



Domtar Corporation

First Quarter 2011 Earnings Call

April 28, 2011

(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, 2010 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>.



1Q'11 OVERVIEW

- **First quarter earnings before items^(*) of \$3.25 per share**
- **Strong paper shipment / 7.4% growth quarter over quarter**
- **Continued momentum in pulp business**
- **Lower maintenance costs**
- **Productivity gains from efficient mill operations**
- **Returned approximately \$80 million to shareholders through share buyback and dividends**

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



1Q'11 FINANCIAL HIGHLIGHTS

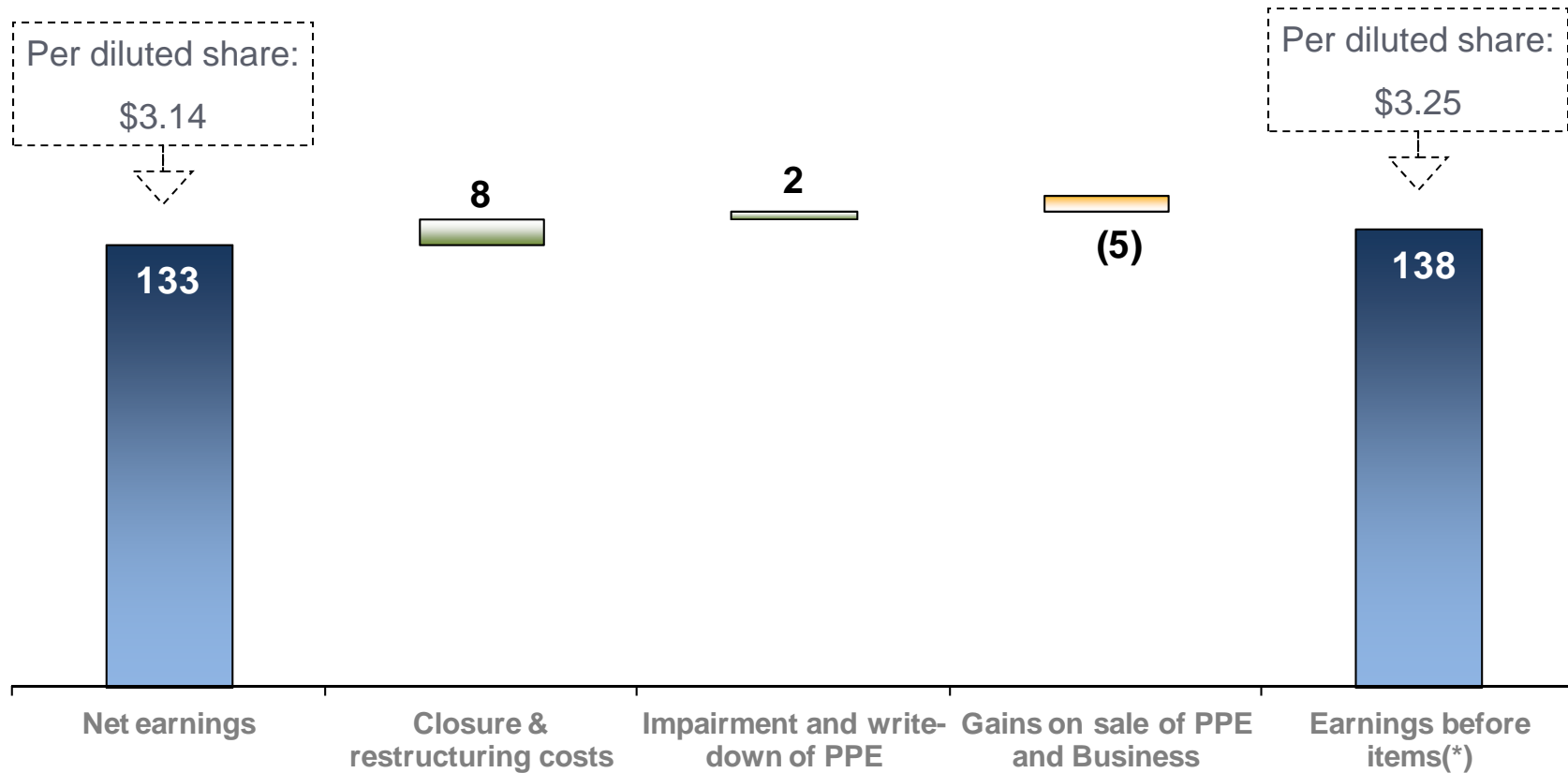
- **Net earnings of \$3.14 per share**
- **Earnings before items^(*) of \$3.25 per share**
- **EBITDA before items^(*) of \$311 million**
- **Cash flow from operating activities of \$148 million**
- **Capital expenditures of \$13 million**
- **Free cash flow^(*) of \$135 million**

