



Domtar Corporation

Fourth Quarter 2013 Earnings Call

February 7, 2014

(All financial information is in U.S. dollars, and all earnings per share results are diluted, unless otherwise noted.)

FORWARD-LOOKING STATEMENTS / NON-GAAP MEASURES

Forward-Looking Statements

All statements in this presentation that are not based on historical facts are “forward-looking statements.” While management has based any forward-looking statements on its current expectations, the information on which such expectations are based may change. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to materially differ from those projected in the forward-looking statements.

Risk Factors

For a summary of the risk factors, please refer to Domtar’s Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission.

Non-GAAP Financial Measures

This presentation refers to non-U.S. GAAP financial information. For a reconciliation to U.S. GAAP financial measures, please refer to the investors section of the company’s website at <http://www.domtar.com>.



OVERVIEW

Fourth Quarter 2013

- **Lower planned maintenance shutdowns and continued upward momentum in pulp markets drove earnings improvement**
- **Completed the acquisition of Laboratorios Indas, Spain's largest manufacturer and marketer of branded adult incontinence products**
- **Completed a long-term financing with the successful issuance of 30-year senior notes**

FINANCIAL HIGHLIGHTS

Fourth Quarter 2013



- **Net earnings of \$2.00 per share, earnings before items^(*) of \$2.09 per share**
- **EBITDA before items^(*) of \$190 million dollars**
- **Cash flow provided from operating activities of \$124 million**
- **Capital expenditures of \$62 million**
- **Free cash flow^(*) of \$62 million**

(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com.



EARNINGS STATEMENT

4Q'13 vs. 3Q'13

(In millions of dollars)

	3Q'13	4Q'13	Chg	
Sales	1,375	1,359	(16)	Sale of Ariva US business in Q3'13
Cost of sales	1,116	1,081	(35)	
Depreciation and amortization	93	95	2	
SG&A	95	100	5	M&A costs; higher variable compensation
Impairment and write-down of PP&E & intangibles	-	7	7	
Other operating loss (income), net	22	(17)	(39)	Net loss on sale in Q3 versus net gain on sale in Q4
Operating income	49	93	44	
Interest expense, net	21	22	1	
Income tax expense	1	6	5	
Net earnings	27	65	38	



CASH FLOW STATEMENT

4Q'13 vs. 4Q'12

(In millions of dollars)

