

Domtar to permanently reduce capacity at its Plymouth, N.C., paper mill by 293,000 tons/year due to decline in orders, economic conditions

Feb 5, 2009 — PRNewswire-FirstCall

Forestweb rewrites headlines for editorial clarity. The original story and headline begin below.

Original Headline: *Domtar to permanently reduce paper manufacturing capacity at its Plymouth , North Carolina mill*

MONTREAL, February 5, 2009 (press release) — Domtar Corporation (NYSE/TSX: UFS) announced today that it will permanently reduce its fine paper manufacturing at its Plymouth, North Carolina mill, by shutting down one of the two paper machines comprising the mill's fine paper production unit. This will result in the curtailment, at the end of February 2009, of 293,000 short tons of the mill's uncoated freesheet production capacity. Domtar plans to reduce staff across various parts of the mill by approximately 185 employees.

"Continued adverse economic conditions and the decline of fine paper orders require that we reduce our uncoated freesheet manufacturing capacity," said John D. Williams, President and Chief Executive Officer of Domtar. "Plymouth employees have made commendable efforts over the years to keep their facility operating efficiently and I want to thank all affected employees for their hard work and dedication," concluded Mr. Williams.

The Plymouth mill will continue to operate two pulp lines, one pulp dryer and one paper machine.

From a financial perspective, the closure will result in pre-tax charges to earnings of approximately \$51 million, of which an estimated \$41 million is non-cash relating to the write-down of the paper machine and a sheeter. Of the pre-tax cash charges, \$9 million relate to severance and employee benefits and \$1 million to other items. Pre-tax impact on earnings is expected to be incurred in the first quarter of 2009.

As a result of this decision, the carrying amount of the remaining assets is currently being tested for impairment and may result in a write-down during the first quarter of 2009. The carrying amount of these assets was approximately \$350 million at December 31, 2008.

Domtar will take appropriate measures to assist employees affected by these decisions in accordance with its policies.