

Market volatility and Domtar stock price

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From: John D. Williams
President and Chief Executive Officer

To: All Domtar employees

We have been experiencing a tremendous amount of volatility in the equity markets, and our company's stock has been trading below the US\$1.00 threshold for some time now on the New York Stock Exchange. Our stock performance is undoubtedly affected by the challenges our industry faces.

Even though the financial crisis continues to impact investor confidence, particularly in cyclical industries like ours, our company has a good financial position in comparison to industry peers. Our indebtedness ratio was at 50% at year-end; we had more than US\$600 million of available liquidities at year-end and no significant debt maturities in the next two years; and we are in compliance with our financial covenants.

Domtar is managing through this deep recession with a strong focus on conserving cash. Our cost-reduction initiatives, such as discretionary spending restrictions, are part of this approach. We are constantly monitoring the situation and exploring options to see where and how we can leverage our strengths and minimize our risks going forward.

We all have an opportunity to do our part as we work through these difficult times, and I would like to thank you for your continued support.