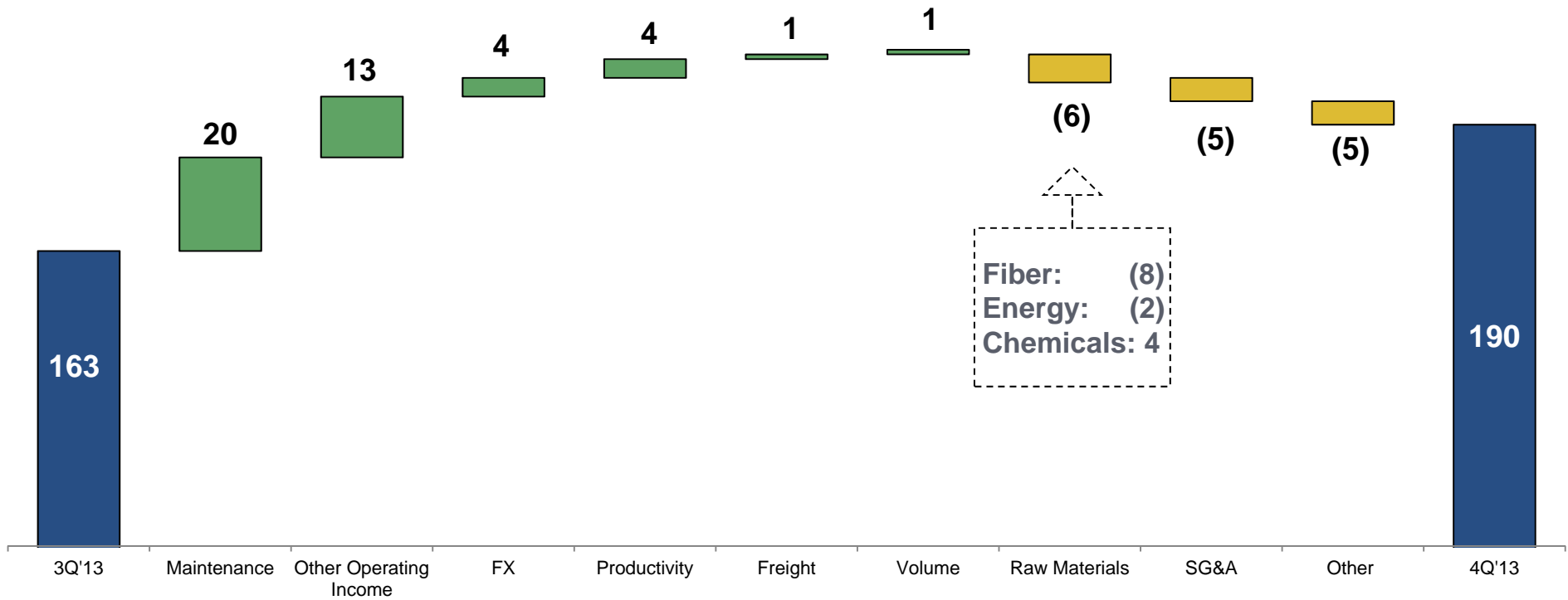
	4Q'12	4Q'13
Net earnings	19	65
Depreciation, amortization & impairment	108	102
Deferred income taxes and tax uncertainties	(14)	1
Net losses on disposals of PPE and sale of business	-	(5)
Changes in assets and liabilities		
Changes in working capital	41	(48)
Pension expense over contribution	(20)	8
Other	6	1
Cash flow provided from operating activities	140	124
Additions to PP&E	(65)	(62)
Proceeds from disposals of PP&E & other	48	6
Cash flows used for investing activities	(17)	(56)
Dividend payments and stock repurchase, net	(57)	(17)
Net changes in bank indebtedness & long-term debt	1	7
Change of revolving bank credit facility & issuance of long-term debt		409
Other	1	(2)
Cash flows provided from (used for) financing activities	(55)	397



EBITDA BEFORE ITEMS*

4Q'13 vs. 3Q'13

(In millions of dollars)



(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com.



PULP AND PAPER SEGMENT

(In millions of dollars, unless otherwise noted)

	4Q'13	vs 3Q'13	vs 4Q'12
Sales ^(*)	\$1,193	↓ 1%	↓ 2%
EBITDA before items ^{(*)(**)}	\$166	↑ \$21	↑ \$2

- Began implementing price increases covering a number of paper grades
- Transitioning Espanola mill out of market hardwood pulp to softwood

(*) The historical results of the former Distribution segment have been reclassified under the Pulp and Paper segment
 (**) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com



PULP AND PAPER SEGMENT

Paper

(In millions of dollars, unless otherwise noted)

	4Q'13	vs 3Q'13	vs 4Q'12
Sales^(*)	\$928	↓ 4%	↓ 5%
EBITDA before items^{(*)(**)}	\$129	↑ \$13	↑ \$39
Shipments <i>(manufactured, in tons)</i>	817	↔	↑ 2%
Transaction prices <i>(US\$ / ton - net, all regions)</i>		↓ \$5	↓ \$12

(*) The historical results of the former Distribution segment have been reclassified under the Pulp and Paper segment
 (**) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com



PULP AND PAPER SEGMENT

Pulp

(In millions of dollars, unless otherwise noted)

	4Q'13	vs 3Q'13	vs 4Q'12
Sales <i>(incl. intrasegment sales)</i>	\$321	↑ 9%	↑ 11%
EBITDA before items^(*)	\$37	↑ \$8	↑ \$41
	4Q'13	vs 3Q'13	vs 4Q'12
Shipments <i>(in ADMT)</i>	377	↑ 7%	↓ 2%
Transaction prices <i>(US\$ / ADMT - net, all regions)</i>		↑ \$12	↑ \$65

(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com.

