



Domtar Corporation

First Quarter 2010 Earnings Call

April 30, 2010

(All financial information is in U.S. dollars, and all earnings (loss) 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, 2009 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 sections of the company’s website at <http://www.domtar.com>.



Q1 HIGHLIGHTS

- **Higher pulp, paper and wood selling prices**
- **Paper shipments increased 5.1% compared to the first quarter of 2009**
- **Sale of Wood business to EACOM Timber Corporation**
- **Announced permanent closure of Columbus coated groundwood mill**



FIRST QUARTER 2010

- **Earnings before items⁽¹⁾ of \$69 million or \$1.59 per share**
- **EBITDA before items⁽¹⁾ of \$234 million**
- **Free cash flow⁽¹⁾ of \$92 million**
- **Reduced debt by approximately \$100 million**
- **Paper lack-of-order downtime of 28 thousand tons**

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



EARNINGS STATEMENT

1Q'10 vs 4Q'09

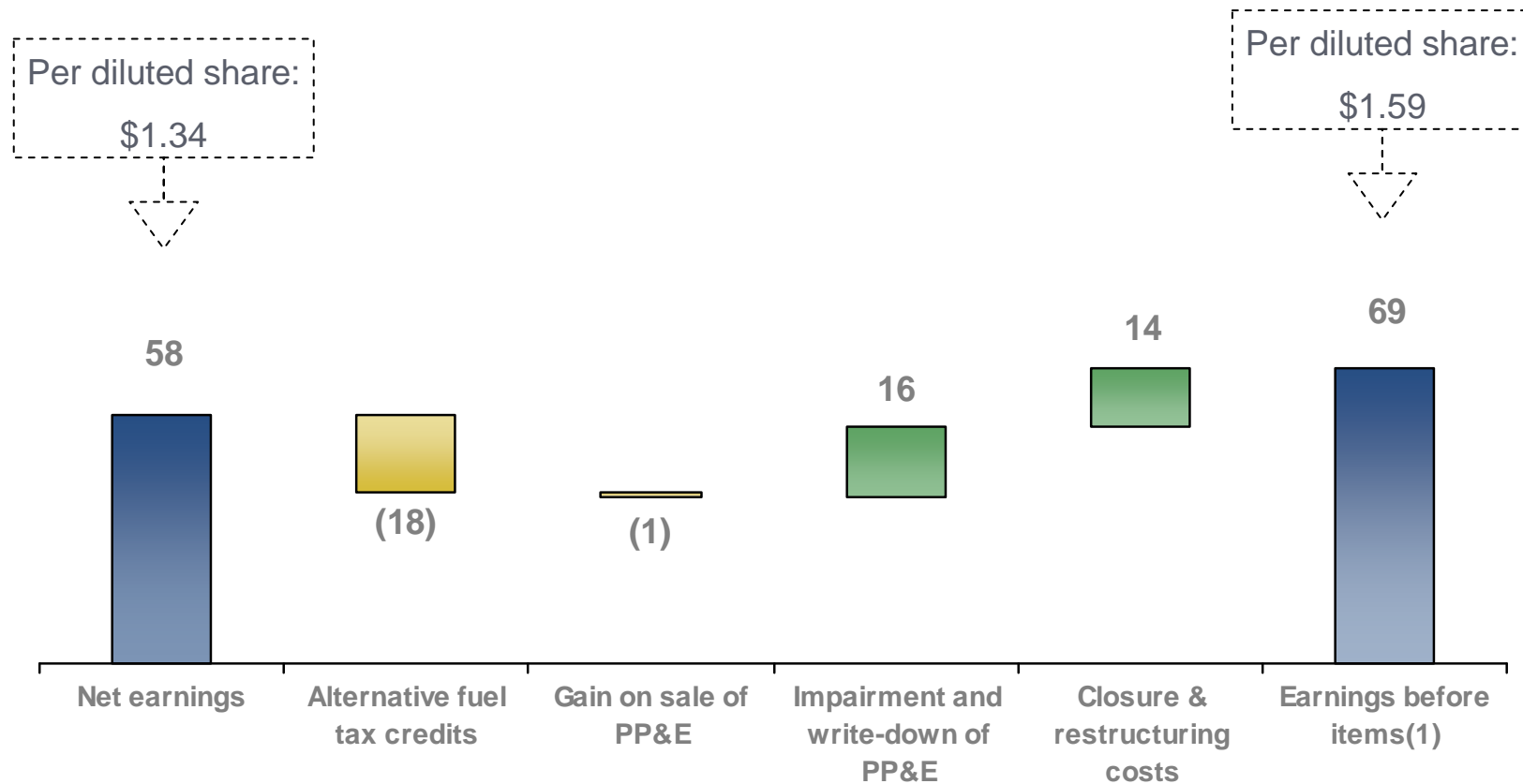
<i>(In millions of dollars, unless otherwise noted)</i>	4Q'09	1Q'10	Ch.	
Sales	\$1,404	\$1,457	\$53	Higher prices and volumes in paper, pulp and wood
Cost of sales	1,109	1,142	33	
Depreciation and amortization	101	102	1	
SG&A	91	84	(7)	
Impairment and write-down of PP&E	27	22	(5)	Columbus closure and accelerated depreciation at Plymouth
Closure and restructuring costs	29	20	(9)	
Other operating income	(156)	(29)	127	Alternative fuel tax credit
Operating income	203	116	(87)	
Interest expense	37	32	(5)	Amortization of issuance costs for debt paid down in Q4
Effective tax rate	25%	31%	-	
Net earnings	124	58	(66)	



