



Domtar Corporation

Third Quarter 2011 Earnings Call

October 27, 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>.



3Q'11 OVERVIEW

- **EBITDA before items^(*) up 10% from 2Q11**
- **Solid 20%+ EBITDA margins^(*) in pulp and paper segment**
- **High commodity prices impacting input costs**
- **Domestic commodity paper shipments inline with market**
- **Growing sales in specialty paper products**
- **Down cycle in global pulp markets impacting prices**
- **Share buy back totaling over 2.5 million shares**
- **Acquisition of Attends Healthcare, Inc. completed September 1, 2011**



3Q'11 FINANCIAL HIGHLIGHTS

- **Net earnings of \$2.95 per share**
- **Earnings before items^(*) of \$3.10 per share**
- **EBITDA before items^(*) of \$286 million dollars**
- **Cash flow from operating activities of \$257 million**
- **Capital expenditures of \$31 million**
(excluding \$20 million of Pulp & Paper Green Transformation projects)
- **Free cash flow^(*) of \$226 million**
- **37.8 M shares outstanding as at September 30, 2011**
(including exchangeable shares)

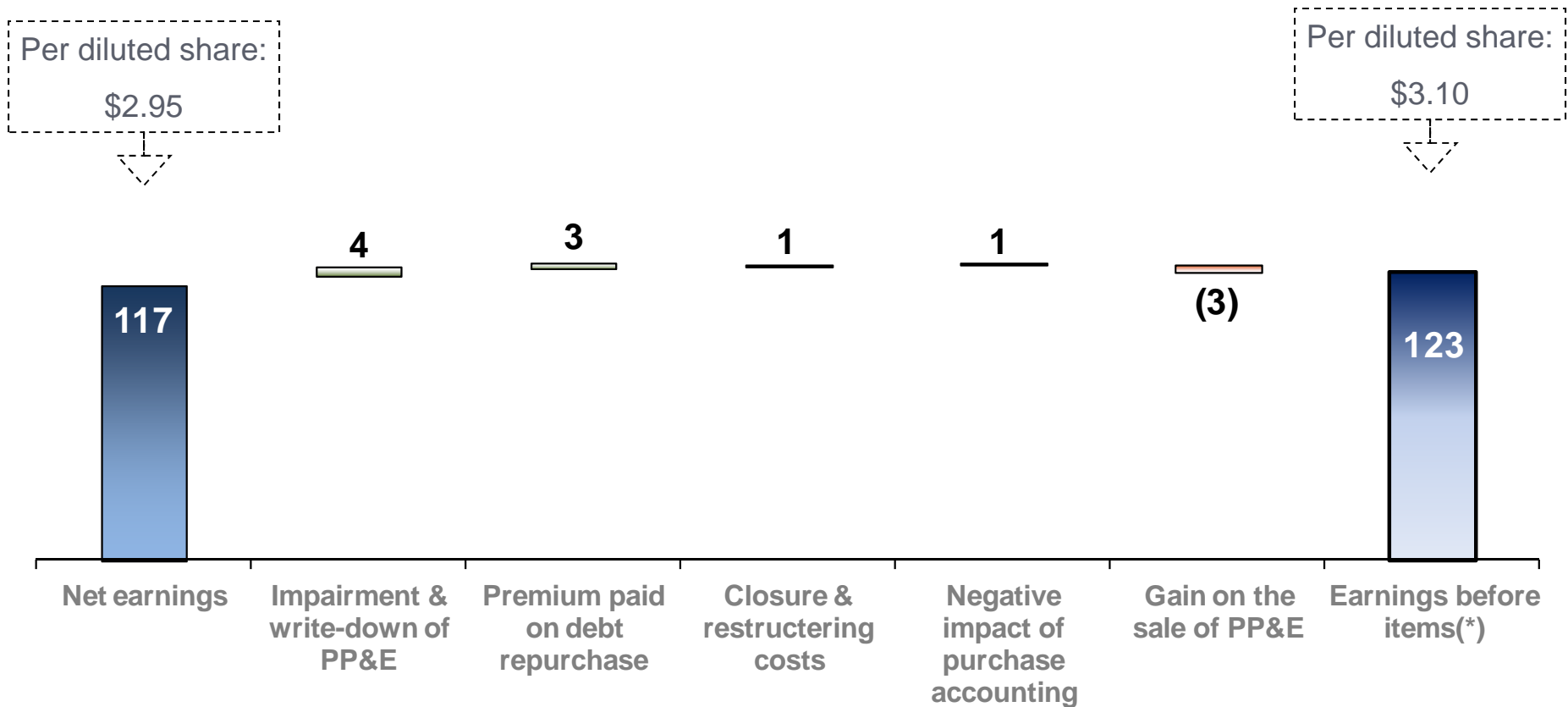
(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com.