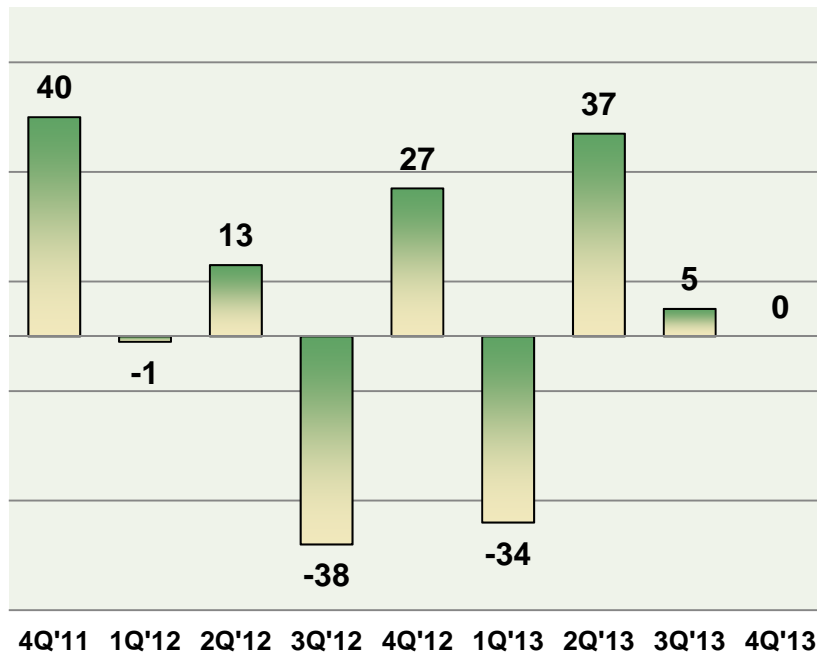


PULP AND PAPER SEGMENT

Inventories

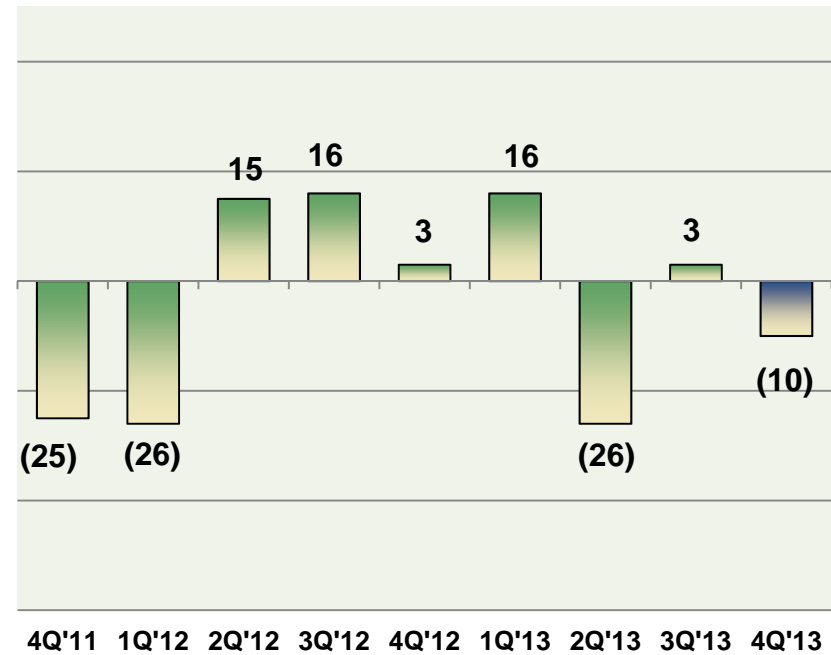
Paper

(Sequential variations in thousands of tons)