EARNINGS BEFORE ITEMS⁽¹⁾

1st Quarter 2010

(In millions of dollars)



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



CASH FLOW STATEMENT

1Q'10 vs 4Q'09

(In millions of dollars)

	4Q'09	1Q'10
Net earnings (loss)	124	58
Depreciation and amortization	101	102
Deferred income taxes	35	15
Impairment and write-down of PP&E, goodwill and intangibles	27	22
Other	15	(1)
Changes in assets and liabilities		
Receivables	86	(90)
Inventories	27	10
Trade and other payables	13	(25)
Income and other taxes	(185)	23
Pension contribution over expense	(71)	10
Other	13	(1)
Cash flow provided from operating activities	185	123
Additions to PP&E	(40)	(31)
Proceeds from disposal of PP&E	5	7
Business acquisition – joint venture	-	-
Cash flows used for investing activities	(35)	(24)
Change in indebtedness	(261)	(109)
Cash flows used for financing activities	(261)	(109)

Seasonal increase in working capital

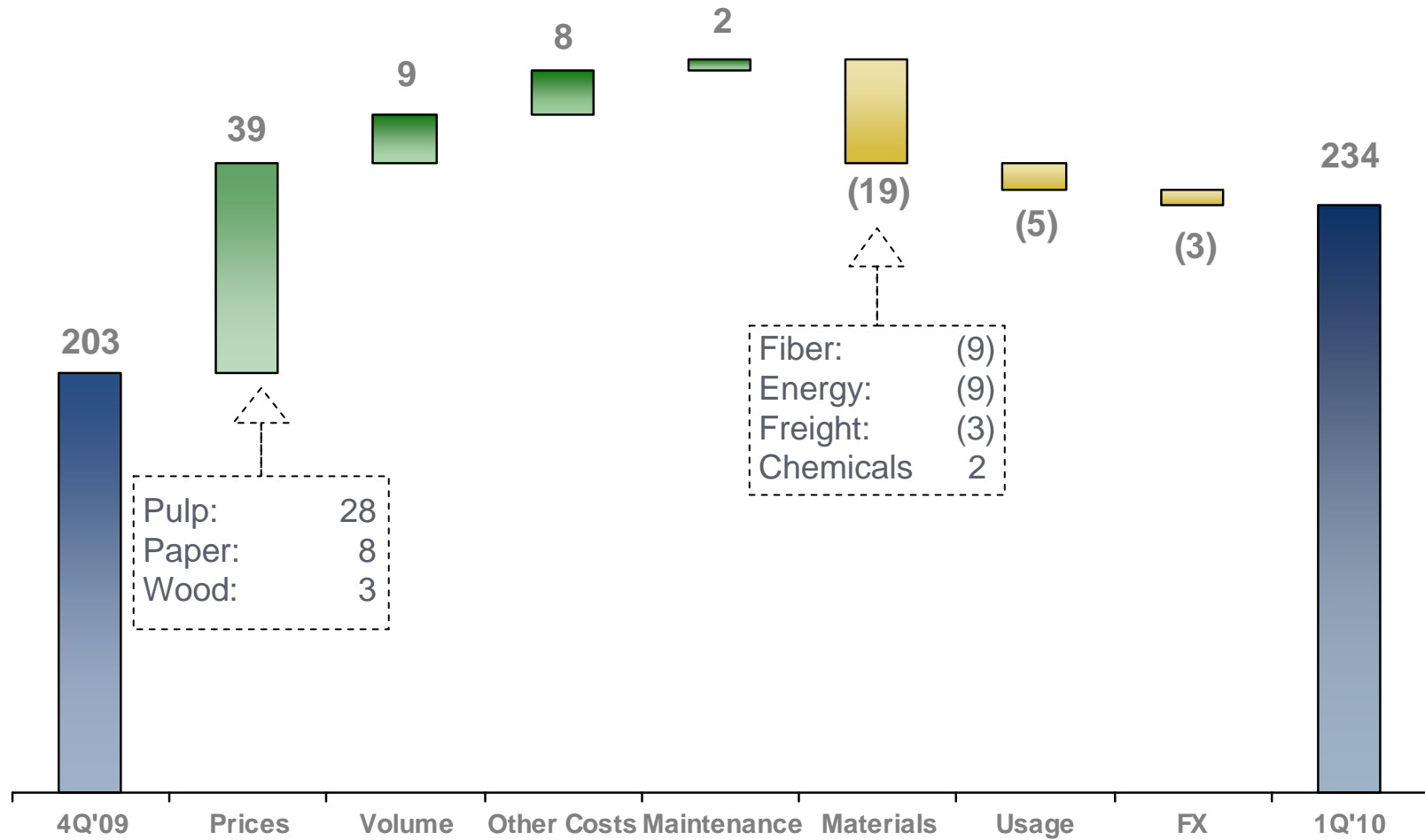
Capex @ 30% of D&A



EBITDA BEFORE ITEMS⁽¹⁾

1Q'10 vs 4Q'09

(In millions of dollars)



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



PAPERS SEGMENT

Overview

(In millions of dollars, unless otherwise noted)

	1Q'10	Qr / Qr (vs 4Q'09)	Yr / Yr (vs 1Q'09)
Sales	\$1,245	 5%	 13%
EBITDA before items⁽¹⁾	\$233	 \$34	 \$134

Variances (1Q'10 / 4Q'09):



Higher average selling prices
 Higher shipments
 Lower costs related to lack-of-order downtime



Higher costs for fiber, energy and freight
 Unfavorable foreign exchange rate

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



PAPERS SEGMENT

Overview

		1Q'10	Qr / Qr (vs 4Q'09)	Yr / Yr (vs 1Q'09)
<i>(In millions of dollars)</i>				
PAPER	Sales	\$979	\$25	\$25
	EBITDA before items⁽¹⁾	\$200	\$9	\$29
<i>(In millions of dollars)</i>				
PULP	Sales	\$266	\$32	\$112
	EBITDA before items⁽¹⁾	\$33	\$25	\$105

(1) Non-GAAP financial measure.

