



# Domtar Corporation

## First Quarter 2012 Earnings Call

April 26, 2012

*(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, 2011 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'12 OVERVIEW

- **Strong Paper and Personal Care performance overshadowed by trough market pulp prices**
- **Announced price increases in pulp and paper are expected to positively impact our results in the second quarter**
- **Acquired Attends Healthcare Limited (“Attends Europe”)**
- **Signed an historic 15-year supply agreement with Appleton Papers**



## 1Q'12 FINANCIAL HIGHLIGHTS

- **Net earnings of \$0.76 per share**
- **Earnings before items<sup>(\*)</sup> of \$1.65 per share**
- **EBITDA before items<sup>(\*)</sup> of \$210 million dollars**
- **Cash flow from operating activities of \$30 million**
- **Capital expenditures of \$29 million**
- **Free cash flow<sup>(\*)</sup> of \$48 million excluding premiums paid in relation to tender offer**

(\*) Non-GAAP financial measure. Refer to reconciliation available at [www.domtar.com](http://www.domtar.com).



# EARNINGS BEFORE ITEMS<sup>(\*)</sup>

## 1Q'12

(In millions of dollars)



(\*) Non-GAAP financial measure. Refer to reconciliation available at [www.domtar.com](http://www.domtar.com).



# EARNINGS STATEMENT

## 1Q'12 vs 4Q'11

(In millions of dollars)

	4Q'11	1Q'12	Chg	
<b>Sales</b>	<b>1,369</b>	<b>1,398</b>	<b>29</b>	Higher paper shipments, Attends Europe
Cost of sales	1,039	1,088	49	
Depreciation and Amortization	95	97	2	
SG&A	87	99	12	Acquisition costs, favorable Q4 items
Write-down and impairment of PP&E	12	2	(10)	
Closure and restructuring costs	38	1	(37)	
Other operating loss (income), net	(1)	2	3	
<b>Operating income</b>	<b>99</b>	<b>109</b>	<b>10</b>	
Interest expense	20	71	51	Premium paid on debt repurchase
Income tax expense	11	8	(3)	
Equity loss, net of taxes	7	2	(5)	
<b>Net earnings</b>	<b>61</b>	<b>28</b>	<b>(33)</b>	



# CASH FLOW STATEMENT

## 1Q'12 vs 1Q'11

(In millions of dollars)