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



EARNINGS BEFORE ITEMS^(*) 1Q'11

(In millions of dollars)



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



EARNINGS STATEMENT

1Q'11 vs 4Q'10

(In millions of dollars)

	4Q'10	1Q'11	Chg	
Sales	1,373	1,423	50	Strong paper shipments
Cost of sales	1,020	1,021	1	
Depreciation and Amortization	95	93	(2)	
SG&A	94	90	(4)	
Write-down and impairment of PP&E	-	3	3	
Closure and restructuring costs	1	11	10	
Other operating loss (income)	8	(6)	(14)	
Operating income	155	211	56	
Interest expense	29	21	(8)	Costs related to debt repurchase in Q4
Income tax expense (benefit)	(199)	57	256	Effective tax rate of 30%
Net earnings	325	133	(192)	



CASH FLOW STATEMENT

1Q'11 vs 1Q'10

(In millions of dollars)

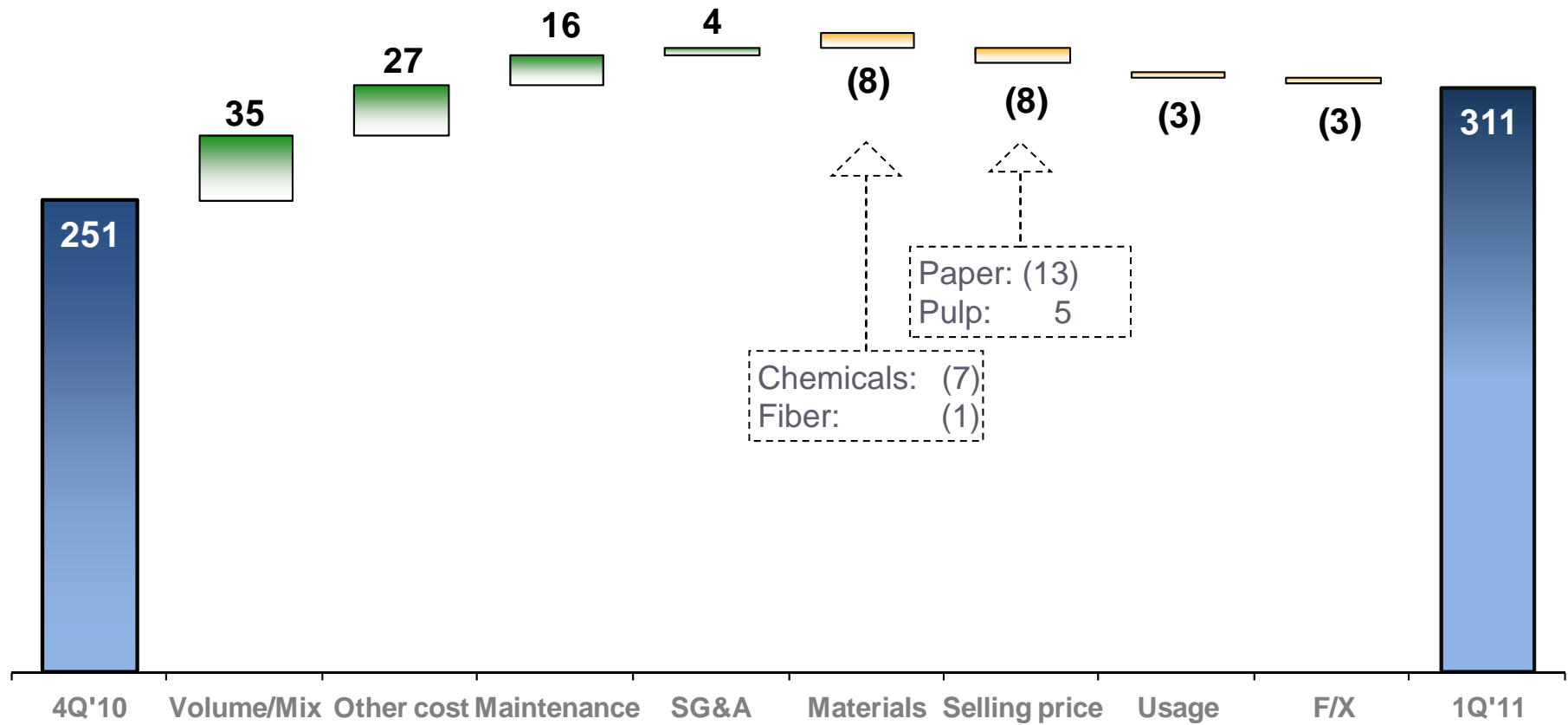
	1Q'10	1Q'11	
Net earnings	58	133	
Depreciation and amortization	102	93	
Deferred income taxes	15	29	
Impairment and write-down of PP&E	22	3	
Net gains on disposal of PP&E and sale of business	(1)	(7)	
Other	-	2	
Changes in assets and liabilities			
Receivables	(90)	(111)	Strong shipments in March
Inventories	10	1	
Prepaid expenses	(5)	(1)	
Trade and other payables	(25)	(29)	
Income and other taxes	23	23	
Pension expense over contribution and other	14	12	
Cash flow provided from operating activities	123	148	
Additions to PP&E	(31)	(13)	Capex @ 14% of D&A
Proceeds from disposal of PP&E and business	7	13	
Cash flows used for investing activities	(24)	-	
Dividend payments and stock repurchase , net	-	(80)	789,957 shares @ \$87.79
Net changes in bank indebtedness	(23)	3	
Repayment of long -term debt	(103)	(1)	
Other	17	4	
Cash flows used for financing activities	(109)	(74)	