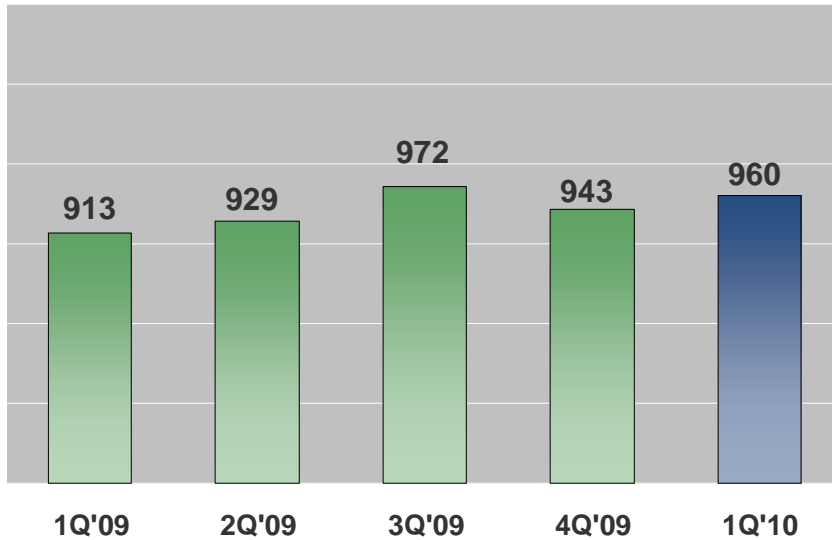
PAPERS SEGMENT

Volumes



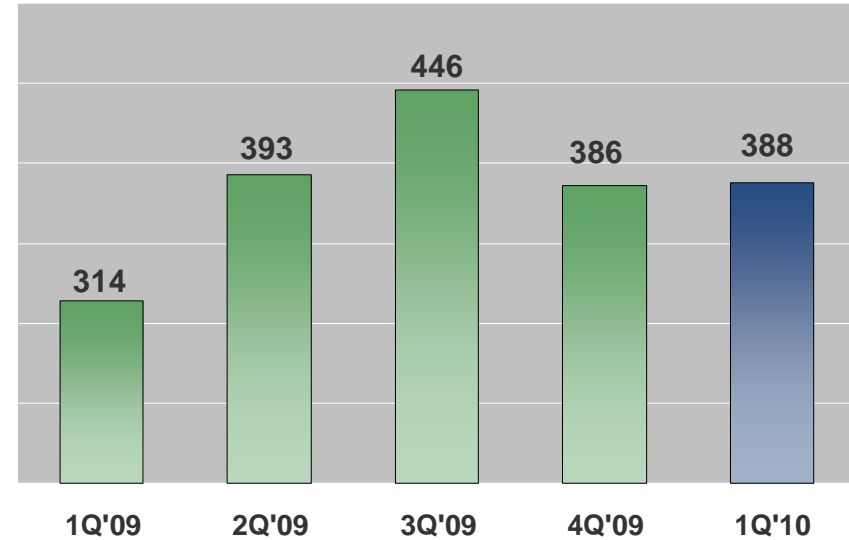
Paper

(in thousands of tons)



Pulp

(in thousands of metric tons)