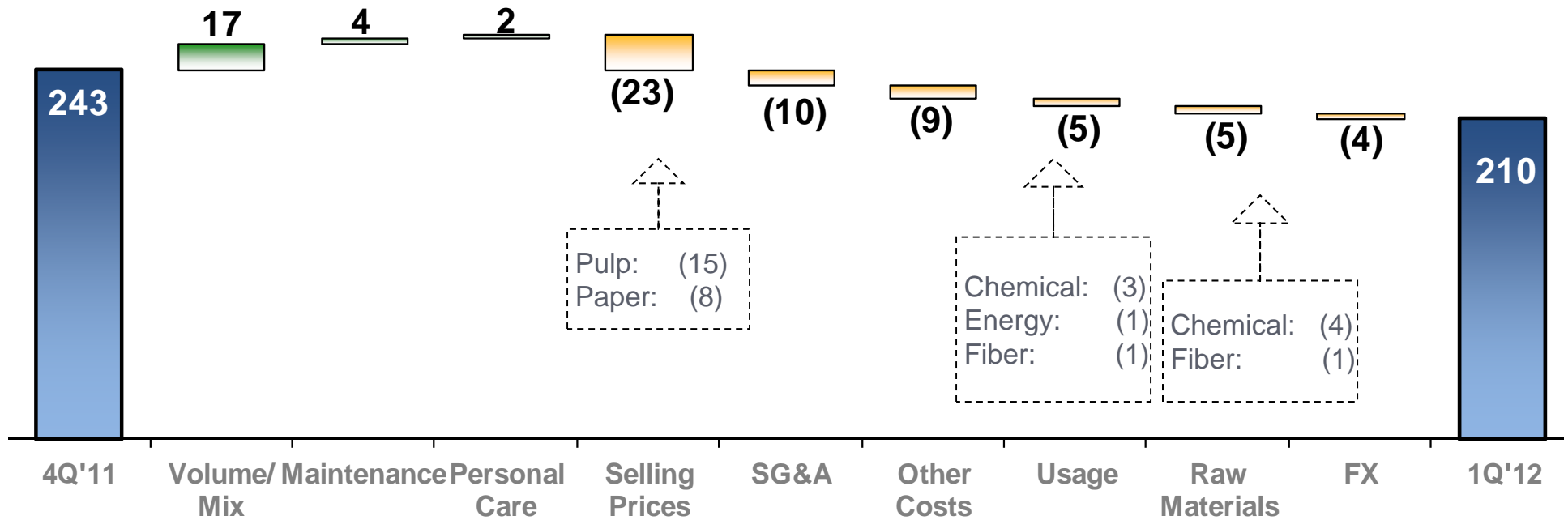
	1Q'11	1Q'12
<b>Net earnings</b>	<b>133</b>	<b>28</b>
Depreciation and amortization	93	97
Deferred income taxes and tax uncertainties	29	3
Impairment and write-down of PP&E	3	2
Net losses (gains) on disposal of PP&E and sale of businesses	(7)	-
Other	2	-
<b>Changes in assets and liabilities</b>		
Receivables	(111)	(36)
Inventories	1	1
Prepaid expenses	(1)	-
Trade and other payables	(29)	(85)
Income and other taxes	23	6
Pension expense over contribution and other	2	4
Other	10	10
<b>Cash flow provided from operating activities</b>	<b>148</b>	<b>30</b>
Additions to PP&E	(13)	(29)
Acquisition of business, net of cash acquired	-	(232)
Proceeds from disposition and other	13	(2)
<b>Cash flows provided from investing activities</b>	<b>-</b>	<b>(263)</b>
Dividend payments and stock repurchase, net	(80)	(17)
Net changes in bank indebtedness	3	6
Repayment of long - term debt and other	(1)	(187)
Issuance of long-term debt	-	300
Other	4	2
<b>Cash flows used for financing activities</b>	<b>(74)</b>	<b>104</b>



# EBITDA BEFORE ITEMS<sup>(\*)</sup>

1Q'12 vs 4Q'11

(In millions of dollars)



(\*) Non-GAAP financial measure. Refer to reconciliation available at [www.domtar.com](http://www.domtar.com).





## BUSINESS SEGMENTS

<i>(In millions of dollars, unless otherwise noted)</i>	1Q'12	vs 4Q'11	vs 1Q'11
<b>Sales</b>			
Pulp and Paper	1,191	↑ 1%	↓ (6%)
Distribution	189	↑ 7%	↓ (13%)
Personal Care	70	↑ 30%**	n/a
<b>EBITDA before items<sup>(*)</sup></b>			
Pulp and Paper	203	↓ \$28	↓ \$108
Distribution	-	↓ \$2	↓ \$1
Personal Care	12	↑ \$2**	n/a

(\*) Non-GAAP financial measure. Refer to reconciliation available at [www.domtar.com](http://www.domtar.com)

(\*\*) Personal Care included Attends Europe results as at March 1, 2012



# PULP AND PAPER SEGMENT

## Uncoated Freesheet Paper

(In millions of dollars, unless otherwise noted)

	1Q'12	vs 4Q'11	vs 1Q'11
<b>Sales</b> <i>(incl. sales to Distribution)</i>	\$937	4%	4%
<b>EBITDA before items<sup>(*)</sup></b>	\$198	\$8	\$45
	1Q'12	vs 4Q'11	vs 1Q'11
<b>Shipments</b> <i>(in tons, including internal sales)</i>	870	5%	5%
<b>Transaction prices</b> <i>(US\$ / ton - net, all regions)</i>		\$10	\$7

(\*) Non-GAAP financial measure. Refer to reconciliation available at [www.domtar.com](http://www.domtar.com).



## PULP AND PAPER SEGMENT

### Pulp

(In millions of dollars, unless otherwise noted)

	1Q'12	vs 4Q'11	vs 1Q'11
<b>Sales</b> (incl. intrasegment sales)	\$308	9%	14%
<b>EBITDA before items<sup>(*)</sup></b>	\$5	\$36	\$63
	1Q'12	vs 4Q'11	vs 1Q'11
<b>Shipments</b> (in ADMT, excluding internal sales)	389	4%	4%
<b>Transaction prices</b> (US\$ / ADMT - net, all regions)		\$41	\$137

(\*) Non-GAAP financial measure. Refer to reconciliation available at [www.domtar.com](http://www.domtar.com).

