine in Q4 2017, improved performance of the Away-From-Home business, expanded distribution of White Cloud to select U.S. retailers, the amount and timing of distributions made by KPLP, and Kruger Inc.’s (“Kruger”) cash requirements. The financial outlook that KPLP Management provides concerning the potential incremental Adjusted EBITDA generated by TAD products may be considered forward-looking information and is based on additional key expectations and assumptions, including but not limited to (i) limited incremental overhead relating to the operation of the TAD machine and distribution and sale of products, (ii) the TAD machine operating at near full capacity and products being sold at prices consistent with current market prices, adjusted for inflation, (iii) a cost of pulp and energy and a selling price of finished products based on recent prices, adjusted for inflation and (iv) a foreign exchange rate between the Canadian and U.S. dollars approximating current levels. The financial outlook provided in respect of Adjusted EBITDA may be considered forward-looking information and is based on additional key expectations and assumptions, including but not limited to (i) sales volumes consistent with management’s expectations, (ii) a cost of pulp and energy based on recent prices, and (iii) a foreign exchange rate between the Canadian and U.S. dollars approximating current levels. The purpose of the outlook is to provide the reader with an indication of management’s expectations, at the date of this conference call, regarding KPLP’s future financial performance. Readers are cautioned that this information may not be appropriate for other purposes. Although the Corporation 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 information since no assurance can be given that such expectations and assumptions will prove to be correct.

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.

AGENDA

- Opening Remarks
- Call Meeting to Order and Appoint Secretary and Scrutineers
- Notice of Meeting and Quorum
- Voting and Procedural Matters
- Presentation of 2016 Financial Statements and Auditors' Report
- Election of Directors
- Re-appointment of Auditors
- Termination of Formal Business
- Concluding Remarks
- Management Presentation
- Question Period