EBITDA BEFORE ITEMS^(*)

1Q'11 vs 4Q'10

(In millions of dollars)



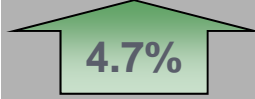
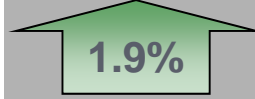


(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com.



PAPERS SEGMENT

Overview

(In millions of dollars, unless otherwise noted)

	1Q'11	vs 4Q'10	vs 1Q'10
Sales	\$1,269	 4.7%	 1.9%
EBITDA before items^(*)	\$311	 \$56	 \$78

Variiances (1Q'11 / 4Q'10):



Strong paper shipments
Higher average selling prices for pulp
Lower maintenance costs
Efficient mill operations



Lower paper average selling prices
Higher input costs (i.e., chemicals)

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



PAPERS SEGMENT

Uncoated Freesheet Paper

(In millions of dollars, unless otherwise noted)

	1Q'11	vs 4Q'10	vs 1Q'10
Sales <i>(incl. sales to our Paper Merchants)</i>	\$978	6.1%	
EBITDA before items^(*)	\$243	\$45	\$43
	1Q'11	vs 4Q'10	vs 1Q'10 ^{**}
Shipments <i>(in tons, including internal sales)</i>	913	7.4%	(1.3%)
Transaction prices <i>(US\$ / ton - net, all regions)</i>		(\$15)	\$51

(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com. (**) Excludes Columbus' coated groundwood paper shipments in Q1/10.



PAPERS SEGMENT

Pulp

(In millions of dollars, unless otherwise noted)

	1Q'11	vs 4Q'10**	vs 1Q'10**
Sales <i>(incl. intrasegment sales)</i>	\$356	1.7%	11.3%
EBITDA before items^(*)	\$68	\$11	\$35
	1Q'11	vs 4Q'10**	vs 1Q'10**
Shipments <i>(in ADMT, excluding internal sales)</i>	375		(3.4%)
Transaction prices <i>(US\$ / ADMT - net, all regions)</i>		\$15	\$104

(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com. (**) Includes Woodland's pulp shipments in Q1/10 and Q4/10.

