



Domtar Corporation

Fourth Quarter 2012 Earnings Call

February 1, 2013

(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>.



OVERVIEW

Fourth Quarter 2012

- **Paper and pulp businesses performed largely in-line with expectations both from pricing and volumes**
- **Higher costs for fiber and energy**
- **Unexpected costs incurred at Kamloops following a planned maintenance outage affected results**
- **Closed the sale of the Ottawa Gatineau hydro assets for \$46 million; total proceeds from non-core asset sales at \$295 million**



FINANCIAL HIGHLIGHTS

Fourth Quarter 2012

- **Net earnings of \$0.54 per share, \$1.31 before items**
- **EBITDA before items^(*) of \$180 million dollars**
- **Cash flow from operating activities of \$140 million**
- **Capital expenditures of \$65 million**
- **Free cash flow^(*) of \$75 million**

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



EARNINGS STATEMENT

4Q'12 vs. 3Q'12

(In millions of dollars)

	3Q'12	4Q'12	Chg	
Sales	1,389	1,327	(62)	Lower volumes and prices
Cost of sales	1,100	1,058	(42)	
Depreciation and Amortization	96	96	-	
SG&A	80	90	10	Favorable impact in Q3 from harmonization of post-retirement benefit plans
Impairment and write-down of PP&E & intangibles	-	12	12	Kamloops A-line closure
Closure and restructuring costs	2	27	25	Multi-employer and Kamloops A-line closure
Other operating loss, net	2	1	(1)	
Operating income	109	43	(66)	
Interest expense	20	22	2	
Income tax expense	22	1	(21)	Enacted tax rate change in some jurisdictions
Equity loss, net of taxes	1	1	-	
Net earnings	66	19	(47)	

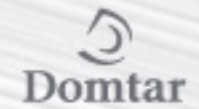


CASH FLOW STATEMENT

4Q'12 vs. 3Q'12

(In millions of dollars)

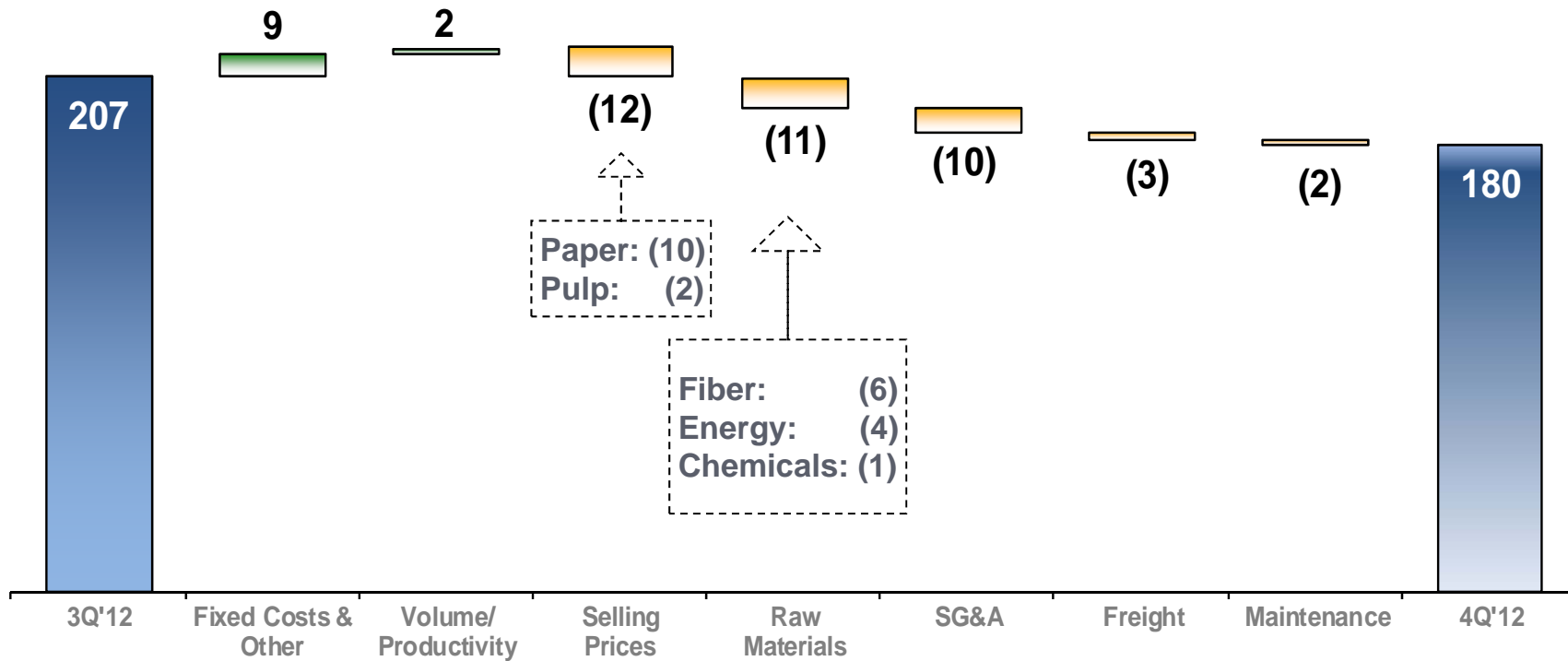
	3Q'12	4Q'12
Net earnings	66	19
Depreciation, amortization & impairment	96	108
Deferred income taxes and tax uncertainties	5	(14)
Changes in assets and liabilities		
Changes in working capital	41	41
Pension expense over contribution	2	(20)
Other	(4)	6
Cash flow provided from operating activities	206	140
Additions to PP&E	(66)	(65)
Proceeds from disposals of PP&E & other	(1)	48
Cash flows used for investing activities	(67)	(17)
Dividend payments and stock repurchase, net	(59)	(57)
Net changes in bank & long-term debt	240	1
Other	(3)	1
Cash flows provided from (used for) financing activities	178	(55)



