

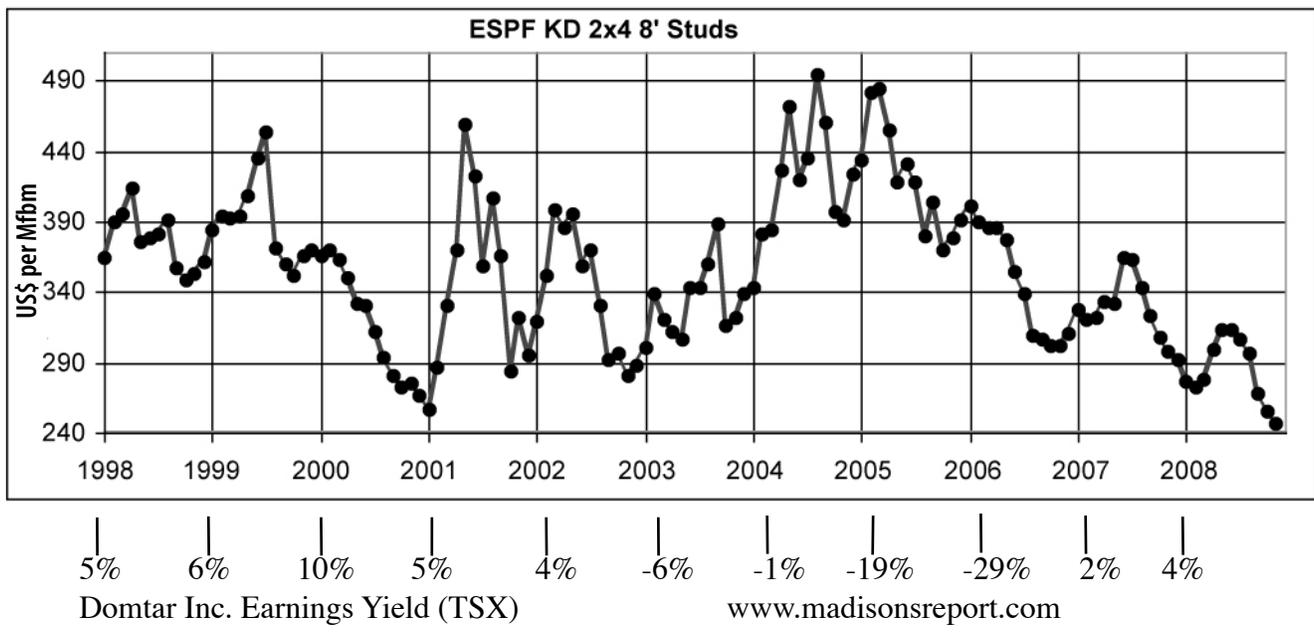


November 28, 2008

Domtar Inc. had revenues of \$5.9 billion in 2007, of which only approximately 4 per cent was from its wood segment. While Domtar is one of the largest North American producers of pulp and uncoated freesheet paper, it also operates five sawmills with a production capacity of approximately 660 million board feet of lumber. In addition, the company owns six sawmills that are currently not in operation but have an aggregate production capacity of approximately 796 million board feet of lumber. Studs account for a major portion of Domtar's wood production.

In 1859, England's Burt, Boulton Holdings Ltd. started exporting its creosote treated timber products into North America. That same year the company acquired a sawmill in eastern Quebec. In 1903 it founded Canada's Dominion Tar and Chemical Company, which in 1910 won a major contract with the Canadian Pacific Railway to supply treated railway ties. In the 1950's, Dominion Tar was elevated into the ranks of the largest Canadian-owned corporations, with plants located across the country, over \$350 million in assets, and annual sales to match. The company began to concentrate efforts on paper manufacturing, converting its Quebec mill to the exclusive production of bleached hardwood pulp, and building a new greenfield pulp mill in Lebel-sur-Quévillon.

**Eastern Spruce-Pine-Fir KD 2x4 8' Studs 1998-2008**



In 1965, Dominion Tar became known as Domtar Ltd. – Domtar Ltée., which was later changed to Domtar Inc. By 1967, total assets had reached \$477 million. 1979 saw Domtar acquire Reed Limited, a subsidiary of a UK pulp and paper manufacturer, with a range of corrugated and linerboard plants in the Toronto area. In December 1997, a merger of Cascades' containerboard operations and Domtar's packaging division created a joint venture called Norampac. Each company had an equal stake in Norampac, which became Canada's largest producer of corrugated packaging, and a major North American manufacturer and distributor of containerboard. In 1996, the new company included seven containerboard mills, 19 box plants, and employed roughly 3,800 people, with assets valued at C\$1 billion and sales for 1996 of C\$861 million.

Domtar Inc. acquired E.B. Eddy Ltd. from George Weston Ltd. for C\$803 million in 1998, more than tripling its Domtar's production. The company then owned 18 sawmills in Quebec and Ontario, with total production in excess of 1.2 billion board feet. EB Eddy had C\$956 million in sales the previous year. The agreement included a purchase price adjustment whereby, in the event of the acquisition of Domtar shares in specified circumstances, the company might have to pay George Weston Ltd. up to a maximum of \$120 million. Domtar's 2007 merger with Weyerhaeuser brought a claim that George Weston Ltd. was owed \$110 million.

Domtar purchased four US paper mills and their associated businesses and assets from Georgia-Pacific Corporation for a total of US\$1.65 billion in 2001. The mills sold about 69,000 tons of recycled-content paper in 2000. The deal more than doubled Domtar's fine paper capacity to 2.8 million tons, lifting it to the rank of No. 2 producer in North America and the world's third largest.

Domtar permanently closed its remanufacturing plant in Daveluyville, QC, and hardwood lumber mill in Sault Ste. Marie, ON, on January 31, 2003. An investigation was launched by Canada's Competition Bureau in 2003 into possible collusion to fix paper prices against Domtar, Cascades, Coast Paper and Unisource. In a market worth approximately \$2 billion, the four companies accounted for nearly all office and commercial printing paper sold in Canada. On January 9, 2006, the Competition Bureau issued fines of \$12.5 million against each company, the largest fines imposed to date against domestic corporations for conspiracy to lessen competition.

Undaunted, Domtar sold its 50 per cent stake in Norampac to Cascades for C\$560 million in 2006 in preparation for its upcoming merger with Weyerhaeuser. The deal incorporated Weyerhaeuser's seven US and three Canadian pulp and paper mills, two sawmills and warehousing facilities at a price of US\$3.3 billion. The new company was expected to generate approximately \$6.5 billion in annual sales. However, in October 2006, Domtar indefinitely closed three more sawmills in Quebec and one in Ontario, leaving 940 people jobless.

Early 2007 saw Domtar dealt another blow, with George Weston Inc. launching a claim to some of the share proceeds of the Weyerhaeuser merger. Under that deal, 55 per cent of the shares in the new company were owned by current or former Weyerhaeuser shareholders with the rest held by former Domtar security holders. Domtar disagreed with Weston's claim for a payout.

Domtar's 3Q 2008 results were slightly improved over 2007, mostly due to increased efficiency. The company reported net earnings of \$43 million for 3Q 2008 compared to net earnings of \$36 million for 3Q 2007. Sales for the third quarter amounted to \$1.6 billion. With regard to Domtar's wood products operations, the operating loss was \$11 million in 3Q 2008, compared to operating loss of \$12 million in 2Q 2008.

Keta Kosman  
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604 984-6838