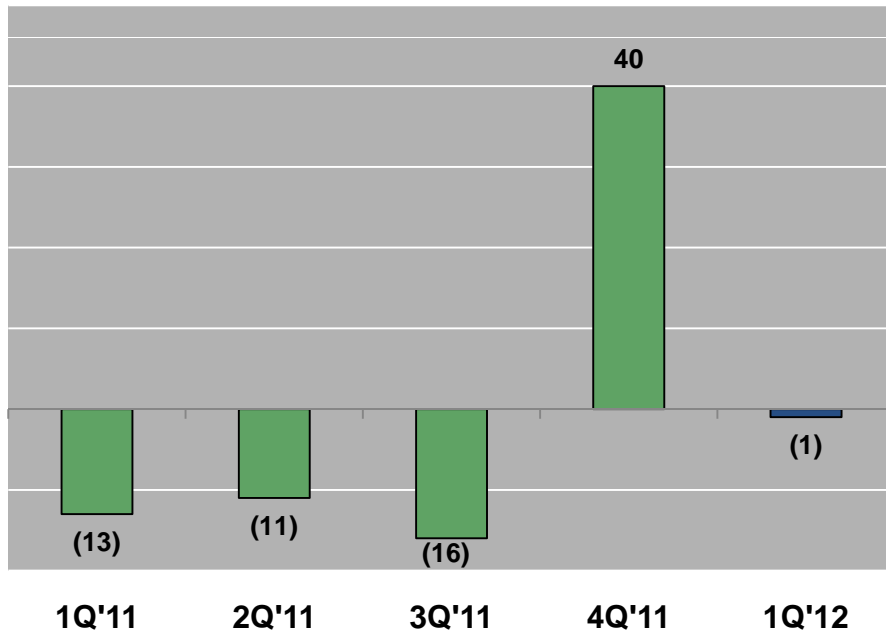
# PULP AND PAPER SEGMENT

## Inventories



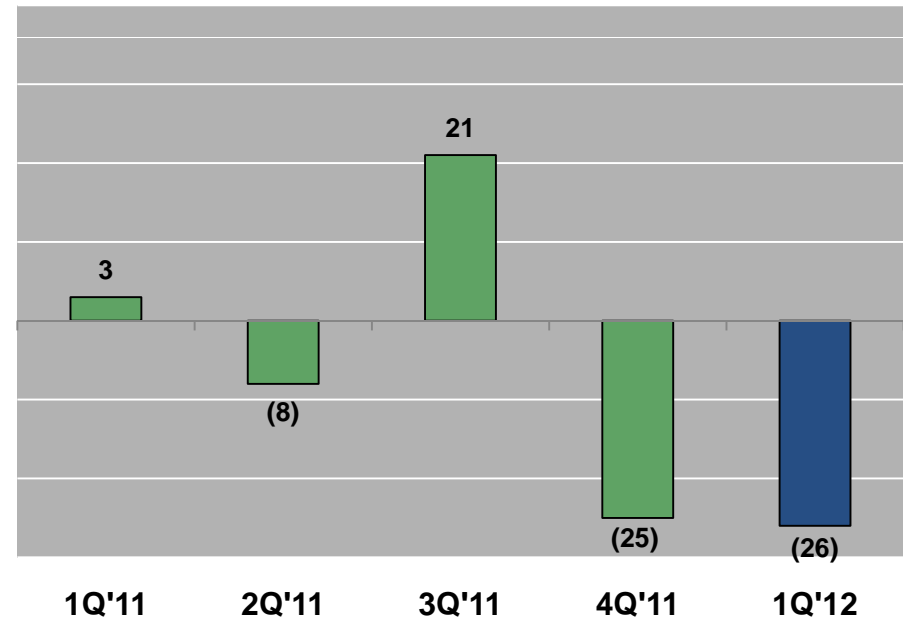
### Paper

*(Sequential variations in thousands of tons)*



### Pulp

*(Sequential variations in thousands of metric tons)*

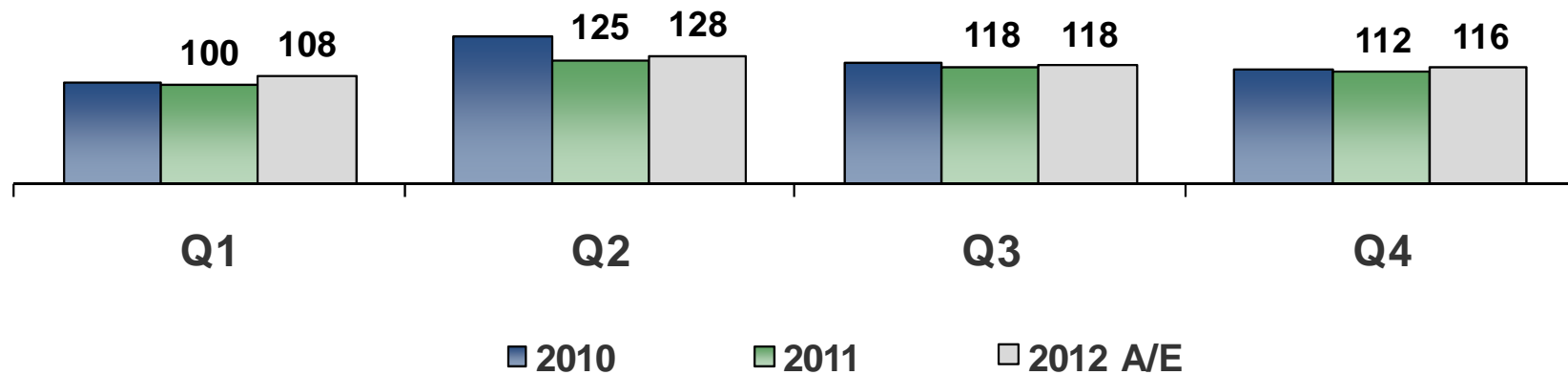




## MAINTENANCE COSTS<sup>(\*)</sup>

### Actual 2010, 2011 and Actual/Estimates 2012

(In millions of dollars)



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



## OUTLOOK

- **Price realizations in pulp are expected to improve from trough first quarter prices as a result of recently announced price increases.**
- **In paper, both volumes and prices are expected to positively impact results due to new business in specialty and packaging papers and price increases in the process of being implemented.**
- **The second quarter will be affected by the usual seasonal higher maintenance activity.**

# THE FIBER *of* Domtar

AGILE | CARING | INNOVATIVE





## SALES AND EBITDA\* BY SEGMENT

### PULP & PAPER SEGMENT

<i>(In millions of dollars)</i>	1Q'11	2Q'11	3Q'11	4Q'11	1Q'12