EBITDA BEFORE ITEMS^(*)

4Q'12 vs. 3Q'12

(In millions of dollars)



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



BUSINESS SEGMENTS

4Q'12 vs. 3Q'12

(In millions of dollars, unless otherwise noted)

4Q'12

vs 3Q'12

vs 4Q'11

Sales

Pulp and Paper

1,099

5%

7%

Distribution

157

6%

11%

Personal Care

111

106%

EBITDA before items^(*)

Pulp and Paper

165

\$28

\$66

Distribution

(1)

\$3

\$3

Personal Care

18

\$1

\$8

(*) 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)

	4Q'12	vs 3Q'12	vs 4Q'11
Sales <i>(incl. sales to Distribution)</i>	\$858	4%	5%
EBITDA before items^(*)	\$169	\$8	\$21
	4Q'12	vs 3Q'12	vs 4Q'11
Shipments <i>(in tons, including internal sales)</i>	805	3%	3%
Transaction prices <i>(US\$ / ton - net, all regions)</i>		\$14	\$26

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



PULP AND PAPER SEGMENT

Pulp

(In millions of dollars, unless otherwise noted)

	4Q'12	vs 3Q'12	vs 4Q'11
Sales <i>(incl. intrasegment sales)</i>	\$289	8%	15%
EBITDA before items^(*)	(\$4)	\$20	\$45
	4Q'12	vs 3Q'12	vs 4Q'11
Shipments <i>(in ADMT, excluding internal sales)</i>	385	7%	4%
Transaction prices <i>(US\$ / ADMT - net, all regions)</i>		\$6	\$56