MARIO GOSSELIN

CHIEF EXECUTIVE OFFICER

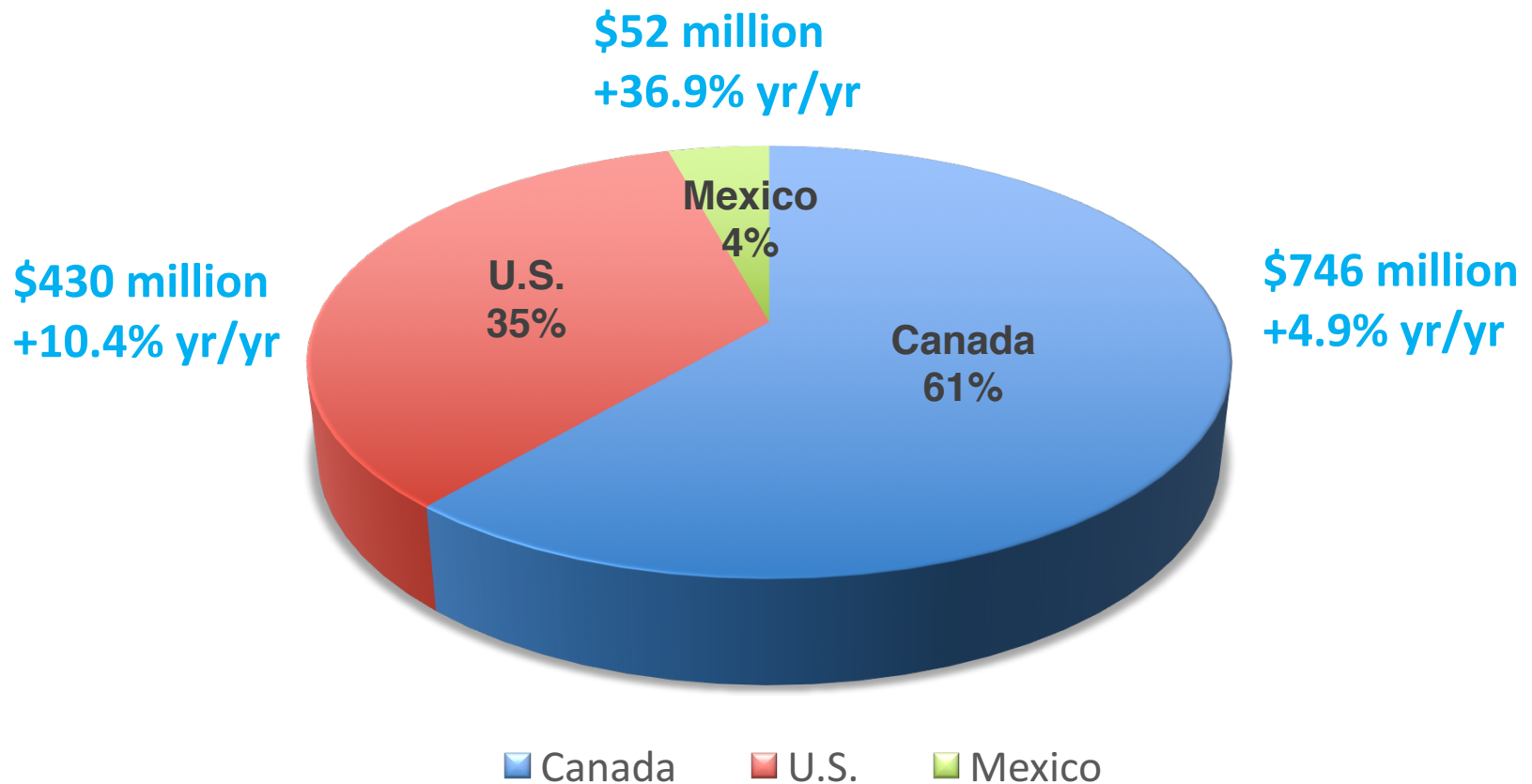
2016 HIGHLIGHTS



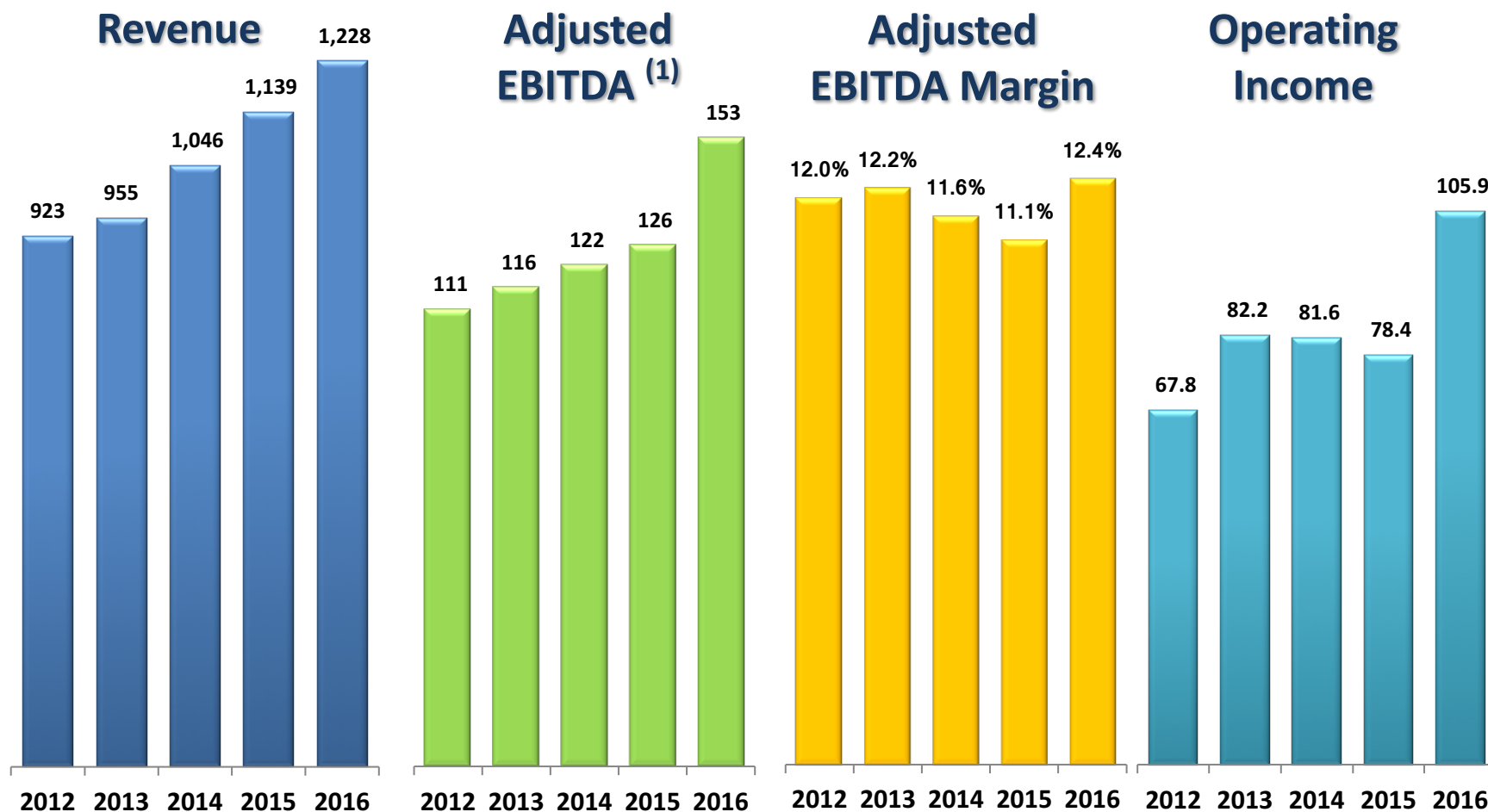
- Strong operational year: achieved record revenue and Adjusted EBITDA
- Continued to be the leader in overall tissue market share in Canada
- Strong contribution from TAD products
- Expanding reach of well known White Cloud® brand in the U.S.
- Significantly increased CAPEX dedicated to high-return projects that will improve profitability and manufacturing efficiencies

