



Domtar Corporation

Third Quarter 2010 Earnings Call

October 29, 2010

(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, 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 section of the company’s website at <http://www.domtar.com>.



3Q'10 OVERVIEW

- **Record EBITDA before items^(*)**
- **7th consecutive quarter of earnings before items^(*) improvement**
- **Stable paper shipments**
- **Strong cash flow generation**
- **Maintained comfortable liquidity position**
- **Paid down outstanding secured debt**
- **Repurchased close to 400k shares of common stock**



3Q'10 FINANCIAL HIGHLIGHTS

- **Net earnings \$4.44 per share**
- **Earnings before items^(*) of \$4.26 per share**
- **EBITDA before items^(*) of \$334 million**
- **Cash flow from operating activities of \$267 million**
- **Capital expenditures of \$38 million**
- **Free cash flow^(*) of \$229 million**

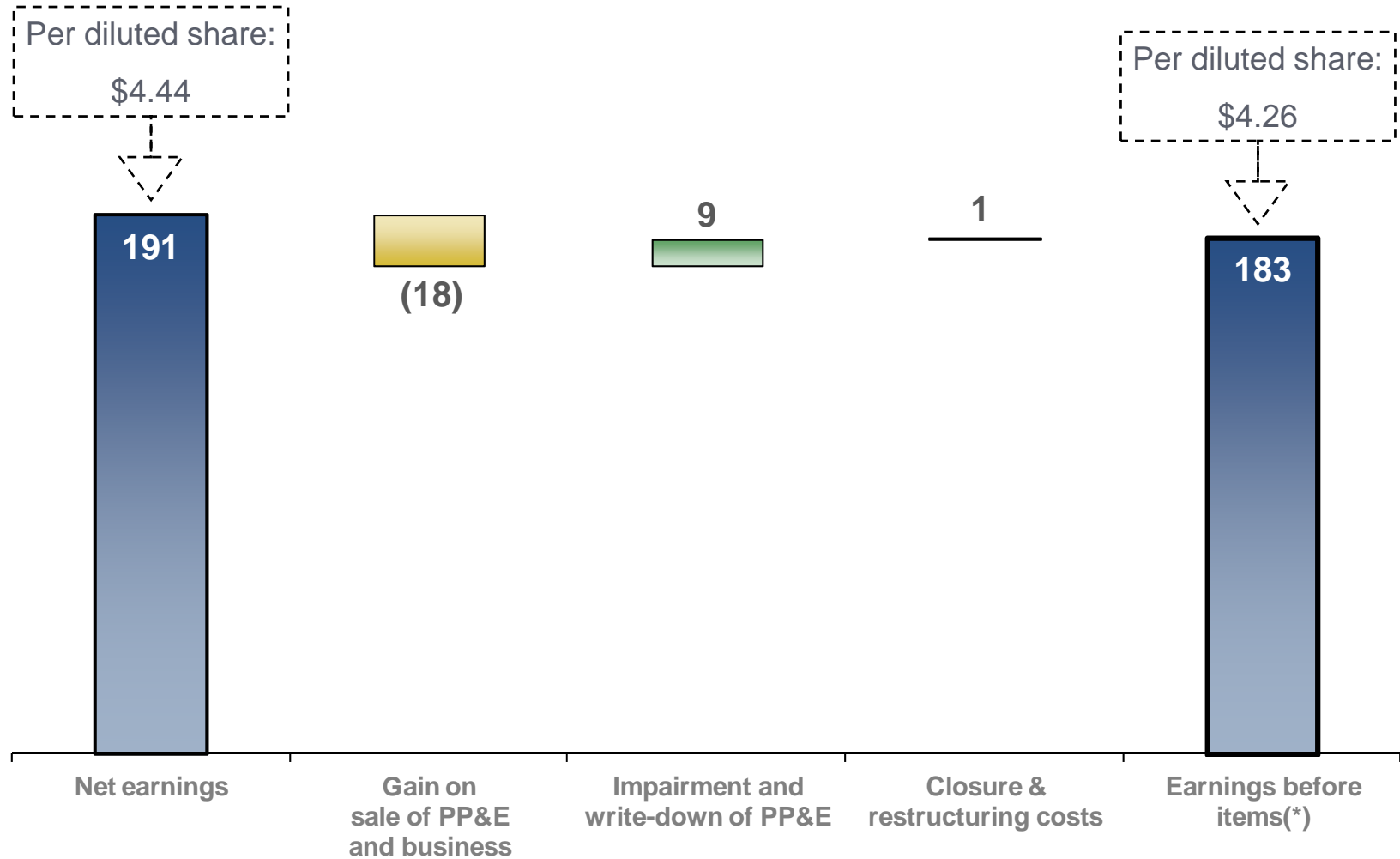
(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com.



