

UNITED STATES

International Paper to Shut Down Three Mills

International Paper has announced plans to close its paper mill and associated operations in Franklin, Virginia, and its containerboard mills in Pineville, Louisiana, and Albany, Oregon.

IP also announced it would permanently shut down the previously idled No. 3 machine at its Valliant, Oklahoma containerboard mill. The Valliant Mill's other two machines will continue to operate, IP said.

These permanent shutdowns will reduce the company's North American paper and board capacity by 2.1 million tons.

"We recognize these are very difficult decisions affecting our employees, their families and the communities surrounding these mills," said chairman and CEO John Faraci. "We have concluded that we have excess capacity in our North American paper and

packaging businesses, and these decisions will better match our supply with our expected customer demand."

The closures, which will impact about 1,600 employees, will result in permanent North American capacity reductions as follows:

- **Franklin, Virginia mill** (1,100 employees). Product/Capacity: Freesheet/600,000 tpy. No. of Machines: 3. Est. closure: Spring 2010. Also, at Franklin: Product/Capacity: Coated Paperboard/140,000 tpy on one machine. Est. closure by year-end.
- **Albany, Oregon mill** (270 employees). 580,000 tpy⁽¹⁾ on two machines.
- **Pineville, Louisiana Mill** (230 employees). Product/Capacity: Containerboard/390,000 tpy on one machine. Est. closure: mid-December.
- **Valliant, Oklahoma Mill** (no additional impact). 430,000 tpy⁽²⁾ on one machine.

Following these permanent shutdowns, IP will have approximately 10 million tons of North American containerboard capacity, 2.6 million tons of North American uncoated freesheet production capacity, and 1.7 million tons of North American coated paperboard capacity.

NOTE: (1) Includes 250,000 tons of capacity previously idled in October 2008. (2) Capacity of No. 3 paper machine previously idled in November 2008.

Failed Efforts to Gain Funding Doom Samoa Pulp Mill

Freshwater Tissue said that it has exhausted efforts to find funding for a project to convert the former Evergreen Pulp mill on the northern California coast to an integrated "green" pulp and tissue mill.



The troubled pulp plant, known for years as the Samoa mill, is located in Eureka, California and produced TCF (Totally Chlorine Free) pulp. However, the mill has been plagued by environmental issues due to its coastal location, opposition from local citizen groups, frequent shutdowns, and lack of adequate raw material for year-round operation.

In 1995, then-owner Louisiana-Pacific converted the pulp mill to the TCF pulping process, creating the only TCF pulp mill in the U.S.

L-P sold the 200,000 metric tpy unbleached kraft pulp mill to Lapointe Partners Inc. in April 2001, and since that time the mill has seen a number of owners — none of which could make it a financially viable operation.

The current owner, Freshwater Tissue (formerly Freshwater Pulp) had hoped to make the mill competitive by converting it to manufacture consumer-ready, eco-friendly, chlorine-free toilet tissue, along with TCF pulp that would be used internally.

However, the ghosts of the mill's past appear to be too much to overcome and Freshwater's plans now sit in limbo as the company's latest efforts to obtain federal stimulus funds have failed.

Graphic Packaging to Shut Two Folding Carton Plants

Graphic Packaging International will close two manufacturing facilities next year and transition business to other U.S. operating locations.

Graphic Packaging's folding carton facilities in Fort Wayne, Indiana, and Santa Clara, California, are expected to discontinue production by mid-year 2010. The company's Santa Clara recycled paperboard mill and Orchard Park, California, facility will not be affected by the closures.

Graphic Packaging said the closures are part of the company's plan to achieve synergies related to the March 2008 combination with Altivity Packaging.

"As one of the world's largest packaging companies, we continue to push aggressively in 2009 to integrate assets from the 2008 combination between Altivity Packaging and Graphic Packaging and streamline operations," said David W. Scheible, Graphic Packaging's president and CEO.

"These key closures will complete the plant rationalization element of our integration efforts," Scheible added.

Domtar to Convert Plymouth, NC Mill to 100% Fluff Pulp



Domtar plans to invest \$73.5 million to convert its Plymouth, North Carolina mill to 100% fluff pulp production. When complete, the conversion will increase Domtar's annual fluff pulp making capacity almost threefold to 444,000 metric tons per year.

Domtar expects the project to be completed in the fourth quarter of 2010.

The mill reconfiguration will also result in the permanent shutdown of Plymouth's remaining paper machine, which in turn will reduce the company's annual uncoated freesheet production capacity by approximately 200,000 tons.

The mill reconfiguration will help preserve about 360 positions, Domtar noted.

Mylykoski Sells Alsip Mill to Watermill Group

Finnish papermaker Mylykoski has agreed to sell its mill in Alsip, Illinois to The Watermill Group, a private equity firm headquartered in Lexington, Mass.

Terms of the deal were not disclosed.

The Alsip mill, located 12 miles southwest of Chicago, has an annual capacity of 135,000 metric tonnes of coated groundwood paper. The mill employs 148 people.