GEOGRAPHIC REVENUES

(\$CA millions)

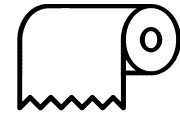
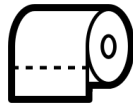


FINANCIAL PERFORMANCE TREND



(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
37.1%

#1
31.4%

#2
24.1%



21.2%

20.7%

10.4%



10.1%

0.9%

32.3%



3.8%

18.1%

2.4%

Source: Nielsen; dollar market share for the 52-week period ended January 7, 2017.

STRONG CUSTOMER/RETAILER RELATIONSHIPS



Vendor in 2010



Vendor in 2011 and 2012



**Vendor in 2013, 2014,
2015 and 2016**

Out of over 20 of the Largest CPG Companies in Canada⁽¹⁾

(1) Third-party annual survey of Canadian retailers, evaluating amongst other things, quality of personnel and services

CONSUMER SEGMENT

- Consumer revenue was \$986.8 million in Fiscal 2016, an increase of 9.9%. Adjusted EBITDA was \$146.4 million, an increase of 19.5%
- Leading brands: Scotties, Cashmere, Purex, SpongeTowels
- In 2016, once again, Cashmere was the best-selling bathroom tissue brand in Canada. In Western Canada, Purex was again the top brand

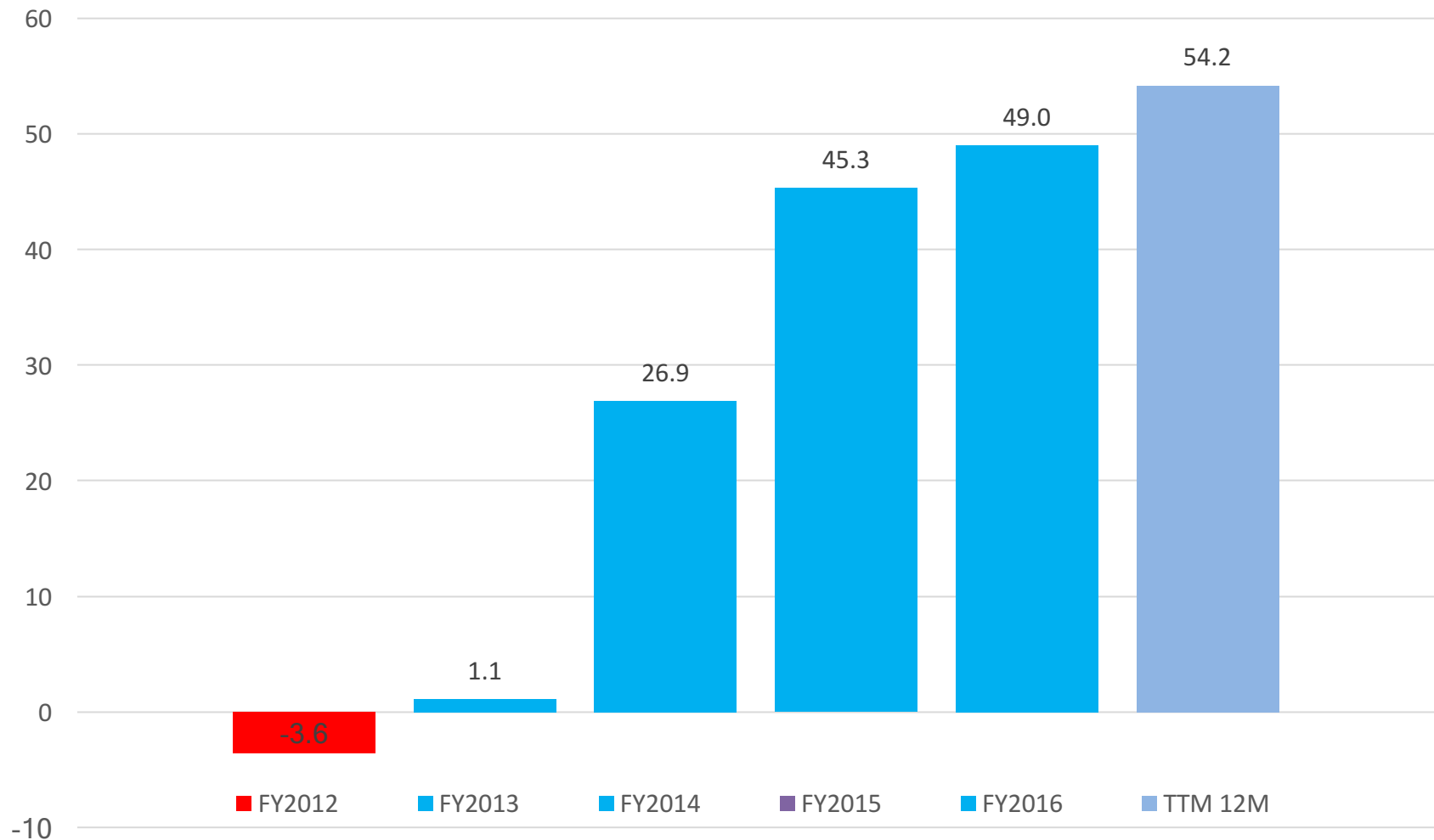


TAD PROJECT



- 2016 was the fourth year of operation since commercial launch
- TAD products Adjusted EBITDA contribution increased to \$49.0 million from \$45.3 million in 2015
- Continued to increase manufacturing volume and achieve manufacturing efficiencies

TAD PRODUCTS ADJUSTED EBITDA TREND



WHITE CLOUD TO EXPAND IN THE U.S.