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

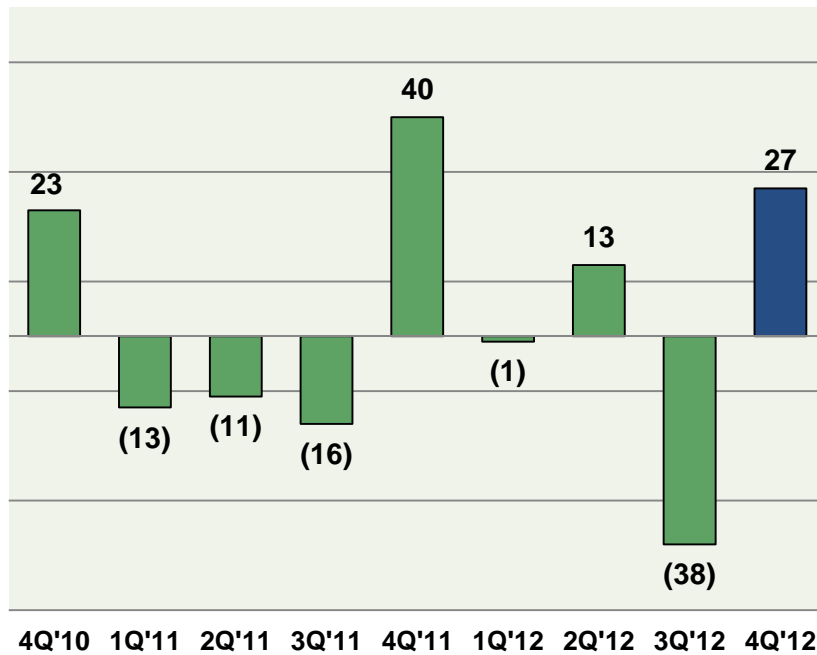


PULP AND PAPER SEGMENT

Inventories

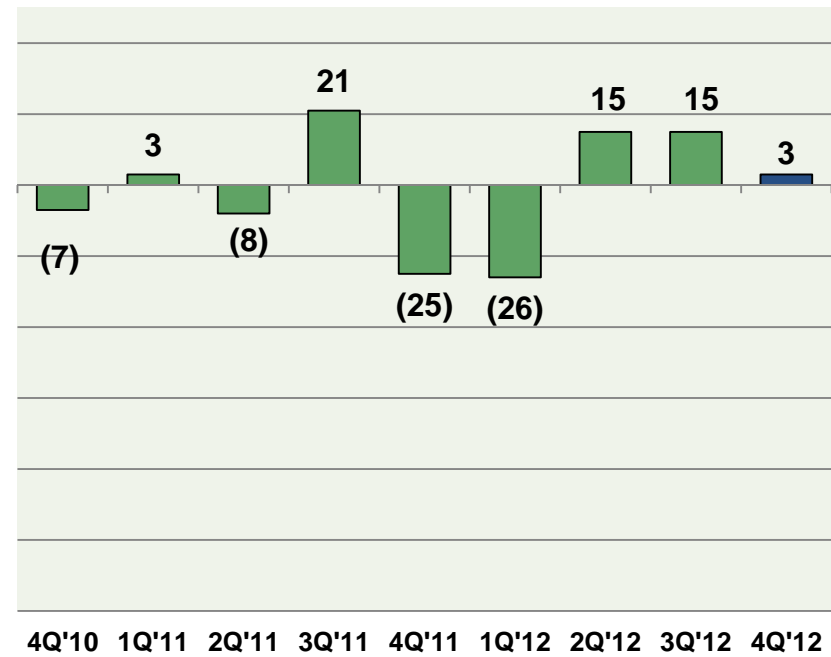
Paper

(Sequential variations in thousands of tons)



Pulp

(Sequential variations in thousands of metric tons)



FINANCIAL HIGHLIGHTS

Fiscal 2012



- **Net earnings of \$4.76 per share**
- **Earnings before items^(*) of \$6.45 per share**
- **EBITDA before items^(*) of \$799 million dollars**
- **Cash flow from operating activities of \$551 million**
- **Capital expenditures of \$236 million**
- **Free cash flow^(*) of \$315 million**