Pulp

(Sequential variations in thousands of metric tons)



PERSONAL CARE SEGMENT



(In millions of dollars, unless otherwise noted)

	4Q'13	vs 3Q'13	vs 4Q'12
Sales	\$172	↓ 2%	↑ 55%
EBITDA before items ^(*)	\$21	↓ \$1	↑ \$3

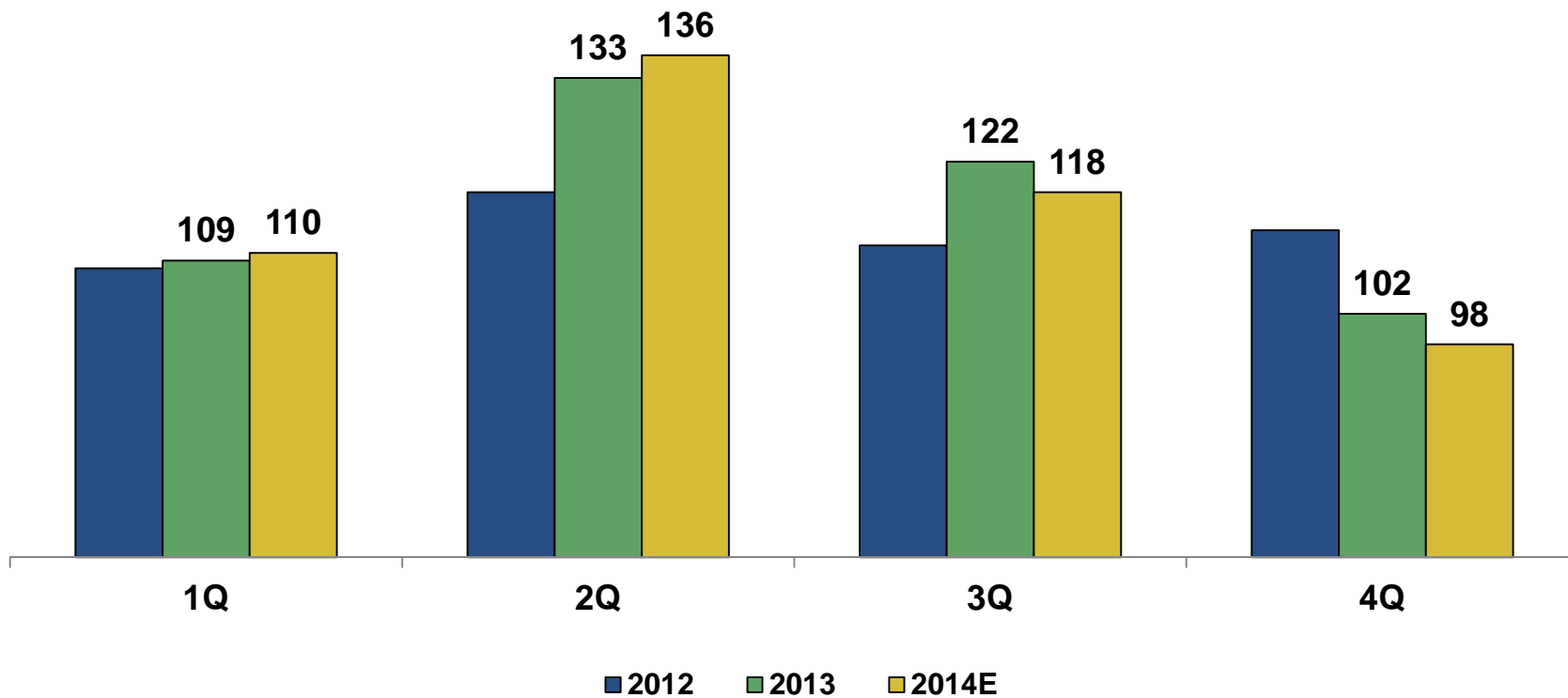
- **Announcement of acquisition of Laboratorios Indas**
- **Integration of all acquired businesses progressing as planned**
- **Successful start-up of our state-of-the-art, high-bay warehouse in Aneby, Sweden**