- White Cloud® was exclusive to Walmart in the U.S. until recently
- White Cloud® benefits from a strong brand name recognition in the U.S. and continues to be recognized by a high-profile U.S. consumer magazine as the #1 bathroom tissue
- White Cloud® products expanded distribution to select U.S. retailers



AWAY-FROM-HOME (AFH) SEGMENT

- AFH revenue was \$227.1 million in Fiscal 2016, an increase of 3.1%. Adjusted EBITDA was \$5.2 million, a decrease of \$0.2 million
- Continue to make necessary investments to become more cost competitive, including the paper machine project in Crabtree
- Benefits from new production line projects and other past initiatives to start in the current fiscal year
- Objective to build a North American Platform



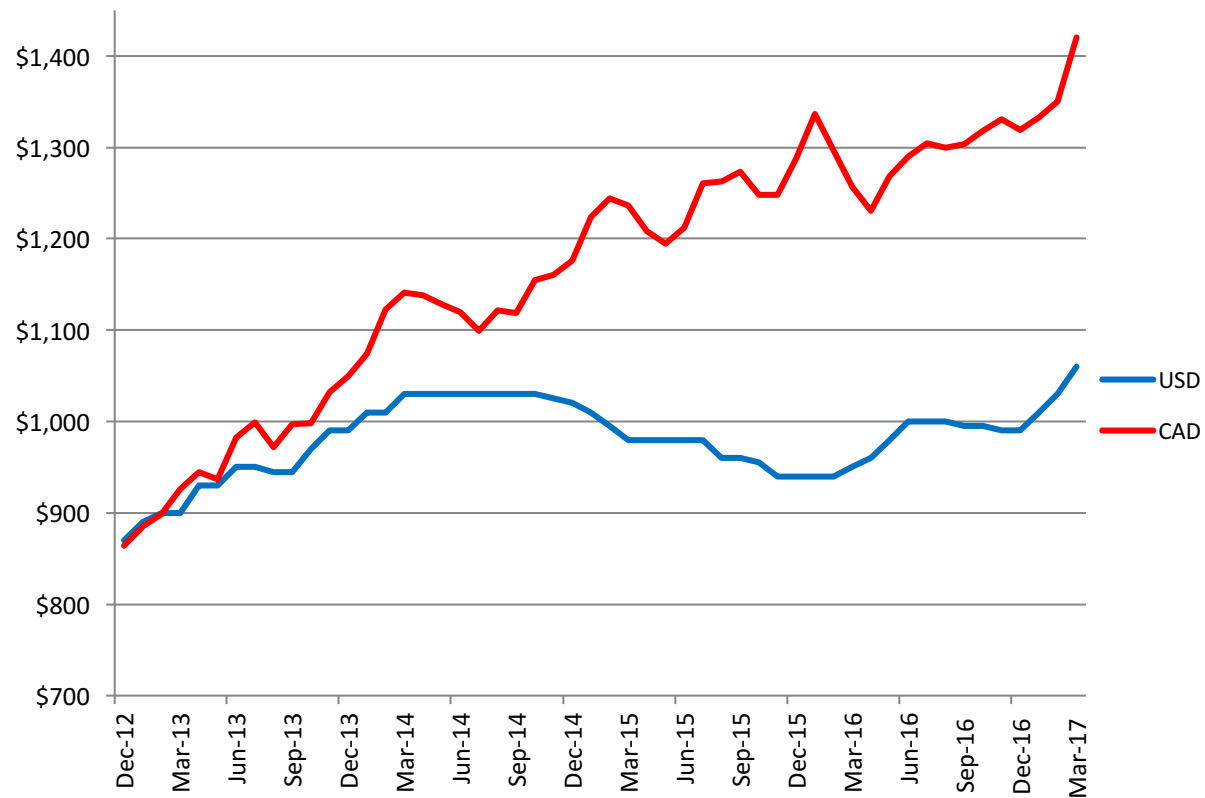
NEW CRABTREE PAPER MACHINE (PM8)

- PM8 Paper machine in Crabtree primarily dedicated to AFH
- Total project CAPEX of \$55 million with approximately \$25 million of CAPEX remaining as of March 31, 2017. Project on time and on budget
- PM8 to be operational starting in Q4 2017 and positive contribution expected in Q1 2018