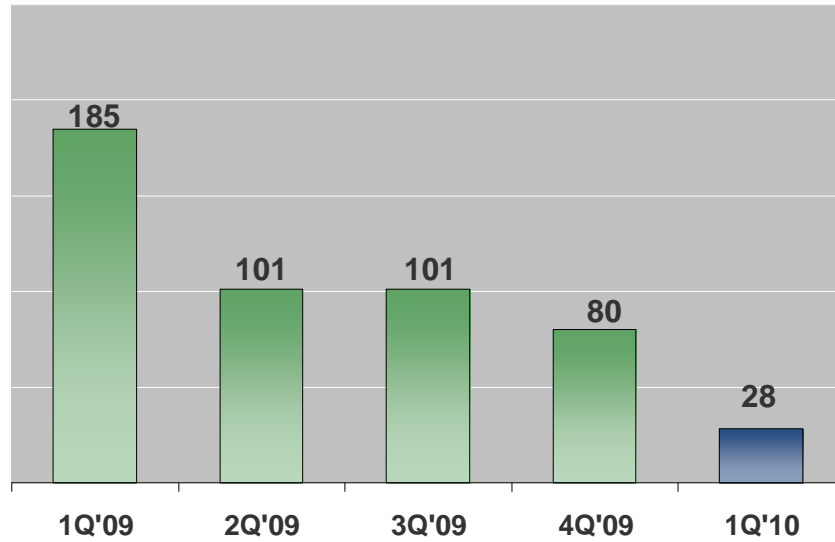


PAPERS SEGMENT

Lack-of-order downtime and machine slowdowns

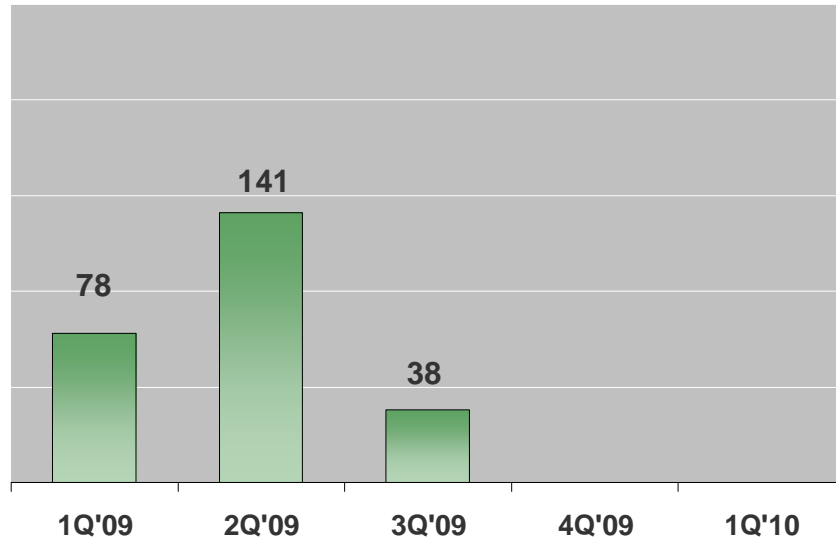
Paper

(in thousands of tons)



Pulp

