



**PRESS RELEASE – For immediate release**

**KRUGER AND SGF REXFOR INVEST ADDITIONAL \$100 MILLION  
TO PURCHASE A NEW COATED PAPER MACHINE FOR THE KRUGER  
WAYAGAMACK MILL**

**TOTAL COST OF THE PROJECT: \$493 MILLION**

**110 new jobs will be created**

**Trois-Rivières, Tuesday, January 29, 2002** – Today the Minister of State for the Regions and Minister of Industry and Commerce, Mr. Gilles Baril; the Chairman and C.E.O. of Kruger Inc., Mr. Joseph Kruger II; and the Chairman, President and C.E.O. of SGF, Mr. Claude Blanchet, in the presence of the Minister of Revenue and M.P. for Trois-Rivières, Mr. Guy Julien, announced an additional \$100 million investment for the purchase and installation of a new ultramodern and high-production coated paper machine at the Kruger Wayagamack mill, which is 51 percent owned by Kruger Inc. and 49 percent by SGF Rexfor.

Added to the \$300 million investment announced last May to revive the mill, the extra funding – which will create 110 new jobs and consolidate the 475 existing jobs – brings the total of the modernization program to some \$400 million. Including the initial purchase price, interest capitalized, financing and closing costs and working capital, project costs now total \$493 million.

The modernization program, which will transform the mill into a state-of-the-art industrial complex, will have a significant impact on the Québec economy, since up to 60% of the goods and services will be obtained from Québec businesses. The work involves over one million hours of project planning, engineering, construction and management. At certain stages of the construction, more than 500 people will be working on the modernization program. An intensive training program for mill personnel will get underway in 2002.

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The Minister of State for the Regions and Minister of Industry and Commerce, Mr. Gilles Baril, fully approves the dynamic approach of Kruger Wayagamack. He reiterated that the Québec Government is committed to using all major economic levers so that Québec companies may participate fully in the creation of wealth in this province. “Thanks to the important economic development tools, such as Investment Québec and the Société générale de financement, Kruger Wayagamack will carry on expansion projects whose economic benefits will have positive effects on the entire Québec pulp and paper sector, and especially on the Trois-Rivières Region”, said Mr. Baril.

This important modernization program will be realized with the participation of Investment Québec, whose 30 M\$ contribution in the form of an interest-free loan is cancelled and replaced by a direct loan of 148 M\$. This interest-bearing loan is secured by sureties and conditions providing for an annual reimbursement of 29.6 M \$ between the 6<sup>th</sup> and 10<sup>th</sup> year following the first disbursement. It is a loan conform to the market conditions. Investment Québec will participate in the mill’s profits; the total return could reach 15% of its loan.

Inno-Pap will contribute financially to the upgrading of some equipment. This contribution will now reach 58.8 million dollars, which equals 15% of the program.

“The decision to install a new paper machine was made based on market studies carried out since we acquired the mill and the evolution of the market for the types of products currently manufactured. The new machine will produce 200 000 metric tonnes of lightweight and ultra lightweight coated paper annually. Existing paper machine production will be maintained, bringing the current 134 000 tonnes to 334 000 tonnes of paper produced per year,” stated Bernard Routhier, Executive Vice-President - Operations of Kruger Inc.

“SGF’s association with Kruger through our subsidiary, SGF Rexfor, enhances the economic development potential of the Mauricie, making it a key player in the wood processing industry. We are counting on double expertise : that of our partner Kruger, and that of the regional workforce. These two ingredients, in addition to state-of-the-art ultra lightweight paper production facilities, are sure to make the Kruger Wayagamack mill a success. The Kruger-SGF partnership must serve as a model not only in the pulp and paper sector, but also in other regional economic development sectors in Québec,” stated Claude Blanchet, Chairman, President and C.E.O. of SGF.

Minister Julien, for his part, stated that: “The security of well-paying, high-quality jobs for the 475 current employees, the 110 new jobs, potential contracts for local suppliers, and a more efficient, modernized mill since its acquisition by Kruger is good news indeed, considering that just a few months ago the future of the Wayagamack mill was uncertain.”

## **An impressive modernization program**

In addition to the installation of a new coated paper machine, the project includes the modernization of existing machines, improvement of the groundwood and kraft pulp processes as well as the mill's auxiliary systems. Kruger Wayagamack will continue to provide kraft pulp to the Kruger, Trois-Rivières mill.

Kruger has over 28 years of experience in the production and sale of lightweight coated paper at its Trois-Rivières mill. The North American market for lightweight coated paper has grown constantly over the years and it is anticipated the growth in demand will continue. This increase stems from the growth in magazines, catalogues, flyers and advertising inserts. The new machine will allow the Kruger Wayagamack sales department to offer its customers a more complete range of products.

Kruger is a leader in sustainable forest management and recycling. The company is a major pulp and paper producer engaged in the manufacture and sale of newsprint, supercalendered and coated grades, specialty publication paper, tissue (Scott Paper Limited – Canada), directory paper, linerboard, packaging, lumber, wood panels and other forest products. The company has operations in Québec, Ontario, Alberta, British Columbia and Newfoundland, the United States, United Kingdom, Colombia and Venezuela, and employs over 10 500 people.

SGF Rexfor Inc. is a subsidiary of the Société générale de financement du Québec whose mission is to carry out economic development projects meeting normal profitability requirements, in collaboration with business partners. Since it was restructured in 1998, SGF has generated investments of about \$4.4 billion, creating over 19 400 direct and indirect jobs in the operating phase, not counting the thousands of jobs created during the construction phase. As at September 30, 2001, SGF's consolidated assets totaled over \$2.8 billion. SGF has 57 international partners operating in Québec. ([www.sgfqc.com](http://www.sgfqc.com))

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