EARNINGS BEFORE ITEMS^(*)

3Q'10

(In millions of dollars)



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



EARNINGS STATEMENT

3Q'10 vs 2Q'10

(In millions of dollars)

	2Q'10	3Q'10	Ch.	
Sales	\$1,547	\$1,473	\$(74)	
Cost of sales	1,207	1,048	(159)	... Sale of wood business, lower maintenance and wood fiber costs
Depreciation and amortization	101	97	(4)	
SG&A	69	91	22	... Stock-based compensation, post retirement harmonization benefit in Q2
Write-down and impairment of PP&E	14	14	-	
Closure and restructuring costs	5	1	(4)	
Other operating loss (income)	55	(14)	(69)	
Operating income	96	236	140	
Interest expense	70	24	(46)	... Tender offer on unsecured public debt in Q2
Income tax expense (benefit)	(5)	21	26	
Net earnings	31	191	160	



CASH FLOW STATEMENT

3Q'10 vs 2Q'10

(In millions of dollars)

	2Q'10	3Q'10
Net earnings (loss)	\$31	\$191
Depreciation and amortization	101	97
Deferred income taxes	(12)	4
Impairment and write-down of PP&E	14	14
Net losses (gains) on disposal of PP&E	48	(14)
Stock-based compensation expense	1	1
Other	35	-
Changes in assets and liabilities		
Receivables	(57)	13
Inventories	69	(39)
Trade and other payables	30	(9)
Prepaid expenses	(7)	10
Income and other taxes	369	(17)
Other	(12)	16
Cash flow provided from operating activities	610	267
Additions to PP&E	(43)	(38)
Proceeds from disposal of PP&E	7	12
Proceeds from sale of business	97	64
Cash flows from (used) for investing activities	61	38
Repayment of long term debt	(443)	(236)
Share repurchase program	(29)	(25)
Dividend payments and Other	-	(20)
Cash flows (used) for financing activities	(472)	(281)

