

SFK PULP REPORTS 2009 THIRD QUARTER RESULTS

- IMPROVED NBSK MARKET CONDITIONS WITH HIGHER PULP PRICES AND VOLUMES
- RETURN TO A POSITIVE EBITDA MARKS IMPROVEMENT OVER PREVIOUS QUARTER
- CONTINUED FOCUS ON COST REDUCTION INITIATIVES
- CANADIAN GOVERNMENT PROGRAM TO PROVIDE ALLOCATION OF \$20.9 MILLION FOR GREEN CAPITAL PROJECTS AT SAINT-FÉLICIEN MILL

Longueuil, Québec, October 30, 2009 – SFK Pulp Fund (TSX: SFK.UN) today announced results for the third quarter ended September 30, 2009. Sales were \$112.8 million compared with \$82.2 million for the second quarter and \$138.3 million for the same period in 2008. Earnings before amortization, financial charges and income taxes (EBITDA)⁽¹⁾ amounted to \$2.3 million compared with \$16.9 million last year. The net loss for the quarter totalled \$14.5 million compared with net earnings of \$8.7 million for the third quarter of 2008.

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except per Unit amounts)	Three months ended September 30 (unaudited)		Nine months ended September 30 (unaudited)	
	2009	2008	2009	2008
	\$	\$	\$	\$
Sales	112,820	138,305	273,570	406,901
EBITDA	2,330	16,867	(20,772)	45,482
Net (loss) earnings	(14,521)	8,657	(63,425)	13,156
Net (loss) earnings per Unit				
Basic	(0.16)	0.10	(0.70)	0.15
Diluted	(0.16)	0.08	(0.70)	0.15

“The positive EBITDA of \$2.3 million for the third quarter represents a significant turnaround from the second quarter. Efforts to somewhat mitigate the higher cost of wood chips were achieved through the optimization of logistics. During the quarter, strong demand from Asia and reduced industry production capacity created higher NBSK pulp prices and volumes. Our pulp inventories peaked during the first half of the year, but have now reached manageable levels and are better aligned with customer requirements,” said Pierre Gabriel Côté, President and Chief Executive Officer.

“Since the beginning of 2009, we have implemented two ambitious cost reduction programs addressing margins, variable costs, SG&A, liquidity optimization and capital expenditures. As at September 30, 2009, phases I and II of the reduction program had achieved 92% and 90% of the targeted cost reductions for the year. Additional cost reductions will be implemented to build on our recent initiatives and reinforce SFK Pulp for future growth opportunities”, added Mr. Côté.

Under the Canadian Green Transformation Program, earlier this month, the Federal Government announced a \$20.9 million allocation to SFK Pulp for green capital projects at the Saint-Félicien Mill. SFK Pulp is currently analyzing projects that would qualify under the program. Unlike the US program, the Federal Government requires that funds allocated be used to invest in qualifying energy and environmental improvement capital projects through March 2012. This partnership with the Canadian Government will support our objectives to improve our productivity and position SFK Pulp as a Nord-American leader in sustainable development.

Management remained focused on balancing the order book with inventory levels. Market-related downtime during the third quarter was lower compared to prior quarters and significantly less than initially expected. The RBK mills were impacted by downtime which removed approximately 8,000 tonnes from production. To optimize RBK sales volume, non-traditional markets were developed during the quarter. Based on current demand assumptions, operations at all three sites are expected to run normally during the fourth quarter, with the exception of planned maintenance outages.

OPERATING RESULTS

THIRD QUARTER 2009

Consolidated sales declined to \$112.8 million, a decrease of \$25.5 million when compared with sales of \$138.3 million in the third quarter of 2008. This reduction is mainly attributable to lower pulp prices and mix totalling \$30.3 million, which was partially offset by favourable exchange rates for \$4.4 million and higher sales volume for \$0.4 million.

EBITDA was \$2.3 million positive, compared with \$16.9 million positive for the same period of 2008 and \$20.3 million negative in the prior quarter. Excluding a loss on foreign currency translation of \$4.3 million and the impact of other small items, EBITDA for the third quarter would have been \$6.4 million positive.

Net loss was \$14.5 million or \$0.16 per unit (basic and diluted) compared with earnings of \$8.7 million or \$0.08 per unit (diluted) in 2008.

Adjusted distributable cash

In accordance with the amended credit agreement, SFK Pulp is currently prohibited from declaring distributions and does not expect to reinstate such distributions in the foreseeable future.

