



News Release

For Immediate Release

TSX: SFK.UN

SFK PULP REPORTS IMPROVED RESULTS FOR ITS FIRST QUARTER OF 2010

FIRST QUARTER HIGHLIGHTS

- Positive EBITDA⁽¹⁾ of \$15.1 million in the first quarter of 2010 compared to a negative EBITDA of \$2.4 million in the same quarter of 2009
- Increases of 72% in sales volumes and 31% in North American prices
- No market-related downtime in the first quarter of 2010 compared to 46 days in the first quarter of 2009

Longueuil, Québec, May 4, 2010 – SFK Pulp Fund (TSX: SFK.UN) today announced results for the first quarter ended March 31, 2010. Sales amounted to \$138.1 million, compared with \$78.6 million for the first quarter of 2009. For a third consecutive quarter, positive earnings before amortization, financial charges and income taxes (EBITDA)⁽¹⁾ were recorded with \$15.1 million in the first quarter of 2010 compared to a negative EBITDA of \$2.4 million for the corresponding quarter of 2009. The net loss for the quarter totalled \$1.2 million, compared with a net loss of \$15.1 million for the first quarter of 2009.

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except per Unit amounts)	Three months ended March 31 (unaudited)	
	2010	2009
	\$	\$
Sales	138,089	78,611
EBITDA⁽¹⁾	15,108	(2,370)
Net loss	(1,170)	(15,059)
Net loss per Unit (basic)	(0.01)	(0.17)

Commenting on the first quarter results, Pierre Gabriel Côté, President and Chief Executive Officer, said: “I am pleased to report a major improvement in our results in the first quarter of 2010. Improved results were due to not only favourable market conditions, increased pulp production and higher pulp prices, but also to our cost reduction program. On the operational front, we took no market-related downtime in the first quarter of 2010.”

OPERATING RESULTS

FIRST QUARTER 2010

Total sales volume rose to 187,151 tonnes in the first quarter of 2010, with RBK pulp accounting for 96,547 tonnes and NBSK pulp for 90,604 tonnes. In the first quarter of 2009, the sales volume totalled 108,792 tonnes, with RBK pulp accounting for 52,676 tonnes and NBSK pulp for 56,116 tonnes.

In the first quarter of 2010, consolidated sales climbed to \$138.1 million, an increase of \$59.5 million compared to sales of \$78.6 million in the first quarter of 2009. This increase is mainly due to higher pulp prices and favourable mix for \$28.8 million as well as a higher sales volume for \$57.8 million, which was partially offset by an unfavourable exchange rate for \$27.1 million.

SFK Pulp recorded EBITDA of \$15.1 million (or 10.9% of sales) in the first quarter of 2010 compared to a negative EBITDA of \$2.4 million (or -3.0% of sales) for the same period in 2009. The first quarter of 2010 includes \$0.9 million in restructuring charges, representing the final portion of Phase III of the cost reduction program initiated in 2009.

Distributions

In January 2009, the Board suspended distributions and does not expect to reinstate such distributions in the foreseeable future.

SEGMENT REVIEW

NBSK Pulp

Sales for the first quarter ended March 31, 2010 totalled \$70.2 million, compared with \$37.5 million for the same period in 2009, representing an increase of \$32.7 million. This increase is due to higher pulp prices for \$19.8 million and a higher sales volume for \$26.7 million, partly offset by a stronger Canadian dollar compared to the U.S. currency, representing a negative impact of \$13.8 million.

NBSK market pulp price (for pulp delivered in North America) was on average US\$207 higher per tonne (or 31%) on average higher during the first quarter of 2010 when compared with the same quarter of 2009. The increase in NBSK market pulp prices, partly offset by a stronger Canadian dollar when compared with the first quarter of 2009, resulted in an average sales price of CAN\$916 per tonne, CAN\$78 per tonne above the average sales price recorded in the corresponding quarter of 2009.

The NBSK pulp sales volume totalled 90,604 tonnes in the first quarter of 2010, an increase of 34,488 tonnes when compared with 56,116 tonnes for the corresponding period of 2009. The increase in sales volume was mainly due to low world inventory.

During the first quarter of 2010, 23% of our sales of NBSK pulp were realized in Canada, 57% in the United States and 20% in Europe and other regions. Over the same period last year, these percentages were 29%, 44% and 27%, respectively.

On a per tonne basis, cost of sales decreased by 16% in the first quarter of 2010, compared with the same period of 2009. This reduction is mainly due to finished goods inventory write-downs taken in the first quarter 2009 as well as to lower operating costs, primarily energy and chemicals and the cost reduction program, partly offset by an increase in wood fibre price.