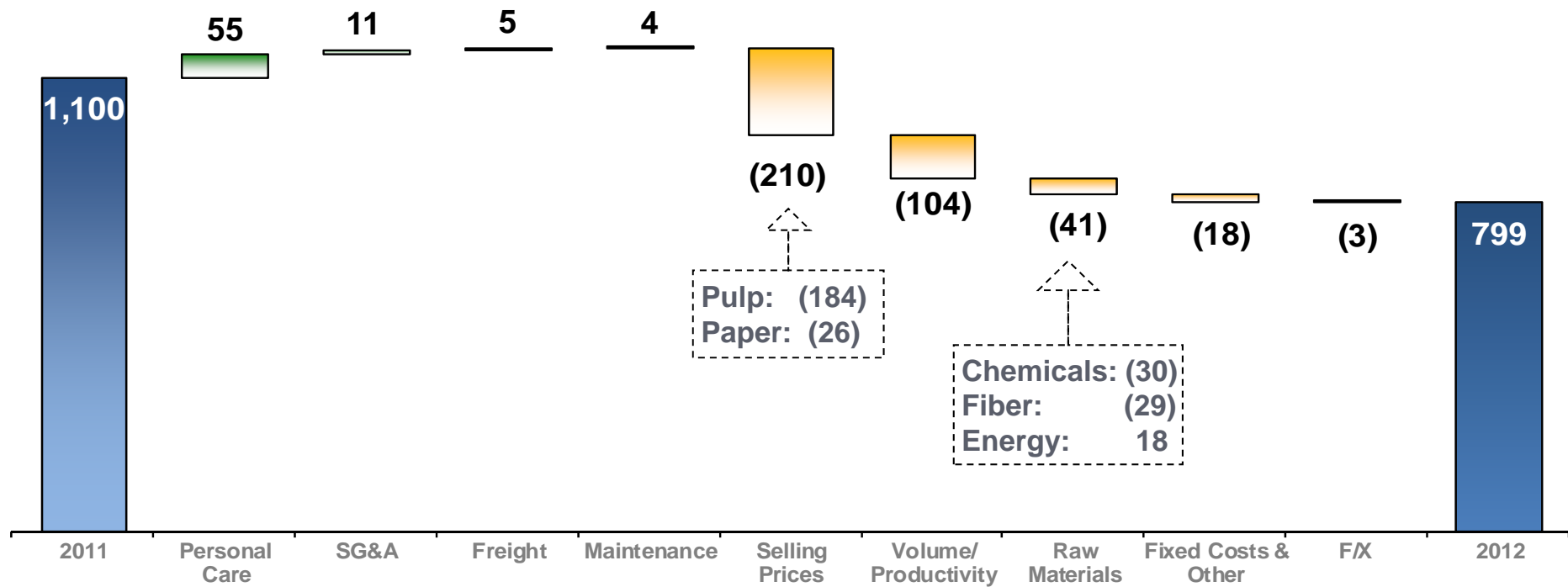
(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com.



EBITDA BEFORE ITEMS^(*)

2012 vs. 2011

(In millions of dollars)