NINE-MONTH PERIOD 2009

For the nine-months, total sales reached \$273.6 million, a decrease of \$133.3 million when compared with sales of \$406.9 million for the corresponding period of 2008. This reduction is mainly attributable to a lower sales volume for \$74.0 million as well as lower pulp prices and mix for \$102.4 million, which was partially offset by favourable exchange rates for \$43.1 million.

Year-to-date EBITDA was \$20.8 million negative compared with \$45.5 million positive for the corresponding period of 2008. The net loss was \$63.4 million, or \$0.70 per unit (basic and diluted) compared with net earnings \$13.2 million, or \$0.15 per unit (basic and diluted), in the same period of 2008.

SEGMENT REVIEW

NBSK Pulp

Third quarter sales were \$63.1 million compared with \$64.2 million for the same period of 2008, representing a decline of \$1.1 million. This reduction is attributable to lower net realized pulp prices for \$10.8 million largely offset by a higher sales volume for \$9.7 million.

Sales volume was 94,839 tonnes, an increase of 12,460 tonnes from 2008 due to a recovery in demand. EBITDA for NBSK pulp operations was \$0.4 million, including a loss on foreign currency translation of \$4.3 million, compared to \$13.6 million in the previous year.

NBSK market pulp prices (for pulp delivered in Northern Europe) decreased by US\$185 per tonne, or 21%, on average compared with the third quarter of 2008. This decrease was partly offset by a weaker Canadian dollar. The combined impact of lower pulp prices and a weaker Canadian dollar resulted in an average sales price of CAN\$761 per tonne, down CAN\$154 per tonne on a year-over-year basis, but up by CAN\$59 from the previous quarter.

Nine-month sales totalled \$146.7 million, compared with \$201.2 million for the corresponding period of 2008. For the same period, the Saint-Félicien Mill sold 226,902 tonnes of NBSK pulp, a decrease of 29,704 tonnes when compared to 2008. This reduction in sales volume is due to weaker demand in the first half of 2009 when compared with the first six months of 2008.

RBK Pulp

For the third quarter, the RBK pulp segment recorded sales of \$49.8 million, compared with \$74.1 million for the corresponding period of 2008. This reduction of \$24.3 million is mainly attributable to a lower sales volume for \$7.1 million and by lower net realized pulp prices for \$17.2 million. The black liquor tax credit allocated to US virgin pulp producers continued to impact RBK pulp demand.

RBK pulp sales volume reached 83,019 tonnes, compared with 94,872 tonnes for the corresponding period of 2008. RBK pulp average sales prices decreased by 27%. A stronger Canadian dollar offset part of the decline, resulting in a 23% decrease in the average selling price in Canadian dollars. EBITDA for the third quarter period stood at \$1.9 million compared with \$3.3 million last year.

For the nine-months, RBK pulp sales were \$126.9 million compared to \$205.7 million in the corresponding period of 2008. This \$78.8 million decrease in sales is attributable to a lower sales volume for \$62.7 million and by lower net realized pulp prices for \$16.1 million.

Nine-month sales volume was 189,579 tonnes compared with 272,601 tonnes in 2008. RBK pulp average sales prices decreased by 23%. The strengthening of the Canadian dollar partly offset this reduction, resulting in an 11% decrease in the average selling price in Canadian dollars.

OUTLOOK

Pulp and paper markets continued to improve during the third quarter fuelled by strong demand in China and the temporary and permanent closures of several pulp mills in North America and Europe. Worldwide pulp inventories continued to drop, with BSK pulp dropping to 22 days of supply at the end of September. NBSK pulp prices have increased in every month during the quarter and also in October.

RBK pulp sales improved during the quarter with increased offshore shipments. Domestic RBK pulp demand is still impacted by lower demand for printing and writing papers. The black liquor credit provided to US virgin Kraft pulp producers continued to translate into lower costs for virgin paper producers. Although prices for RBK pulp increased every month during the third quarter, price improvements were fuelled by the stronger pulp market in general and the increased cost of wastepaper, rather than by an increase in RBK pulp demand.

“While we are encouraged by improving market conditions in the NBSK pulp segment, results remain very sensitive to fluctuations of the Canadian dollar which could largely offset higher pulp prices and volumes. We do not expect major changes in RBK pulp market conditions with possibly other US programs being introduced in 2010 to replace the current black liquor tax credit which expires at the end of the year. Management has diligently and strategically spent the past few quarters reviewing all aspects of operations.