Gain on sale of Woodland

Repaid outstanding term B loan

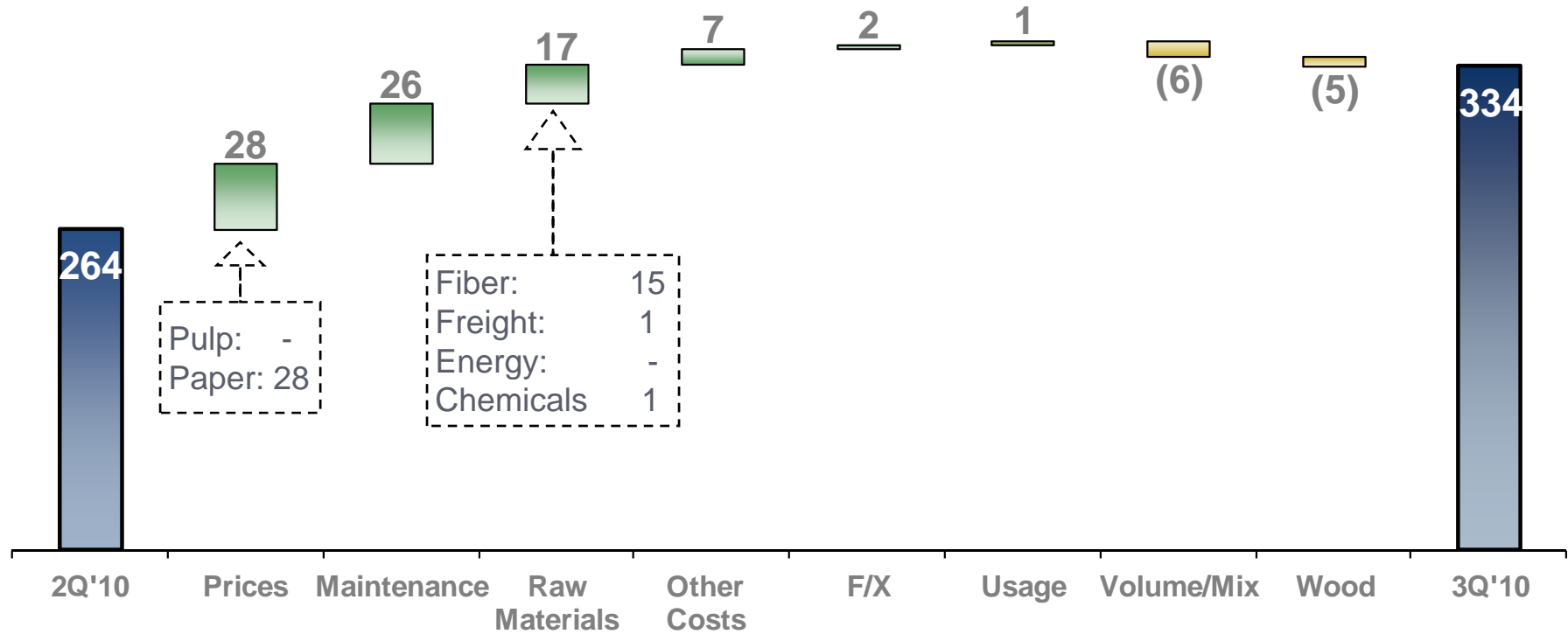
Repurchased 400k shares



EBITDA BEFORE ITEMS^(*)

3Q'10 vs 2Q'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)

	3Q'10	Qtr/Qtr (vs 2Q'10)	Yr/Yr (vs 3Q'09)
Sales	\$1,296	-1.6%	7.0%
EBITDA before items ^(*)	\$334	\$74	\$101

Variiances (3Q'10 / 2Q'10):



Higher average selling prices in paper
 Lower maintenance costs
 Lower wood fiber costs



Higher SG&A costs
 Lower pulp shipments

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



PAPERS SEGMENT

Uncoated Freesheet Paper

(In millions of dollars, unless otherwise noted)

	3Q'10	Qtr/Qtr (vs 2Q'10)	Yr/Yr (vs 3Q'09)
Sales <i>(incl. sales to our Paper Merchants)</i>	\$974	4%	
EBITDA before items^(*)	\$250	\$47	\$7
	3Q'10	Qtr/Qtr (vs 2Q'10)	Yr/Yr (vs 3Q'09)
Shipments <i>(in tons, including internal sales)</i>	896		-8%
Transaction prices <i>(US\$ / ton - net, all regions)</i>		\$21	\$91

(*) Non-GAAP financial measure.



PAPERS SEGMENT

Pulp

(In millions of dollars, unless otherwise noted)

	3Q'10	Qtr / Qtr (vs 2Q'10)	Yr / Yr (vs 3Q'09)
Sales	\$322	-15%	37%
EBITDA before items^(*)	\$84	\$27	\$94
Shipments <i>(in ADMT, excluding internal sales)</i>	412	-15%	-8%
Transaction prices <i>(US\$ / ADMT - net, all regions)</i>		\$5	\$245

(*) Non-GAAP financial measure.