EARNINGS BEFORE ITEMS^(*)

3Q'11

(In millions of dollars)



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



EARNINGS STATEMENT

3Q'11 vs 2Q'11

(In millions of dollars)

	2Q'11	3Q'11	Chg	
Sales	1,403	1,417	14	Inclusion of one month of financial results of Attends Healthcare, Inc.
Cost of sales	1,056	1,055	(1)	
Depreciation and Amortization	95	93	(2)	
SG&A	88	75	(13)	Mark-to-market of stock-based compensation
Write-down and impairment of PP&E	62	8	(54)	Announced closure of Ashdown PM 61 in Q1
Closure and restructuring costs	2	1	(1)	
Other operating loss (income), net	5	(2)	(7)	
Operating income	95	187	92	
Interest expense	21	25	4	Premium paid on debt repurchase
Income tax expense	20	45	25	
Net earnings	54	117	63	



CASH FLOW STATEMENT

3Q'11 vs 3Q'10

(In millions of dollars)

	3Q'10	3Q'11
Net earnings	191	117
Depreciation and amortization	97	93
Deferred income taxes and tax uncertainties	4	26
Impairment and write-down of PP&E	14	8
Net losses (gains) on disposal of PP&E and sale of businesses	(14)	(4)
Other	1	4
Changes in assets and liabilities		
Receivables	13	5
Inventories	(39)	(14)
Prepaid expenses	10	9
Trade and other payables	(9)	36
Income and other taxes	(17)	5
Pension expense over contribution and other	16	(28)
Cash flow provided from operating activities	267	257
Additions to PP&E	(38)	(31)
Proceeds from disposal of PP&E and businesses	12	6
Proceeds from sale of business and investments	64	-
Acquisition of business, net of cash acquired	-	(288)
Cash flows provided from investing activities	38	(313)
Dividend payments and stock repurchase, net	(45)	(196)
Net changes in bank indebtedness	(3)	(9)
Repayment of long - term debt	(233)	(16)
Other	-	(3)
Cash flows used for financing activities	(281)	(224)