PULP PRICE TREND

NBSK North American List Prices per MT





MARK HOLBROOK

CHIEF FINANCIAL OFFICER

FINANCIAL HIGHLIGHTS - Q1 2017



- Revenue increased 3.4% to \$289.3 million
- Adjusted EBITDA increased by \$5.7 million to \$33.8 million
- Consumer revenue grew by 4.7% and reached \$238.9 million
 - Sales growth in Canada and the U.S.
 - Favourable impact of prior year's selling price increase in Canada
- Consumer Adjusted EBITDA increased 18.7% to \$33.0 million

FINANCIAL HIGHLIGHTS - Q1 2017



- Adjusted EBITDA from TAD products of \$15.7 million, up from \$10.5 million in Q1 2016
- Away-from-Home (AFH) segment revenue decreased by 0.8% to \$48.7 million
 - Mix of products sold
 - Unfavourable impact of foreign exchange on U.S. sales
- AFH Adjusted EBITDA for the quarter was \$0.7 million compared to nil in Q1 2016
- Total Company Adjusted EBITDA margin of 11.7%, up from 10.0% in Q1 2016

FINANCIAL HIGHLIGHTS - Q1 2017

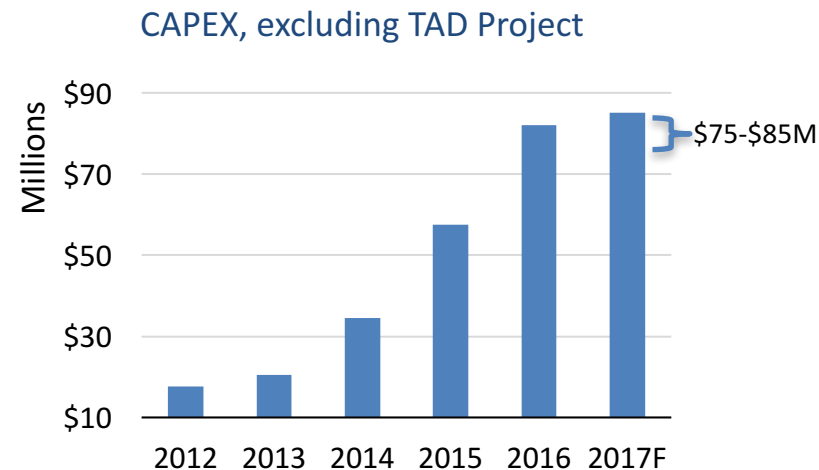
- Net debt at the end of Q1 stood at \$417.5 million, up from \$396.8 million at the end of Q4 2016
- Net debt to latest 12-month EBITDA ratio at 2.6 times



CAPEX

- Q1 2017 CAPEX of \$12.7 million, down from \$16.3 million in Q1 2016 due to project timing
- 2017 focus on high return CAPEX projects – total estimated at approximately \$75-\$85 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