“Despite the positive trend of our results, we are focused on implementing further cost reductions. We are currently analysing our organisational structure with an objective to reduce our labour costs by 10%, with expected savings beginning in 2010. Although this will unfortunately impact our employees, we must continue to improve our cost structure given the uncertainty of market conditions and increasing fibre costs. We continue to make progress, however the industry continues to face challenges,” concluded Mr. Côté.

CONFERENCE CALL

SFK Pulp will hold a conference call Monday, November 2, 2009 at 10:00 a.m. (Eastern Time), to discuss its results. President and Chief Executive Officer, Pierre Gabriel Côté, and Patsie Ducharme, Vice President and Chief Financial Officer, will host the conference call and a question-and-answer session to discuss earnings. To participate in the conference call, investment professionals and business media may dial **416-644-3421** (for all Toronto and overseas participants) or **1-866-250-4877** (for all other North American calls). Participants not able to listen to the live call can access a replay of the archived call by calling **1-877-289-8525**, access code 4175977#. The replay will be available until 11:59 PM on November 9, 2009.

ABOUT SFK PULP

SFK Pulp (TSX: SFK.UN), a leading producer and marketer of premium virgin and recycled kraft pulp, operates three mills in Saint-Félicien, Québec, Fairmont, West Virginia, and Menominee, Michigan. SFK Pulp employs approximately 550 people and has a total annual production capacity of 745,000 metric tonnes. The Saint-Félicien Mill supplies northern bleached softwood kraft (NBSK) pulp to various sectors of the paper industry in Canada, the United States and Europe for use in specialty products. The Fairmont and Menominee Mills manufacture air-dried market recycled bleached kraft (RBK) pulp and primarily supply manufacturers of uncoated freesheet, commercial and away-from-home tissue and coated paper in the U.S.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release and in SFK Pulp’s Management’s Discussion and Analysis including, but not limited to, expected collection of receivables, expected capital expenditures, estimated sufficiency of wood fibre deliveries, estimated wood fibre costs, expected sufficiency of cash flows to fund operating needs and capital expenditures and to meet contractual obligations, recoverability of capital assets and other statements that are not historical facts, are “forward-looking statements” which reflect the intentions, plans, expectations and beliefs of SFK Pulp’s management (“Management”) regarding SFK Pulp’s future growth, results of operations, performance and business prospects and opportunities. In certain instances, these statements require Management to make assumptions and there is significant risk that these assumptions may not be correct. The words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, and similar expressions, as they relate to SFK Pulp or Management, often identify forward-looking statements.

Such forward-looking statements reflect Management's current beliefs and are based on information currently available to Management. Forward-looking statements involve known and unknown risks, uncertainties and other factors outside Management's control. A number of factors could cause actual results of SFK Pulp to differ materially from the results discussed in the forward-looking statements, including, but not limited to: risks associated with pulp prices and sales volume, exchange rate fluctuations, wood fibre or wastepaper supply and costs at the mills, cost and supply of raw materials (including chemicals), competition, dependence upon key customers, increased production capacity in the market, equipment failure, disruptions of production, capital requirements, absence of guarantee of cash distributions and other factors referenced in SFK Pulp's MD&A for the third quarter ended September 30, 2009 and in SFK Pulp's continuous disclosure filings. Although the forward-looking statements contained herein are based upon what Management believes to be reasonable assumptions, Management cannot assure investors that actual results will be consistent with these forward-looking statements. Certain assumptions underlying the forward-looking statements contained herein and in SFK Pulp's MD&A for the third quarter ended September 30, 2009 include assumptions to the effect that future cash flows will be sufficient to cover capital expenditures, no extraordinary event will require increased capital expenditures, wood fibre, bark and wastepaper deliveries to SFK Pulp will be sufficient to fulfill the mills' requirements, wood fibre, bark and wastepaper costs will not increase materially, pulp prices, pulp demand and exchange rates will not significantly deteriorate, future cash flows will be sufficient to cover operating needs contemplated and contractual obligations, SFK Pulp will generate positive distributable cash, operation costs will not increase materially, and interest expenses and production outputs will remain stable. These forward-looking statements are made as of the date of this press release, and, except as required by applicable securities laws, Management assumes no obligation to update or revise them to reflect new events or circumstances. These statements do not reflect the potential impact of any special items or of any business combination or other transaction that may be announced or that may occur after the date hereof. Readers are cautioned not to place undue reliance on these forward-looking statements.