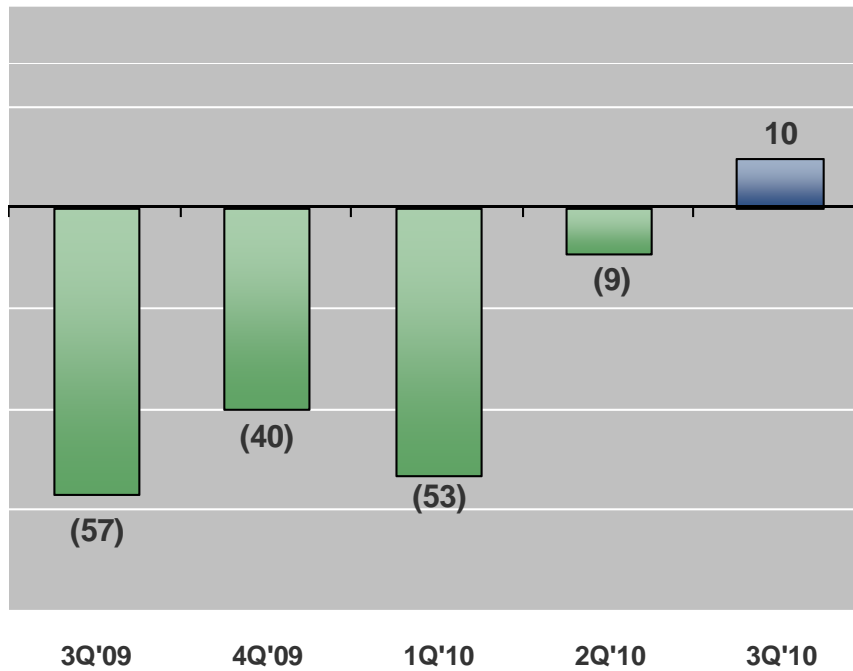
PAPERS SEGMENT

Inventories



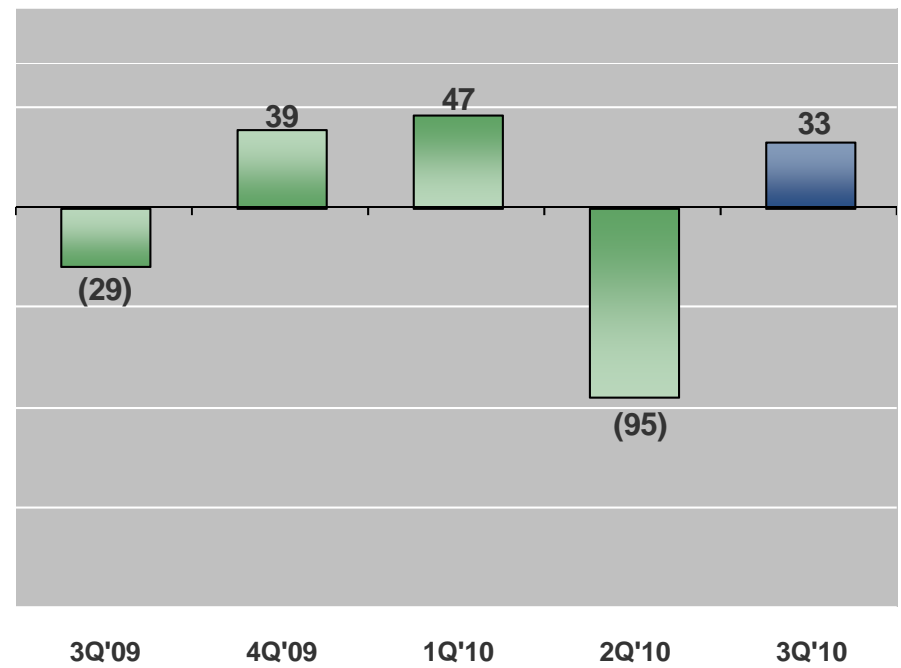
Paper

(Sequential variations in thousands of tons)



Pulp

(Sequential variations in thousands of metric tons)

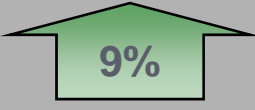




PAPER MERCHANTS SEGMENT

Overview

(In millions of dollars, unless otherwise noted)

	3Q'10	Qtr / Qtr (vs 2Q'10)	Yr / Yr (vs 3Q'09)
Sales	\$233	 9%	 -3%
EBITDA before items^(*)	\$1	 \$1	 \$2

Variiances (3Q'10 / 2Q'10):



Higher deliveries
Higher average selling prices

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



SUMMARY

- **Continued success in execution of strategic roadmap**
- **Closed sale of Woodland mill, effectively reducing exposure to hardwood pulp**
- **Plymouth mill conversion to fluff pulp on time**
- **Launched “Paper Because” campaign**



OUTLOOK

- **Paper shipments in the fourth quarter expected to decline due to seasonal factors**
- **Pulp shipments expected to be impacted by the sale of the Woodland facility**
- **Selling prices for pulp to continue being under pressure on average due to capacity restarts**
- **Input costs are expected to be seasonally higher in the fourth quarter**