(in thousands of metric tons)



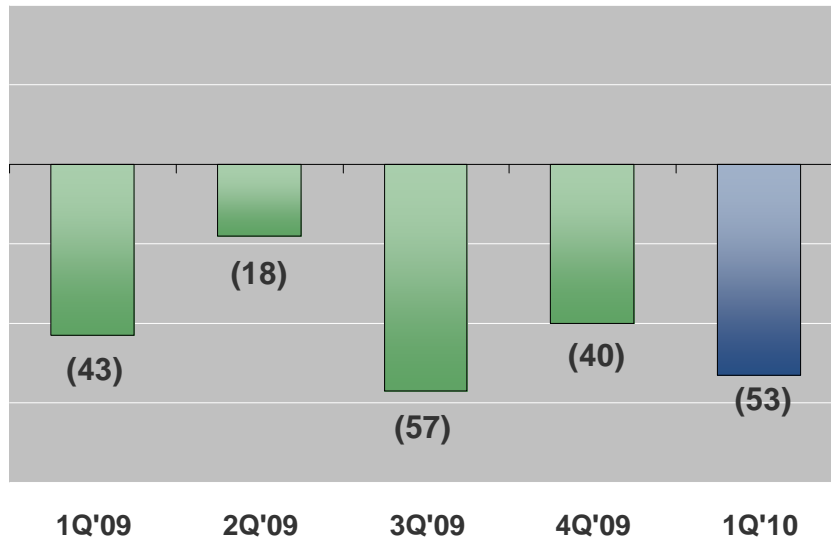
PAPERS SEGMENT

Inventories



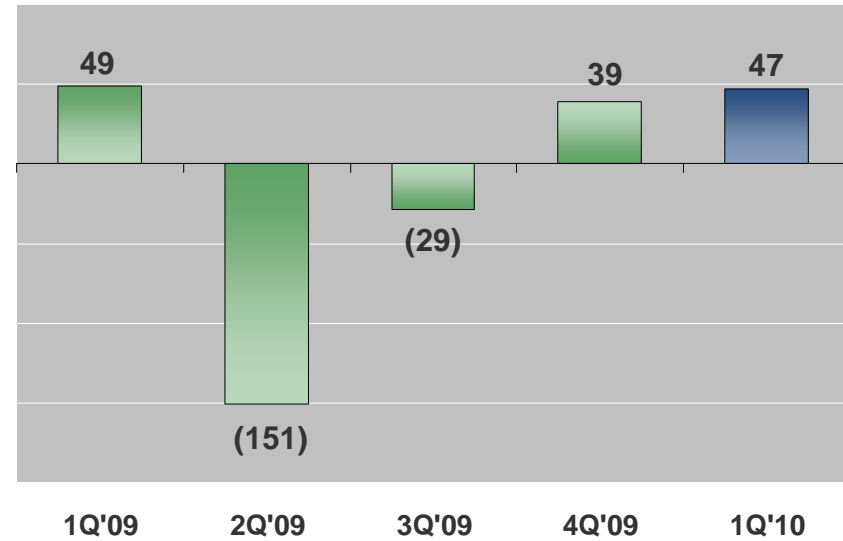
Paper

(Sequential variations in thousands of tons)