PAPERS SEGMENT

Inventories

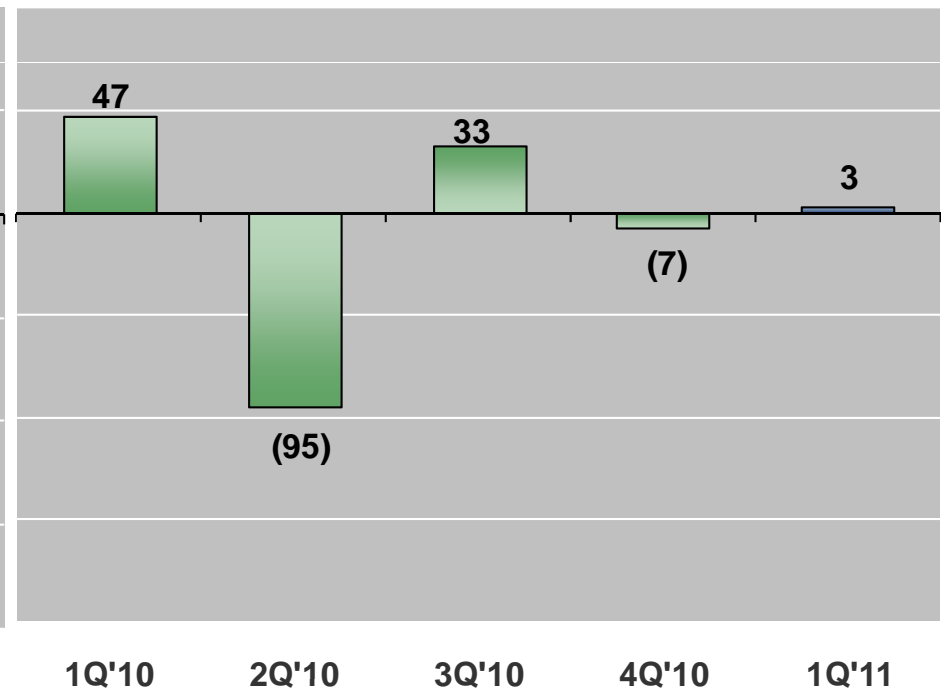
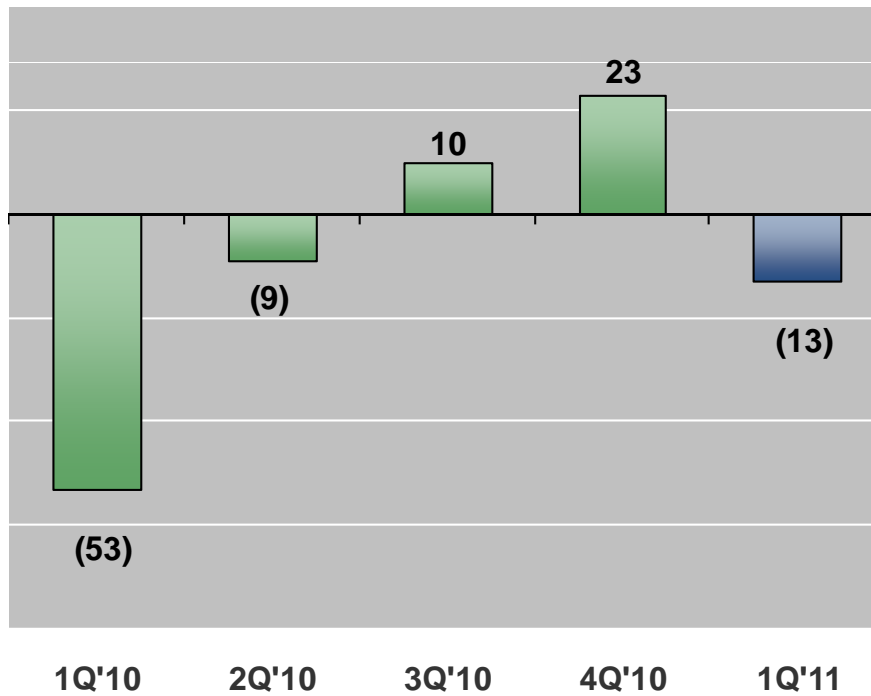


Paper

Pulp

(Sequential variations in thousands of tons)

(Sequential variations in thousands of metric tons)