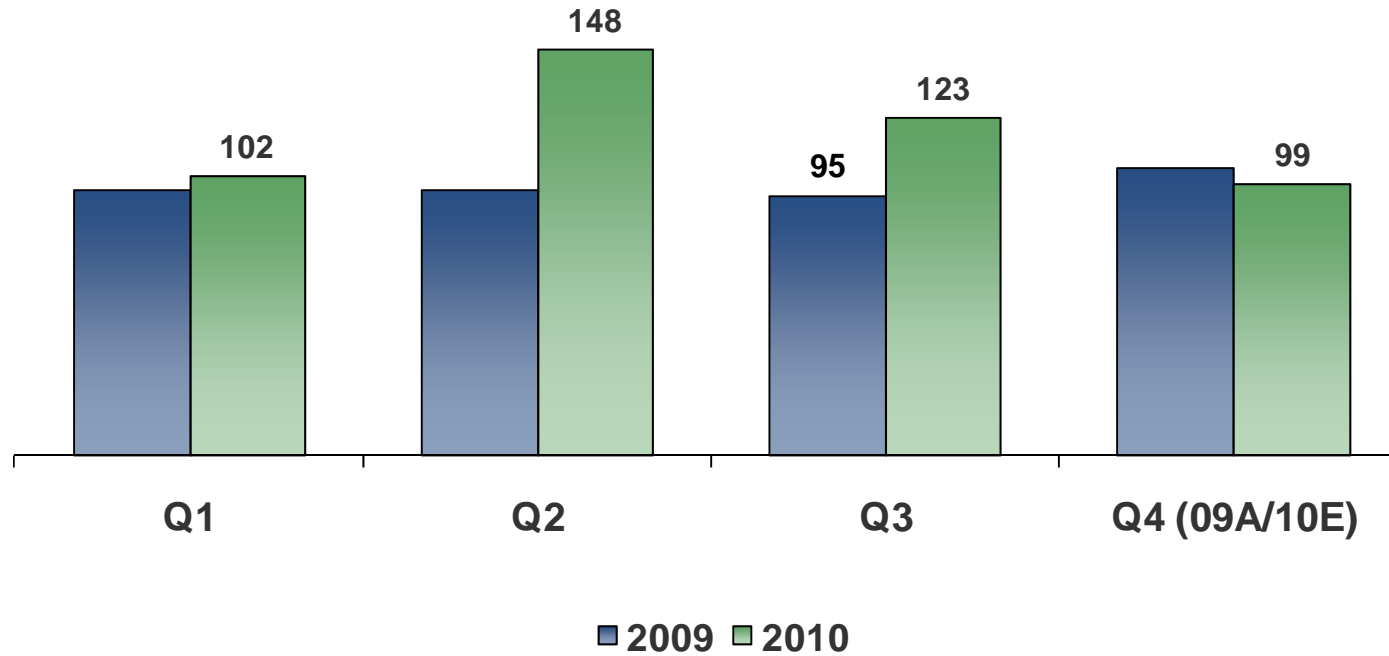


Domtar



MAINTENANCE COSTS^(*)

(In millions of dollars)



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



PAPER SEGMENT SALES AND EBITDA*

(In millions of dollars)

	1Q'09	2Q'09	3Q'09	4Q'09	1Q'10	2Q'10	3Q'10
Papers (incl. sales to Paper Merchants)	954	943	976	954	979	940	974
Intersegment sales - Papers	(60)	(55)	(63)	(53)	(62)	(60)	(56)
Papers	894	888	913	901	917	880	918
Pulp	152	184	235	234	266	377	322
Sales - Papers Segment	1,046	1,072	1,148	1,135	1,183	1,257	1,240
Papers	171	195	243	191	200	203	250
Pulp	(72)	(74)	(10)	8	33	57	84
EBITDA before items*	99	121	233	199	233	260	334

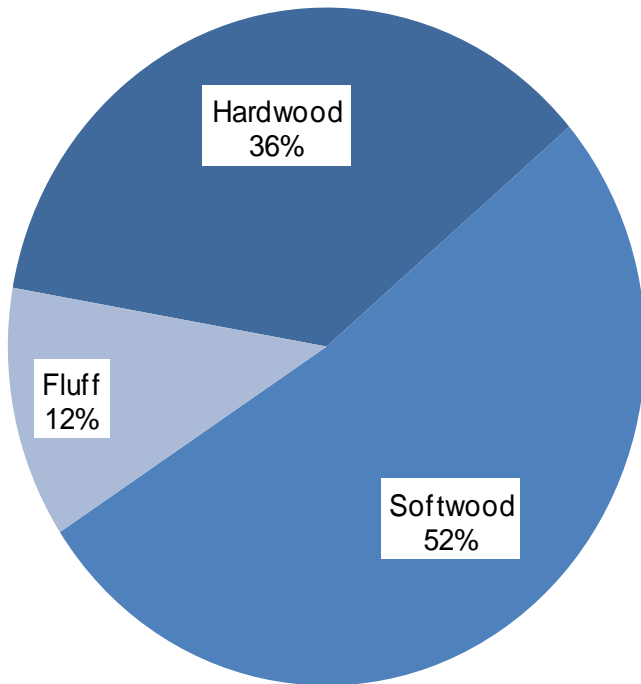
(*) Non-GAAP financial measure.



MARKET PULP

TRADE PULP POSITION
(pre Plymouth mill conversion and sale of Woodland mill)

Trade pulp capacity: 1.9M ADMT



TRADE PULP POSITION
(post Plymouth mill conversion and sale of Woodland mill)

Trade pulp capacity: 1.6M ADMT

