



PRESS RELEASE – For Immediate Release

KRUGER STARTS CONSTRUCTION OF ITS BIOMASS COGENERATION PLANT AT ITS BROMPTON MILL IN THE EASTERN TOWNSHIPS

Investment of more than \$85 million

Brompton – Sherbrooke, Quebec, August 4, 2005 - Jacques Gauthier, Senior Vice President and Chief Operating Officer of Kruger Inc.'s Energy Group, officially announced today the start of construction of the company's 23 MW biomass cogeneration plant at the Kruger Brompton mill. Kruger recently obtained all necessary authorizations to proceed with the project.

"This project represents a substantial investment of more than \$85 million," noted Mr. Gauthier enthusiastically at a public event attended by Quebec Premier Jean Charest and Kruger's Chairman and CEO, Mr. Joseph Kruger II, in Brompton in the Eastern Townships of Quebec.

The project is in response to Hydro-Québec-Distribution's call for tenders on April 15, 2003, for the supply of 100 MW of electricity generated from biomass.

An environmentally sound project

"The project announced today is an environmentally sound undertaking since it involves the production of green energy," noted Mr. Gauthier.

From an environmental standpoint alone, the biomass cogeneration plant will lead to an annual reduction in greenhouse gases in the order of 83,000 tonnes, which is the equivalent of taking 18,000 vehicles off the road.

Included among the other environmental benefits Kruger Inc. noted are:

- Reduction in future landfilling of paper mill sludge, bark, particle waste (600 dry tons per day);
- Reduction in the risk of leachate contamination as a result of reduced landfilling of bark;
- Reduction in fossil fuel consumption (30 million litres annually);
- General improvement in air quality.

Major economic impacts

The cogeneration project announced today will also result in some major economic impacts. "In addition to the \$85-million investment, the biomass cogeneration project will allow the company to maintain the competitiveness of its Brompton mill through reduced production costs. Also, it will consolidate 470 direct jobs and create a market for wood waste," noted Mr. Gauthier.

The project he noted will be completed in two major stages. The first phase will entail the installation of a boiler to burn paper mill sludge, bark and other wood residues. In the second phase, a steam turbine will be installed downstream from the boiler to generate electricity and supply the steam required for mill operations.

This work will have very little impact for residents near the mill. A range of measures are planned to mitigate noise, odour, steam, and visual impacts, resulting from daily operations.

Brompton mill

The Brompton (Sherbrooke) mill was acquired by Kruger in 1950, and has been in operation since 1903. It is part of Kruger's Publication Papers division and employs some 470 workers. The Brompton mill produces 600 tonnes of thermomechanical pulp daily along with 622 tonnes of de-inked pulp made from recycled paper. Three paper machines produce 840 tonnes of newsprint daily.

Kruger Inc.

Kruger is a major pulp and paper company engaged in the manufacturing and sale of newsprint, specialty grades, lightweight coated paper, directory paper, tissue, recycled linerboard, corrugated containers, lumber and other wood products. In March 2004, Kruger Inc. established a new business unit, the Kruger Energy Group, to achieve its growth objectives in the energy sector. Scott Paper Limited, a member of the Kruger Company, is the leading tissue manufacturer in Canada. Scott Paper serves the Canadian consumer market with well-known brands including Cashmere from Cottonelle, Purex, SpongeTowels (formerly ScotTowels), Scotties, White Swan, Capri and Viva, as well as away from home products for industrial and commercial use across Canada. The Kruger company has operations in Québec, Ontario, Alberta, British Columbia and Newfoundland and Labrador, the United States, United Kingdom and employs over 10,500 people.

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