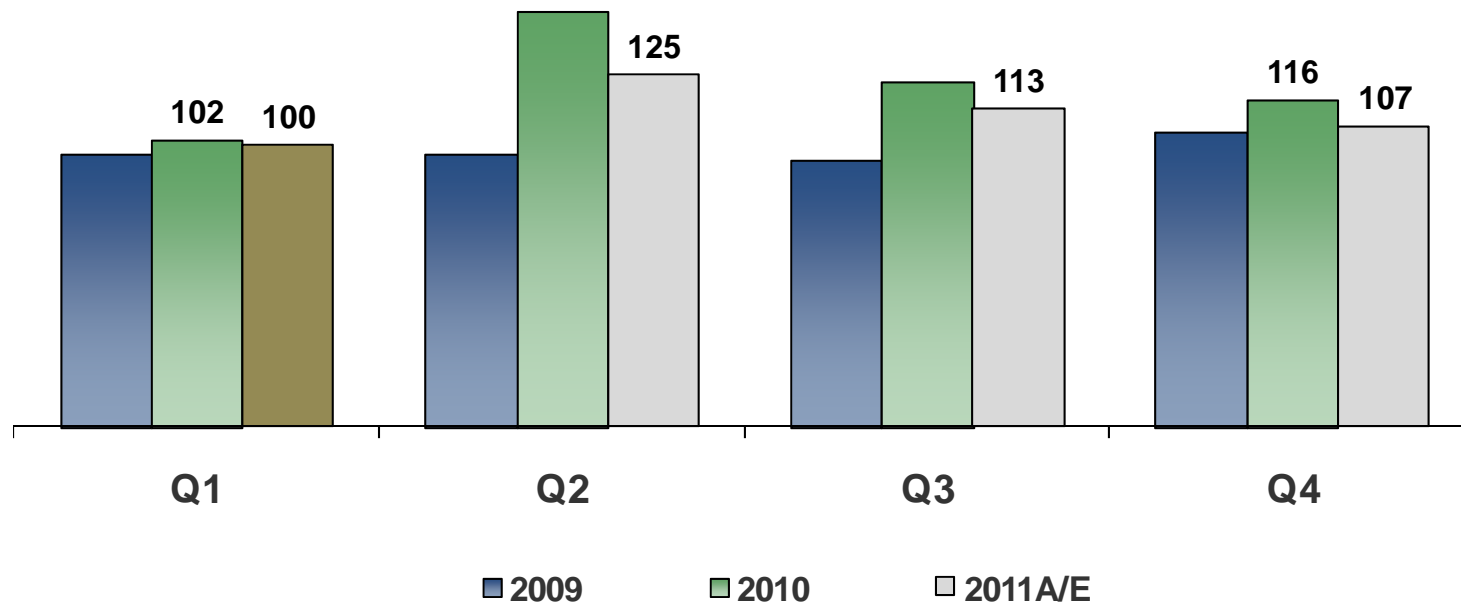




MAINTENANCE COSTS^(*)

Actual 2009, 2010 and Actual/Estimates 2011

(In millions of dollars)



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



MANAGEMENT'S FINANCIAL ASSUMPTIONS

Actual 2010 / Estimates 2011

Selected Financial Assumptions

(In millions of dollars, unless otherwise noted)

	2010A	2011E	Variation
CAPEX⁽¹⁾	\$153	\$180 - 200	
Contribution to pension fund over pension expense	120	0 - 30	
Depreciation and amortization	395	370 - 390	
Interest expense	155	80 - 90	
Income tax rate	n/a	30 - 35%	

(1) Excludes investments made under the Canadian Pulp and Paper Green Transformation Program.



OUTLOOK

- **Paper shipments expected to decline moderately throughout 2011.**
- **Closure of paper machine at Ashdown, AR mill to help balance our production to our customer demand.**
- **Negative impact from rising commodity pricing on input costs expected to continue.**
- **Recently announced price increases for softwood pulp and commercial printing and converting papers.**



Domtar



SALES AND EBITDA* BY SEGMENT

PAPERS SEGMENT

<i>(In millions of dollars)</i>	1Q'10	2Q'10	3Q'10	4Q'10	1Q'11
Papers (incl. sales to Paper Merchants)	979	940	974	922	978
Pulp (incl. intrasegment sales)	320	442	394	350	356
Intrasegment sales – Pulp	(54)	(65)	(72)	(60)	(65)
Pulp	266	377	322	290	291
SALES	1,245	1,317	1,296	1,212	1,269
Papers	200	203	250	198	243
Pulp	33	57	84	57	68
EBITDA before items*	233	260	334	255	311

ARIVA™ – PAPER MERCHANTS SEGMENT

<i>(In millions of dollars)</i>	1Q'10	2Q'10	3Q'10	4Q'10	1Q'11
SALES	212	213	233	212	217
EBITDA before items*	2	-	1	(1)	1

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