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Note to readers: Complete unaudited consolidated financial statements and Management's Discussion & Analysis are available on SFK Pulp's website at www.sfk.ca

Attached: Summary of Results

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SFK Pulp - Financial Highlights – Third quarter ended September 30, 2009

(in thousands of Canadian dollars, except per Unit amounts)	Three months ended September 30 (unaudited)		Nine months ended September 30 (unaudited)	
	2009	2008	2009	2008
	\$	\$	\$	\$
Sales	112,820	138,305	273,570	406,901
Cost of sales	103,111	119,342	270,914	353,999
Selling and administrative expenses	3,278	3,889	14,904	12,093
(Gain) loss on derivative instruments	(234)	257	1,022	(1,202)
(Gain) loss on disposal of capital assets	(10)	-	209	18
Loss (gain) on foreign currency translation	4,345	(2,050)	7,293	(3,489)
EBITDA ⁽¹⁾	2,330	16,867	(20,772)	45,482
Amortization	10,214	9,859	30,606	29,285
Financial charges	6,346	3,664	13,037	10,871
Provision for (recovery of) income taxes	291	(5,313)	(990)	(7,830)
Net (loss) earnings	(14,521)	8,657	(63,425)	13,156
Net (loss) earnings per Unit				
Basic	(0.16)	0.10	(0.70)	0.15
Diluted	(0.16)	0.08	(0.70)	0.15

(in thousands of Canadian dollars, except per Unit amounts)	Three months ended September 30 (unaudited)		Nine months ended September 30 (unaudited)	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash flows from operating activities	(7,305)	12,078	(5,658)	13,941
Less:				
Capital expenditures - cash	612	3,907	4,616	13,175
Standardized distributable cash	(7,917)	8,171	(10,274)	766
Less adjustments to standardized distributable cash:				
Changes in non-cash working capital items	(7,236)	(2,218)	20,246	(20,975)
Capital expenditures accruals	(151)	661	(1,268)	(410)
Amortization of deferred financing fees	661	262	1,263	771
Deferred financing fees	1,909	-	1,909	-
Employee future benefits	243	180	861	84
Adjusted distributable cash	(3,343)	9,286	(33,285)	21,296
Distributions declared	-	2,714	-	8,143
(Shortfall) excess over adjusted distributable cash	(3,343)	6,572	(33,285)	13,153
Reserve for distributions at the beginning of the period(2)	(293)	20,528	29,649	13,947
Reserve for distributions at the end of the period(2)	(3,636)	27,100	(3,636)	27,100
Per Unit amount				
- Standardized distributable cash	(0.088)	0.090	(0.114)	0.010
- Adjusted distributable cash	(0.037)	0.100	(0.368)	0.230
- Distributions declared	0.000	0.030	0.000	0.090

(in thousands of Canadian dollars except per Unit amounts)	Three months ended September 30, 2009 (unaudited)		Nine months ended September 30, 2009 (unaudited)	
	Total	Per Unit	Total	Per Unit
Total distributions declared	-	-	-	-

(in thousands of Canadian dollars except per Unit amounts)	Three months ended September 30, 2008 (unaudited)		Nine months ended September 30, 2008 (unaudited)	
	Total	Per Unit	Total	Per Unit
Total distributions declared	\$2,714	\$0.03	\$8,143	\$0.09

- (1) Earnings before amortization, financial charges and income taxes ("EBITDA") is not a recognized measure under Canadian GAAP and is unaudited. Management believes that this measure is useful supplemental information as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned however that this information should not be confused with or used as an alternative for net earnings determined in accordance with GAAP as an indicator of SFK Pulp's performance or cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. SFK Pulp's method for calculating this information may differ from that used by other issuers and, accordingly, this information may not be comparable to measures used by other issuers. EBITDA shown herein represents earnings before amortization, financial charges and income taxes in the Financial Statements.
- (2) SFK Pulp's reserve is a financial indicator comprised of working capital and cash, established to protect SFK Pulp's long standing commitment to capital investment, including its major maintenance program, provide for scheduled debt reimbursement and reduce the impact of negative fluctuations in future cash flows.