Pulp

(Sequential variations in thousands of metric tons)



PAPERS SEGMENT

Prices



Domtar Transaction Prices

	1Q'10 / 4Q'09	1Q'10 / 1Q'09
<i>(Variation in dollars per unit)</i>		
Copy (gross \$/ST) <i>North American sales</i>	↑ 9	↑ 31
Offset rolls (gross \$/ST) <i>North American sales</i>	↓ 3	↓ 33
All Paper (net \$/ST) <i>All regions</i>	↑ 9	↓ 24
All Pulp (net \$/ADMT) <i>All regions</i>	↑ 72	↑ 187



PAPER MERCHANTS SEGMENT

Overview

(In millions of dollars, unless otherwise noted)

	1Q'10	Qr / Qr (vs 4Q'09)	Yr / Yr (vs 1Q'09)
Sales	\$212		
EBITDA before items⁽¹⁾	\$2		

Variiances (1Q'10 / 4Q'09):



Higher bad debt expense



Increased mix of Domtar paper products

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



WOOD SEGMENT

Overview

(In millions of dollars, unless otherwise noted)

	1Q'10	Qr / Qr (vs 4Q'09)	Yr / Yr (vs 1Q'09)
Sales	\$67	6%	56%
EBITDA before items⁽¹⁾	(\$1)	\$2	\$11

Variances (1Q'10 / 4Q'09):

- Higher costs**
Unfavorable foreign exchange rate
- Higher average selling prices**
Higher shipments

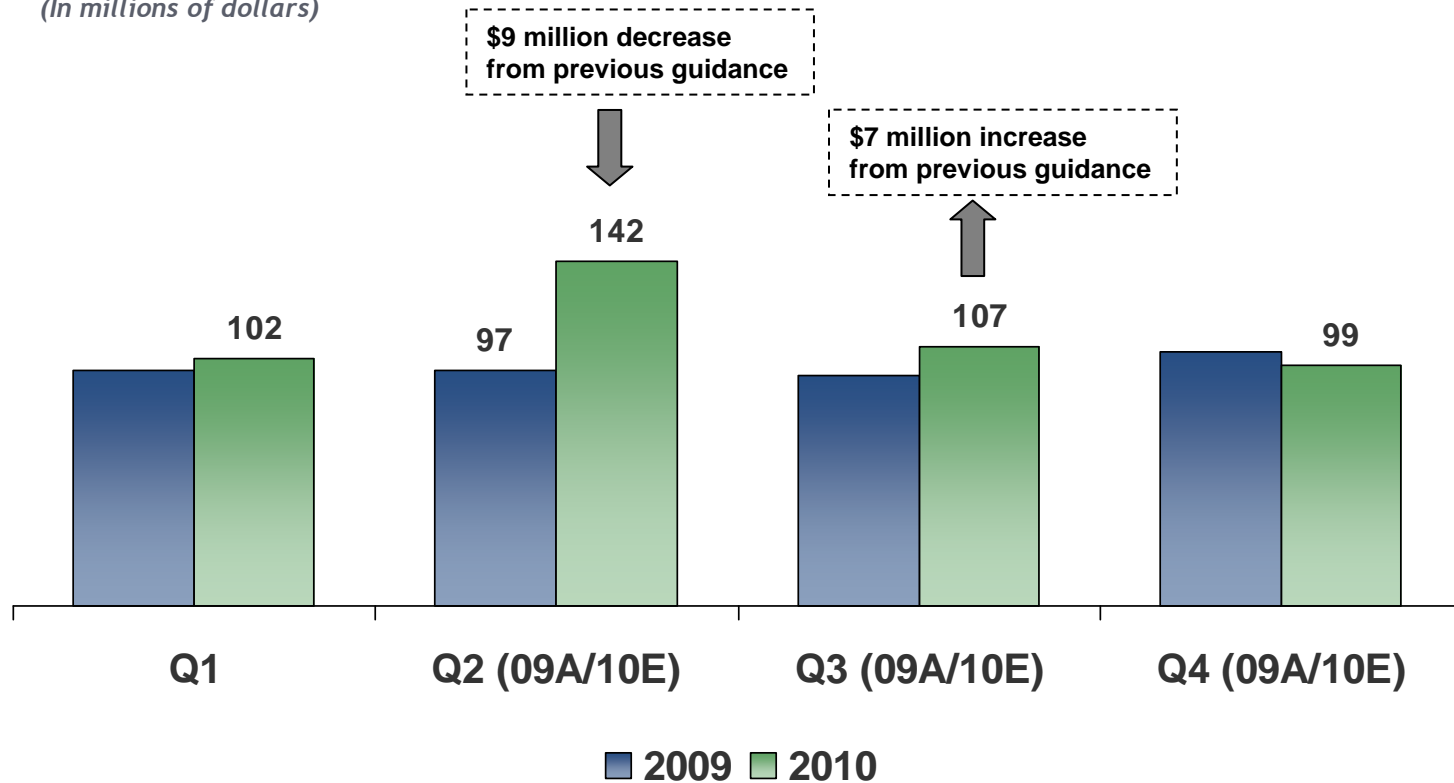
(1) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com.