Paper (incl. sales to Distribution)	978	965	969	905	937
Pulp (incl. intrasegment sales)	356	363	338	339	308
Intrasegment sales – Pulp	(65)	(67)	(61)	(67)	(54)
Pulp	291	296	277	272	254
<b>SALES</b>	<b>1,269</b>	<b>1,261</b>	<b>1,246</b>	<b>1,177</b>	<b>1,191</b>
Paper	243	206	210	190	198
Pulp	68	55	75	41	5
<b>EBITDA before items<sup>(*)</sup></b>	<b>311</b>	<b>261</b>	<b>285</b>	<b>231</b>	<b>203</b>

### DISTRIBUTION SEGMENT

<i>(In millions of dollars)</i>	1Q'11	2Q'11	3Q'11	4Q'11	1Q'12
<b>SALES</b>	<b>217</b>	<b>190</b>	<b>197</b>	<b>177</b>	<b>189</b>
<b>EBITDA before items<sup>(*)</sup></b>	<b>1</b>	<b>(1)</b>	<b>-</b>	<b>2</b>	<b>-</b>

### PERSONAL CARE SEGMENT

<i>(In millions of dollars)</i>	1Q'11	2Q'11	3Q'11	4Q'11	1Q'12
<b>SALES</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>54</b>	<b>70</b>
<b>EBITDA before items<sup>(*)</sup></b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>10</b>	<b>12</b>

(\*) Non-GAAP financial measure. Refer to reconciliation available at [www.domtar.com](http://www.domtar.com).