(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com



MAINTENANCE COSTS^(*)

Actual 2012-2013 / Estimates 2014
(In millions of dollars, unless otherwise noted)



(*) Total maintenance costs includes planned maintenance, maintenance over \$100k outside of planned shutdown period, and day-to-day maintenance expenses.



SENSITIVITY ANALYSIS

Based on 2014 Capacity/Consumption

(In millions of dollars, unless otherwise noted)

Papers *(Each \$10/ton change in the selling price of the following products)*

Business Papers

\$12

Converting & Publishing

9

Commercial Printing

7

Other

5

Pulp – net position *(Each \$10/tonne change in the selling price of the following products)*

Softwood

10

Fluff

4

Hardwood

2

Foreign exchange *(US \$0.01 change in relative value to the Canadian dollar before hedging)*

10

Energy *(Natural gas: \$0.25/MMBtu change in price before hedging)*

4



MANAGEMENT'S FINANCIAL ASSUMPTIONS

Actual 2013 / Estimates 2014

(In millions of dollars, unless otherwise noted)

Selected Financial Assumptions^(*)

	2013A	2014E	Variation
Planned maintenance costs	\$466	\$462	
CAPEX	\$242	\$260-280	
Depreciation and amortization	378	370-380	
Interest expense	89	100	
Income tax rate	(28%)	28-30%	

(*) Financial assumptions do not include the acquisition of Indas.



SUMMARY

Fiscal 2013

- **Two key acquisitions in Personal Care segment**
- **Divested U.S. paper distribution business**
- **Over 100% of our free cash flow paid out through dividends and stock buybacks**
- **Safest year in history with a company best .95 total frequency rate**

OUTLOOK

Fiscal 2014



- **Paper shipments expected to be in-line with 2013; market demand for uncoated free sheet to decline modestly to levels similar to long-term secular trends**
- **Our paper prices will benefit from the implementation of recently announced price increases**
- **Softwood pulp markets expected to maintain positive momentum; new scheduled industry hardwood pulp capacity makes the latter part of the year more uncertain**
- **Personal care will continue to see earnings growth with the recent acquisition of Indas and with the addition of the new production lines towards the end of the year**

THE FIBER *of* Domtar

AGILE | CARING | INNOVATIVE




Domtar



SUPPLEMENTAL SEGMENTED INFORMATION

PULP & PAPER SEGMENT

<i>(In millions of dollars)</i>	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13	4Q'13
Paper	1,018	977	995	971	963	928
Pulp (incl. intrasegment sales)	313	289	292	295	294	321
Intrasegment sales – Pulp	(51)	(48)	(49)	(58)	(53)	(56)
Pulp	262	241	243	237	241	265
SALES^(*)	1,280	1,218	1,238	1,208	1,204	1,193
Paper	173	168	131	125	116	129
Pulp	16	(4)	22	(7)	29	37
EBITDA before items^{(*)(**)}	189	164	153	118	145	166
Paper Shipments – Manufactured	826	805	828	801	814	817
Paper Shipments - Sourced from 3 rd parties	91	78	83	85	73	41
PAPER SHIPMENTS	917	883	911	886	887	858
PULP SHIPMENTS	415	385	372	344	352	377
PERSONAL CARE SEGMENT						
<i>(In millions of dollars)</i>	3Q'12	4Q'12	1Q'13	2Q'13	3Q'13	4Q'13
SALES	111	111	111	108	175	172
EBITDA before items^(**)	19	18	19	18	22	21

(*) The historical results of the former Distribution segment have been reclassified under the Pulp and Paper segment
(**) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com