Total Maintenance Costs⁽¹⁾

Papers segment

(In millions of dollars)



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



SUMMARY

Profitability

- EBITDA margin before items⁽¹⁾ of 16%

SG&A

- 6% of total sales

Capex

- Trending at 30% of D&A

Health & Safety

- Constant efforts to keep incident rate low

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



OUTLOOK

- **Increasing level of economic activity to be supportive of the recent stable demand trends**
- **Input costs expected to rise moderately**
- **Negative impact from unfavorable exchange rates**
- **Expected benefits from price increases in pulp and paper which in process of implementation**
- **Q2 2010 will be affected by higher than average maintenance costs**

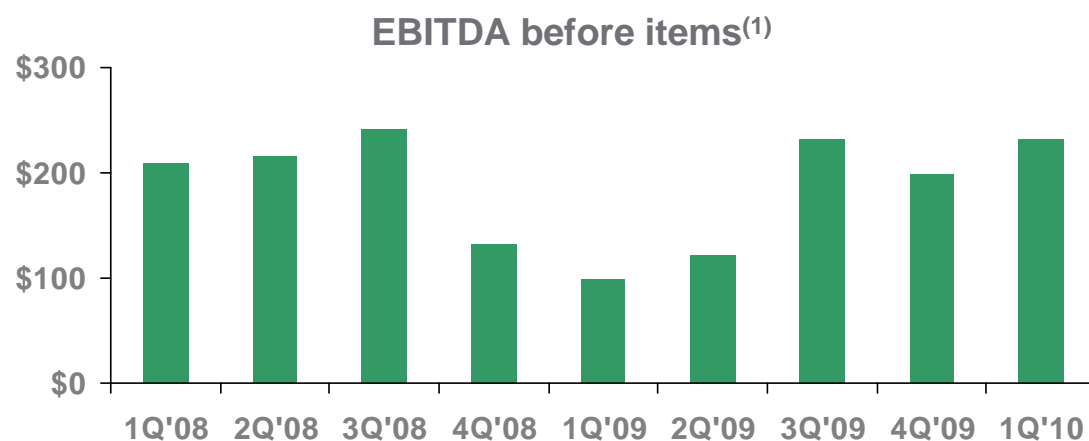


Domtar



PAPERS SEGMENT EBITDA

(In millions of dollars)



	1Q'08	2Q'08	3Q'08	4Q'08	1Q'09	2Q'09	3Q'09	4Q'09	1Q'10
Paper	1,189	1,159	1,133	1,029	954	943	976	954	979
Pulp	240	248	231	211	152	184	235	234	266
Sales	1,429	1,407	1,364	1,240	1,106	1,127	1,211	1,188	1,245
Paper	204	215	208	163	171	195	243	191	200
Pulp	6	1	34	(30)	(72)	(74)	(10)	8	33
EBITDA before items¹	210	216	242	133	99	121	233	199	233

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