RBK Pulp

For the first quarter ended March 31, 2010, the RBK pulp segment recorded sales of \$67.9 million, compared with \$41.1 million for the same period in 2009. This increase of \$26.8 million is mainly attributable to a higher sales volume for \$30.8 million and by higher net realized pulp prices for \$9.3 million partly offset by an unfavourable exchange rate representing a negative impact of \$13.3 million. In 2009, the black liquor tax credit allocated to US virgin pulp producers impacted the RBK pulp demand. This tax credit was officially terminated on December 31, 2009.

The RBK pulp sales volume reached 96,547 tonnes, compared with 52,676 tonnes for the corresponding period of 2009. RBK pulp average sales prices increased by 8%. The impact of the stronger Canadian dollar resulted in a reduction of 10% in the average selling price in Canadian dollars compared to the first quarter of 2009.

During the first quarter of 2010, 74% of RBK pulp sales were realized in the United States, 9% in Europe and 17% in other countries. Over the same period last year, these percentages were 91% in the United States, 9% in Europe and none in other countries.

On a per tonne basis, cost of sales for the first quarter of 2010 decreased by 2%, compared with the same period of 2009. This reduction is principally due to the impact of the stronger Canadian dollar on the US dollar Mills' costs, reduced operating costs, mainly chemicals and the cost reduction program, partly offset by an increase in wastepaper price.

RECENT DEVELOPMENTS

SFK Pulp income trust fund to become Fibrek Inc.

On March 25, 2010, SFK Pulp provided an update on its conversion to a corporation. SFK Pulp Fund announced that it has entered into an agreement (the "Arrangement Agreement") pursuant to which the Fund will convert from an income trust structure to a corporation (the "Conversion"). The Conversion will occur pursuant to a statutory plan of arrangement under Section 192 of the Canada Business Corporations Act and is expected to be effective in early June 2010. The Conversion is subject to approval by not less than two-thirds of the votes cast by the unitholders voting in person or by proxy at a special meeting of the unitholders scheduled to be held on May 19, 2010. The Conversion is also subject to the approval of the Superior Court of Québec and all necessary regulatory approvals which include the approval of the Toronto Stock Exchange ("TSX").

If approved, the Conversion will result in the reorganization of the Fund's income trust structure into a corporation to be named "Fibrek Inc." and the Units held by unitholders will be transferred to Fibrek Inc. in consideration for Common Shares on the basis of one Common Share for each Unit so transferred. Upon completion of the Conversion, the Common Shares and the Debentures will be listed on the TSX. All members of the Board of Directors and senior officers of SFK Pulp are expected to continue serving as the directors and officers of Fibrek Inc.

SFK Pulp has made no distributions since January 2009. Following conversion into a corporation, the Board of Directors does not intend to pay dividends in the foreseeable future as it will want to maintain flexibility for investment and improve the company's balance sheet.

OUTLOOK

"The pulp market remained in tight supply during the first quarter. The tightness in the market was intensified mainly by the earthquake in Chile, which caused a significant reduction in market pulp supply and partly by a port strike in Finland and the lack of pulpwood in the Southern US due to extreme wet weather.

This lack of supply, along with better-than-expected demand from China and continued very low worldwide pulp inventories, gave way for monthly price increases for NBSK pulp during the first quarter. This current situation looks to continue into May, when we will see a new round of previously announced price increases. RBK prices were also increased monthly during the first quarter to offset increasing wastepaper prices and follow the strength of the overall pulp market.

With SFK's revolving credit facility maturing on October 30, 2010, refinancing activities are currently underway. Management feels confident that the refinancing will occur in due course, providing an opportunity to implement a credit facility that will adequately meet the needs of its business. Management is also contemplating addressing other maturities with the objective of strengthening the balance sheet and providing flexibility to seize appropriate investment opportunities as they arise.

Our results will continue to benefit from our three-phase cost reduction program that was implemented in 2009.

Finally, we expect to convert to a corporation in early June 2010. We believe that the new corporation, which will be named "FibreK", will attract a broader investor base, including non-residents, and provide an active, attractive and liquid market for our shareholders. Fibrek will also have greater access to the capital we need to reduce indebtedness, fund growth and capital expenditures, and improve the stability and sustainability of our business model," concluded Pierre Gabriel Côté, President and Chief Executive Officer.

CONFERENCE CALL

SFK Pulp will hold a conference call on Wednesday, May 5, 2010 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 followed by a question-and-answer session to discuss earnings. To participate in the conference call, investment professionals and business media may dial 647-427-7450 (for all Toronto and overseas participants) or 1-888-231-8191, access code 70581315# (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 1-800-642-1687, access code 70581315#. The replay will be available until 11:59 PM on Wednesday, May 12, 2010.