Under Mylykoski's ownership, the Alsip mill was known as Madison Paper Company. However, as a result of the sale, The Watermill Group has renamed the operation FutureMark Paper Company.

"We were drawn to this paper manufacturer for its green technology and its ability to offer a one-of-a-kind product in an otherwise commoditized market," said Steven Karol, founder and managing partner of The Watermill Group.

Mylykoski said it will work collaboratively with the new owner during a transition period.

UNITED KINGDOM

Successful Start Up of PM 7 at King's Lynn Mill

German paper machine builder Voith said that PM 7, installed at Palm Paper's new papermill in King's Lynn, England, started up successfully on August 21, producing the first roll of paper at a basis weight of 45 g/m² and a starting speed of 1,580 m/min.

PM 7, with a production capacity of 400,000 tons per year of high quality newsprint, has a wire width of 11,400 mm and is designed for a maximum production speed of 2,200 m/min.

The new machine produces paper in the basis weight range of 42-48.8 g/m² and uses 100 percent recovered paper as its raw material.

Voith said PM 7 started producing paper about three weeks



ahead of schedule.

The production line, including stock preparation and approach flow system, was designed on the basis of Voith's One Platform Concept.

An automation package as well as initial machine clothing, installation supervision and start-up were included in the scope of supply from Voith.

The King's Lynn mill produces newsprint for the UK market.

Palm Paper Limited, a subsidiary of privately-held, Germany-based Palm Group, invested about EUR 330 million in the construction of the King's Lynn mill, which is some 90 miles north of London.

CHINA

China Imports of Pulp Dipped in October, But Up for the Year

China in October imported 1.07 million metric tons of pulp, down from September's figure of 1.36 million metric tons, the General Administration of Customs of the People's Republic of China reported.

In the first 10 months of the year, imports rose 42%, or 11.71 million tons, from the January-October period last year, the

Chinese agency said.

Paper and Paperboard. In October, China also imported 270,000 tons of paper and paperboard, a decrease of 40,000 tons compared to September.

In the first 10 months, paper and paperboard imports were down 11% to 2.72 million tons, the agency said.

RUSSIA

Ilim Group Mulls New Pulp Line, Paper Machine



Paul Herbert, CEO, Ilim Group

At the 11th International Forestry Forum held in St. Petersburg, Russia, Ilim Group's CEO, Paul Herbert, said that during the economic downturn his company implemented a number of measures which have helped it to weather the storm.

Herbert also said that Ilim is considering the installation of a new pulp line and possibly a new paper machine.

"Following the recovery of demand for softwood pulp in China, Ilim Group intends to focus on the technical parameters of constructing a new pulp line in Bratsk. Moreover, due to the prospects of growing demand for office papers in Russia, the company considers the option of installing a new paper machine in Koryazhma," Herbert said during his presentation at the forum.

Herbert's presentation, "Ilim Group Strategy through the Crisis Period" described measures the company has taken to maintain liquidity and financial stability during the global financial crisis. Key efforts include: cutting back on production, refinancing 20% hard currency loans into rubles, and focusing on new products demanded in the market.

Herbert noted the total amount of funds allocated by Ilim Group for priority investment projects implementation in 2008-2009 was over RUR 6 billion.

In his presentation, Herbert also talked about Russia's pulp and paper industry, emphasizing insufficient capital investments as a major problem. Among the causes of inadequate funding, Herbert mentioned the country's underdeveloped infrastructure, difficult access to forest resources, hard questions of property, and high country risks.

However, Herbert pointed out that the Russian pulp and paper industry retains its highly competitive position on the global scale.

Looking ahead, Herbert indicated that Ilim intends to continue equipment modernization and cutting costs.

CANADA

West Fraser to Permanently Shut Eurocan Mill

West Fraser Timber Co. has decided to permanently close its Eurocan paper mill in Kitimat, British Columbia on January 31, 2010.

The mill produces about 450,000 tons per year of liner-board and kraft paper.

West Fraser said that after many years of ongoing efforts to reduce operating costs and improve results the Eurocan mill remained unprofitable.

"We deeply regret the impact the mill closure will have on our 535 employees, their families and the community and we will ensure those who are affected are treated with fairness and respect," said Hank Ketcham, West Fraser's chairman, president and CEO.

According to West Fraser, the 40-year-old mill has historically struggled with high costs and negative returns. A contributing factor to the mill's problems in recent years has been sawmill curtailments in the region, which have reduced the supply of lower-cost residual wood chips to Eurocan and increased the mill's reliance on more expensive whole log chips.

ITALY

SCA Sells Pratovecchio Tissue Mill to Cartiera Carma

SCA said that it has reached an agreement to sell its Italian Pratovecchio tissue mill and paper machine to Cartiera Carma, a privately-owned company based in Italy.

The deal follows SCA's strategic decision to consolidate supply-chain operations in Italy to the Lucca area.

The paper machine has a capacity of approximately 20,000 tonnes per year.

The 24 employees currently working at the mill will continue their employment, SCA said.

SCA expects to finalize the deal before the end of December.

