



Kruger

Forest and Wood
Products

PRESS RELEASE – For immediate release

42 % reduction in allowable cuts for Kruger on the North Shore

KRUGER MUST EVALUATE ALL OPTIONS

Montréal (Québec), December 13, 2006 – Kruger Inc. says they are surprised and dismayed to learn that their forest supply on the North Shore will be reduced by 42% as a result of the Chief Forester's new annual allowable cut calculations. The company's decision to set up on the North Shore, investing nearly \$170 million to date and creating 750 jobs in the area, was made on the basis of a contract giving it rights to forest supplies that it believed were stable and predictable. Today, these conditions have been seriously compromised.

“This disproportionate reduction in volumes is all the more surprising as we have only been conducting forest activities on the North Shore for 8 years only. This is an area where there was previously no forest activity. In addition, we have never harvested in excess of our allocation,” says Mr. Jean Majeau, Vice President, Corporate Affairs at Kruger. The situation could very well deteriorate as other reductions in volume are expected on the North Shore to take into account various factors that alter the rights the use of the territory. “These new disastrous conditions add to the uncertainty related to the many successive litigations affecting the industry that Kruger has had to face since 2004,” added Mr. Majeau.

It should be remembered that the wood chips produced on the North Shore supply the Kruger Wayagamack mill in Trois-Rivières where Kruger invested \$500 million to rescue and restart the mill, in partnership with the Société générale de financement du Québec.

“It is clear that this massive and unilateral reduction of our supplies as well as the various constraints imposed, will have a highly significant impact on the activities of our three North Shore sawmills (Forestville, Longue-Rive and Ragueneau) as well as at the Kruger Wayagamack mill in Trois Rivières. We must therefore evaluate all our options in every respect, in cooperation with our regional partners and the government representatives,” Mr. Majeau concluded.

Kruger Inc. believes the government should reevaluate the impacts of this drastic reduction of its timber supplies and find solutions that will allow the Company to maintain the viability of its operations.

Founded in 1904, Kruger Inc. is a major producer of publication papers, tissue, lumber and other wood products, corrugated cartons from recycled fibers, and green and renewable

energy. The Company is also a leader in paper and paperboard recycling in North America. It recently continued its expansion in the retail sector with the acquisition of the Maison des Futailles, a leading winemaker, bottler and marketer of wines and spirits. Kruger operates facilities in Quebec, Ontario, Alberta, British Columbia, Newfoundland and Labrador, in the United States and the United Kingdom and has 10, 500 employees.

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INFORMATION

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