MARIO GOSSELIN

CHIEF EXECUTIVE OFFICER

STRIVING FOR EXCELLENCE



- Best CPG supplier by Canadian retailers in an annual survey



- SpongeTowels Minis
Grand Prix Finalist
Retail Council of Canada



- SpongeTowels Minis
Best New Product Award
BrandSpark International



- Grand Prix Grafika French
OOH Advertising, Scotties

STRIVING FOR EXCELLENCE



- 2017 GTA
Top Employer Award



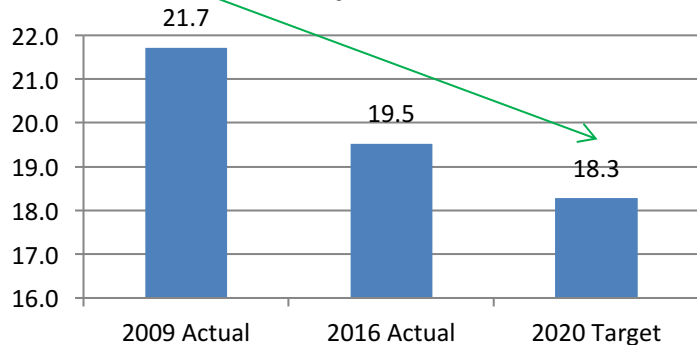
- CN EcoConnexions
Partnership Award



- Corporate Knights 2017
Future 40 Responsible Leaders

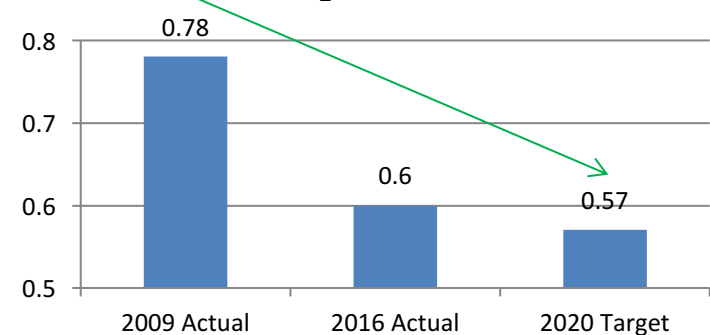
SUSTAINABILITY EFFORTS DELIVER IMPACT

Total Energy Consumption GJ/MDMT



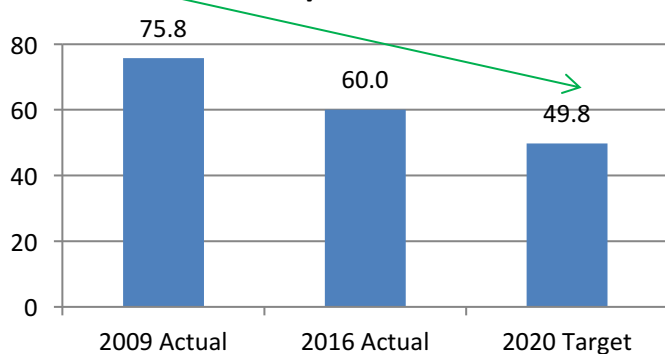
Target -15% Reduction¹ vs. 2009

Total GHG Emissions CO₂e/MDMT



Target -27% Reduction¹ vs. 2009

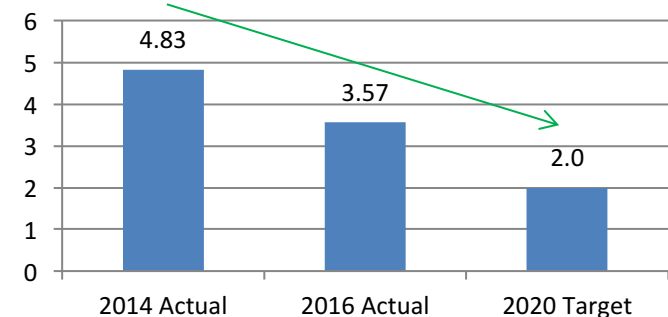
Total Water Consumption m³/MDMT



Target -35% Reduction¹ vs. 2009



Health & Safety OSHA Total Incidence Rate



Target <2.0 Total Incidence Rate

¹Intensity Basis

CORPORATE SOCIAL RESPONSIBILITY

Contribution to a number of social causes and philanthropic activities:

- Canadian Breast Cancer Foundation
- Ronald MacDonald House Charities
- Friends of We Care
- Children's Miracle Network
- Scotties Tournament of Hearts



Helping shape a future
without breast cancer.
10 years of proud support.



Proud Supporter of
Canadian
Breast Cancer
Foundation



STRATEGIC INITIATIVES

Maintain brand leadership and grow profitability in Canada

**Drive growth in U.S. Consumer Premium Private Label
and continue to develop White Cloud brand**

Improve profitability and focus on U.S. growth in AFH

**Continue to focus on Operational Excellence
and to invest in high-return CAPEX projects**



Q&A

PERIOD



THANK YOU