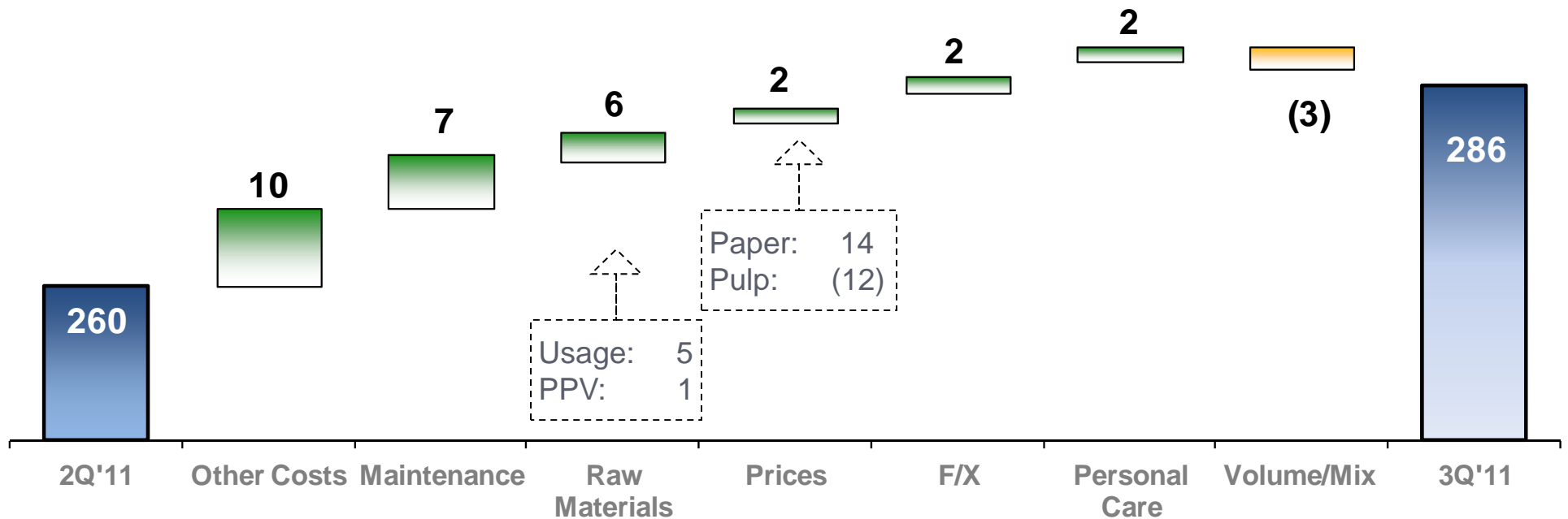
Acquisition of Attends Healthcare, Inc.



EBITDA BEFORE ITEMS^(*)

3Q'11 vs 2Q'11

(In millions of dollars)



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



BUSINESS SEGMENTS

(In millions of dollars, unless otherwise noted)

3Q'11

vs 2Q'11

vs 3Q'10

Sales

Pulp and Paper

1,246

(1.2%)

(3.9%)

Distribution

197

3.7%

(16%)

Personal Care

17

n/a

n/a

EBITDA before items^(*)

Pulp and Paper

285

\$24

\$49

Distribution

-

\$1

\$1

Personal Care

2

n/a

n/a

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



PULP AND PAPER SEGMENT

Uncoated Freesheet Paper

(In millions of dollars, unless otherwise noted)

	3Q'11	vs 2Q'11	vs 3Q'10
Sales <i>(incl. sales to Distribution)</i>	\$969	0.4%	(0.5%)
EBITDA before items^(*)	\$210	\$4	\$40
	3Q'11	vs 2Q'11	vs 3Q'10
Shipments <i>(in tons, including internal sales)</i>	889	(1.3%)	(0.8%)
Transaction prices <i>(US\$ / ton - net, all regions)</i>		\$18	\$2

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



PULP AND PAPER SEGMENT

Pulp

(In millions of dollars, unless otherwise noted)

	3Q'11	vs 2Q'11	vs 3Q'10
Sales (incl. intrasegment sales)	\$338	(6.9%) 	(14%)
EBITDA before items^(*)	\$75	\$20 	\$9
	3Q'11	vs 2Q'11	vs 3Q'10
Shipments (in ADMT, excluding internal sales)	358	(0.8%) 	(13%)
Transaction prices (US\$ / ADMT - net, all regions)		\$34 	\$5

