

Tuesday, August 19, 2008

Dear Valued Customer,

We will increase the price of our 48.8 gsm newsprint by \$60/mt in the fourth quarter. Once again, recognizing the challenging business environment, we will implement \$20/month in October, November and December.

We had hoped to moderate the rate of increase but continue to experience major cost pressures and a \$US that, despite recent modest improvement, is still weak compared to historical norms. In addition to the inflation in wood, power and transportation costs that I have outlined in previous communications, we now face serious cost increases for old newspapers for recycling programs (up 50-60 percent year-to-date) and a new round of power cost ramp-ups of 20-40 percent at a number of our southern US assets where power costs trail oil and gas increases. Despite significant synergies from our merger (a run rate of \$270 million in the second quarter), we are not in a position to absorb these cost increases.

In consideration of additional costs and limited carrier availability, we will implement \$20/mt charge for bilge loaded rolls effective October 1st.

We know how challenging these increases are for you, especially at this time, and appreciate your continued support as we navigate these difficult times together.

Vice President, North American Newsprint Sales