ABOUT SFK PULP

SFK Pulp (TSX: SFK.UN), a leader in the production and distribution of high-quality virgin and recycled kraft pulp, operates three mills located in Saint-Félicien, Québec, Fairmont, West Virginia, and in Menominee, Michigan. The SFK Pulp workforce totals a little over 500 employees. The company's annual production capacity reaches 745,000 metric tons. The Saint-Félicien mill provides northern bleached softwood kraft pulp (product known as NBSK pulp) to various sectors of the paper industry mainly in Canada, the United States and Europe, for use in the production of specialized products. The Fairmont and Menominee mills manufacture air-dried recycled bleached kraft pulp (product known as RBK pulp) and primarily supply manufacturers of fine uncoated paper, household paper for commercial and industrial uses, and coated paper in the United States.

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 wood fibre costs, expected collection of receivables, expected capital expenditures, estimated sufficiency of fibre deliveries, 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 year ended December 31, 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 year ended December 31, 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

For further information, please contact:

Investors and Analysts

Patsie Ducharme
SFK Pulp
Vice President and Chief Financial Officer
(450) 442-8884

Media and others

Dany Paradis
SFK Pulp
Vice President, Change Management and Supply Chain
(450) 442-8882

SFK Pulp - Financial Highlights – First quarter ended March 31, 2010

(in thousands of Canadian dollars, except per Unit amounts)	Three months ended March 31 (unaudited)	
	2010	2009
	\$	\$
Sales	138,089	78,611
Cost of products sold	109,537	70,295
Delivery costs	10,252	7,383
Selling and administrative expenses	3,192	3,303
EBITDA⁽¹⁾	15,108	(2,370)
Amortization	9,588	10,191
Operating profit (loss)	5,520	(12,561)
Financial charges	4,631	3,360
Loss on derivative instruments	1	1,715
(Gain) loss on disposal of capital assets	(13)	229
Loss (gain) on foreign currency translation	2,071	(1,525)
Provision for (recovery of) income taxes	-	(1,281)
Net loss	(1,170)	(15,059)
Net loss per Unit Basic and diluted	(0.01)	(0.17)
(in thousands of Canadian dollars, except per Unit amounts)	Three months ended March 31 (unaudited)	
	2010	2009
	\$	\$
Cash flows from (used in) operating activities	12,246	(3,216)
Less:		
Capital expenditures - cash	988	2,810
Standardized distributable cash	11,258	(6,026)
Less adjustments to standardized distributable cash:		
Changes in non-cash working capital items	2,083	(597)
Capital expenditures accruals	359	(781)
Amortization of deferred financing fees	332	305
Employee future benefits	(45)	293
Adjusted distributable cash⁽²⁾	8,529	(6,440)
Distributions declared	-	-
Excess (shortfall) over adjusted distributable cash	8,529	(6,440)
Reserve at the beginning of the period ⁽³⁾	(9,115)	29,649
Reserve at the end of the period⁽³⁾	(586)	23,209
Per Unit amount		
- Standardized distributable cash	0.124	(0.067)
- Adjusted distributable cash	0.094	(0.071)
- Distributions declared	-	-

(in thousands of Canadian dollars except per Unit amounts)	Three months ended March 31, 2010 (unaudited)			
	2010		2009	
	\$	Per Unit	\$	Per Unit
Total distributions declared	-	-	-	-

- (1) References to "EBITDA" are to earnings before amortization, financial charges and income taxes and also before other non-operating income and expense such as gain or loss on derivative instruments, disposal of capital assets and foreign currency translation. 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, other non-operating income and expense as well as income taxes in the Financial Statements.
- (2) "Adjusted distributable cash" is standardized distributable cash adjusted by Management for changes in non-cash working capital items, capital expenditures accruals, amortization of deferred financing fees and employee future benefits. Adjusted distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts as an indicator of the issuer's ability to generate cash that could be used for distributions to Unitholders and it should not be seen as a measure of cash flows or a substitute for comparable metrics prepared in accordance with GAAP. SFK Pulp's adjusted distributable cash may differ from similar calculations as reported by other similar entities and accordingly may not be comparable to adjusted distributable cash as reported by such entities. Management believes that SFK Pulp's adjusted distributable cash calculated from cash flows from operations is the most appropriate measure to help readers evaluate the ability of SFK Pulp to generate cash that could be used for distributions.
- (3) 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.