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

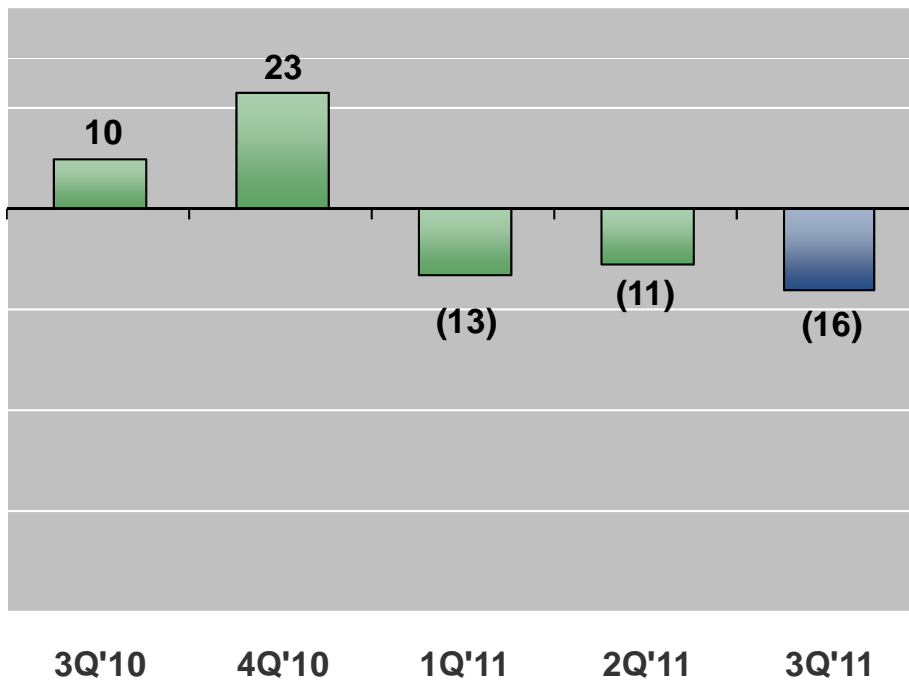
PULP AND PAPER SEGMENT

Inventories



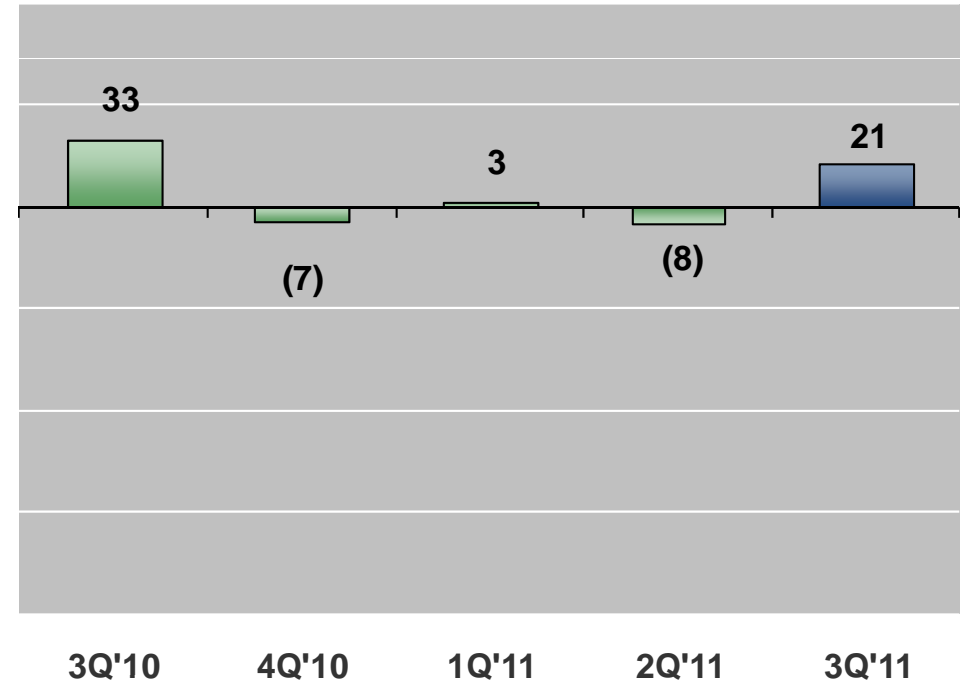
Paper

(Sequential variations in thousands of tons)



Pulp

(Sequential variations in thousands of metric tons)