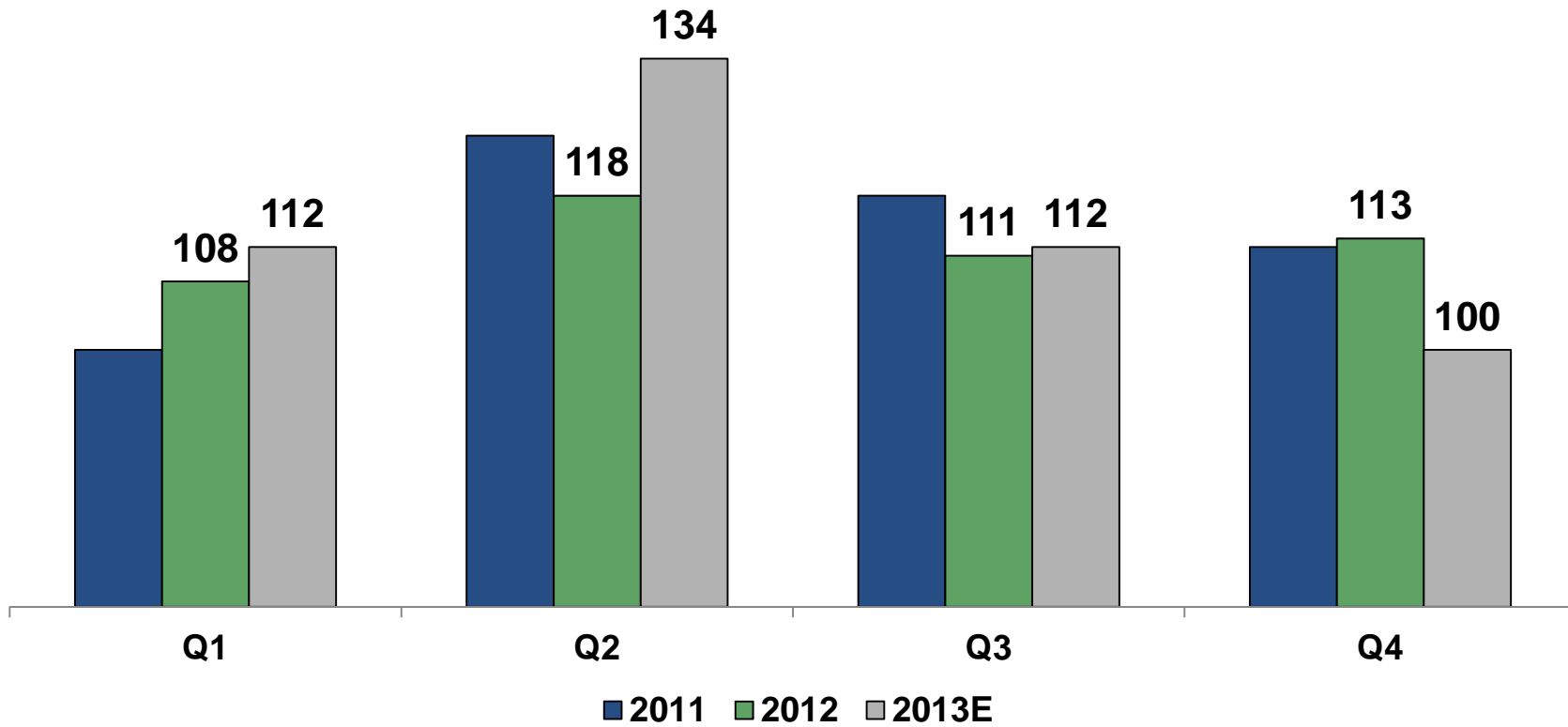


(*) Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com.



MAINTENANCE COSTS^(*)

Actual 2011-2012 / Estimates 2013
(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 2012 / Estimates 2013

(In millions of dollars, unless otherwise noted)



Selected Financial Assumptions

	2012A	2013E	Variation
CAPEX	\$236	\$260-280	
Contribution to pension fund over pension expense	13	0-30	
Depreciation and amortization	385	380-390	
Interest expense	131*	90	
Income tax rate	25%	28-30%	

(*)Includes \$50 million of premium and cash costs related to debt repurchase



SUMMARY

Fiscal 2012

- **Two key acquisitions in Personal Care segment; brings annual run-rate sales to \$450 million**
- **Conversion of the Marlboro mill to produce specialty paper resulting in the permanent curtailment of 270,000 tons of communication paper**
- **Pulp contributed to the majority of the earnings decline relative to 2011**
- **Free cash flow^(*) payout of 68% through dividends and stock buybacks**

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

OUTLOOK

Fiscal 2013



- **North American market demand for uncoated freesheet paper expected to decline at 3-4% rate**
- **Domtar paper shipments expected to trend slightly better than market due to growing position in stable specialty and packaging papers and incremental volume from the Appleton supply agreement**
- **Market paper prices are expected to trend at levels similar to year-end while we expect a slow and steady recovery in pulp prices**
- **Growth plans in the Personal Care segment are expected to yield incremental earnings beginning in the fourth quarter of 2013.**

THE FIBER *of* Domtar

AGILE | CARING | INNOVATIVE




Domtar



SALES AND EBITDA*

By Segment

PULP & PAPER SEGMENT

<i>(In millions of dollars)</i>	4Q'11	1Q'12	2Q'12	3Q'12	4Q'12
Paper (incl. sales to Distribution)	905	937	886	891	858
Pulp (incl. intrasegment sales)	339	308	297	313	289
Intrasegment sales – Pulp	(67)	(54)	(51)	(51)	(48)
Pulp	272	254	246	262	241
SALES	1,177	1,191	1,132	1,153	1,099
Paper	190	198	168	177	169
Pulp	41	5	16	16	(4)
EBITDA before items^(*)	231	203	184	193	165

DISTRIBUTION SEGMENT

<i>(In millions of dollars)</i>	4Q'11	1Q'12	2Q'12	3Q'12	4Q'12
SALES	177	189	172	167	157
EBITDA before items^(*)	2	-	-	(4)	(1)

PERSONAL CARE SEGMENT

<i>(In millions of dollars)</i>	4Q'11	1Q'12	2Q'12	3Q'12	4Q'12
SALES	54	70	107	111	111
EBITDA before items^(*)	10	12	18	19	18

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