SPAIN

Ahlstrom Plans Closure of Filter Paper Machine in Barcelona

Ahlstrom recently started talks with representatives of employees at the company's paper mill in Barcelona, Spain about the possible closure of a paper machine that produces filtration materials.

Ahlstrom said the possible closure of the machine would affect about 45 positions.

The Barcelona mill produces filtration media for transportation and liquid applications. In addition to the paper machine, the plant operates a saturator, slitter winders, liquid converters and a warehouse, which would not be impacted by the machine closure, Ahlstrom said.

Ahlstrom initiated a global restructuring program in April of this year due to the global overcapacity in some filtration materials.

AUSTRALIA

Gunns Talks With Sodra about Bell Bay Pulp Mill Project

Gunns Chairman John Gay at the company's Annual General Meeting said that the recent improvement in financial markets had provided an opportunity to progress the final stage of the \$1.7 billion Bell Bay pulp mill project.

"The company is continuing to work positively with its banking group to close the project finance facilities," stated Gay.

"The company is also in dialogue with a number of parties regarding equity investment in the project. The Swedish forest products co-operative Sodra is one of these parties," Gay said.

"Gunns expects the external equity investment in the project to be approximately 40 percent of the mill equity requirement," he added.

Gunns' proposed Bell Bay pulp mill, which would have an annual capacity to produce up to 1.1 million air dried tonnes of bleached Kraft pulp, has been met with prolonged opposition



Site of the proposed Bell Bay pulp mill.

from environmental groups since its proposal in early 2005.

Since that time, Gunns has cleared numerous environmental and political hurdles in its long-standing efforts to bring the pulp mill to fruition.

Bell Bay, in northern Tasmania, Australia, is the site for the mill.

SUPPLIER ACTIVITY

Metso Makes Stock/Cash Offer for Tamfelt

Metso has made a 177 million euro (\$261 million) stock plus cash offer to buy paper machine clothing maker Tamfelt.

Under the terms of the deal, Metso is offering Tamfelt shareholders 3 new shares for every 10 Tamfelt shares, plus 0.35 euros cash for some 400,000 outstanding stock options, valuing Tamfelt at around 177 million euros total.

Tamfelt said that its Board "unanimously recommends that Tamfelt's shareholders and holders of Stock Options accept Metso's offer."

The offer period is expected to begin on or about November 23, 2009 and expire on or about December 18, 2009, Metso said.

After the anticipated combination of the two companies, Tamfelt would continue its operations as a business line in Metso's Paper and Fiber Technology segment.

Metso expects to close the deal in the first quarter of 2010.

Metso Contracted to Relocate Two Paper Machines

Metso has received an order from Shandong Huatai Paper Stock Co., Ltd. for a relocation of two paper machines to the company's subsidiary mills in China.

Metso said Mondi Group's fine paper machine in Szolnok, Hungary will be relocated to the Anqing mill of Anhui Huatai Forest Pulp & Paper in Anhui province. Start-up of the relocated machine is scheduled for the first half of 2011.

Qiqihar Paper Mill's newsprint machine in Heilongjiang province will be relocated to Guangdong Huatai Paper in Xinhui, Guangdong province. The start-up of this machine is scheduled for the end of 2010.

FOEX: PIX BENCHMARK INDEXES (per metric ton)

DATE	NBSK in the U.S. (U.S. dollars)	Std. Newsprint 30 lb. in the U.S. (U.S. dollars)	LWC 60 gr. offset reels EUR	Coated WF 100 gr. reels EUR	A4 B-Copy 80 gr. sheets EUR
11-Nov-09	818.14	488.14	672.48	674.64	772.18
13-Oct-09	779.77	467.58	671.48	676.27	779.90
15-Sep-09	759.77	455.77	679.33	681.37	793.61
18-Aug-09	719.52	457.56	684.71	686.63	799.44
14-Jul-09	684.23	492.91	694.04	693.60	807.46
16-Jun-09	654.87	550.19	697.87	695.71	810.00
05-May-09	645.75	664.76	696.45	693.61	816.25
07-Apr-09	651.78	675.09	696.33	697.63	817.45
03-Mar-09	679.17	718.01	695.79	698.04	825.72
10-Feb-09	685.21	719.87	696.05	697.07	827.86
13-Jan-09	712.79	740.63	690.83	693.38	843.06
16-Dec-08	742.13	750.01	689.54	689.41	849.12

NBSK: long-fiber northern bleached softwood kraft pulp.
LWC: Light-weight coated magazine paper (60-gram offset reels).
Coated WF: Coated woodfree paper (100-gram reels).
A4 B-copy paper: A4-sized sheeted standard-grade copy paper (80 grams per sheet).

ABOUT PIX PRICES: FOEX (www.foex.fi) PIX indexes are benchmark price indexes for various qualities of pulp and paper. They measure weekly the market price of the pulp or paper in question. FOEX receives real trade information from parties in the pulp and paper industry, from buyers, sellers as well as from agents. The highest 10% and the lowest 10% of the prices are eliminated, and the PIX value is calculated as an average price from the remaining prices.