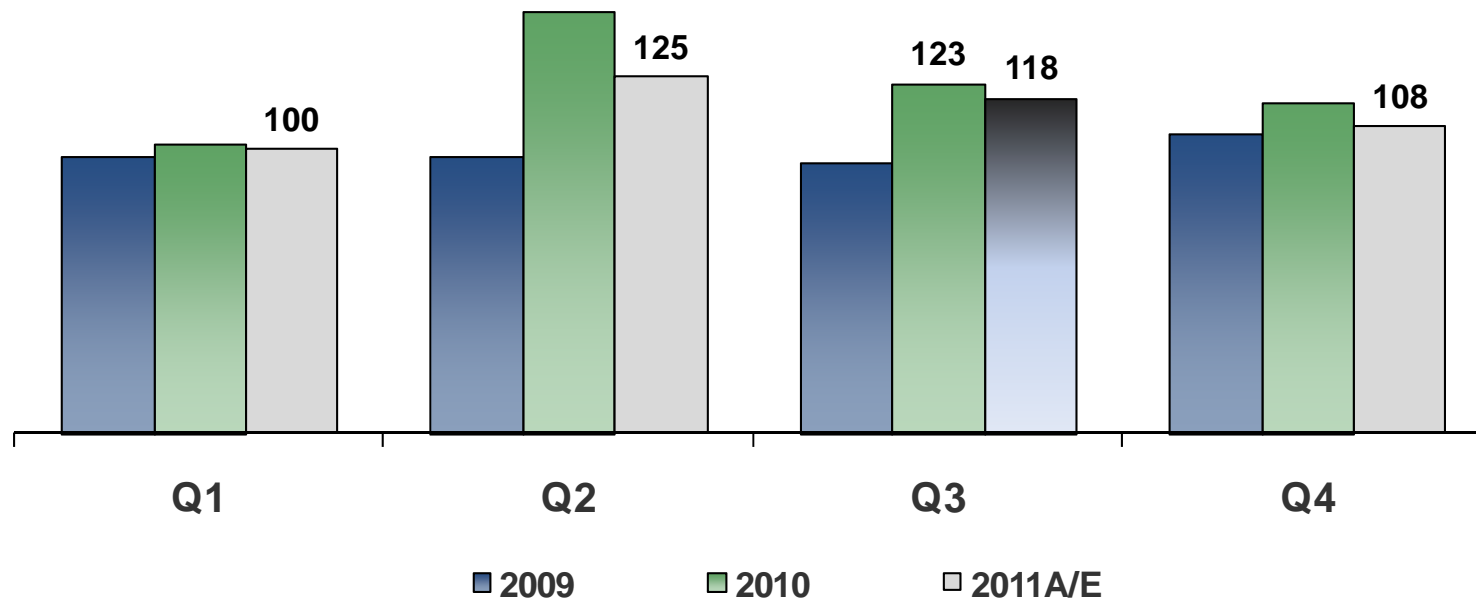




MAINTENANCE COSTS^(*)

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.



OUTLOOK

- **Domtar paper shipments are expected to decline in the fourth quarter when compared to the third quarter due to seasonality**
- **The cyclical downturn in global pulp markets is expected to lead to further declines in average selling prices for market pulp.**
- **Domtar's fourth quarter results will benefit from the inclusion of Attends' financial results for a full quarter.**



Domtar



SALES AND EBITDA* BY SEGMENT

PULP & PAPER SEGMENT

<i>(In millions of dollars)</i>	3Q'10	4Q'10	1Q'11	2Q'11	3Q'11
Paper (incl. sales to Distribution)	974	922	978	965	969
Pulp (incl. intrasegment sales)	394	350	356	363	338
Intrasegment sales – Pulp	(72)	(60)	(65)	(67)	(61)
Pulp	322	290	291	296	277
SALES	1,296	1,212	1,269	1,261	1,246
Paper	250	198	243	206	210
Pulp	84	57	68	55	75
EBITDA before items^(*)	334	255	311	261	285

DISTRIBUTION SEGMENT

<i>(In millions of dollars)</i>	3Q'10	4Q'10	1Q'11	2Q'11	3Q'11
SALES	233	212	217	190	197
EBITDA before items^(*)	1	(1)	1	(1)	-

PERSONAL CARE SEGMENT

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

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