



# Daniel Buron

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Domtar Corporation

BMO Capital Markets Non-deal Roadshow  
Boston, November 21, 2011

*(All financial information in U.S. dollars, unless otherwise noted)*



## Safe Harbor

### 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.

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>.



## Domtar at a glance

Corporate Name:	Domtar Corporation
Incorporation:	Delaware
Head Office:	Montreal, Quebec, Canada
2010 Sales:	US \$5.9 billion
Financial Results:	US dollars, US GAAP
Market Capitalization:	US \$3.3 billion (as at October 31, 2011)
Stock Listing:	NYSE, TSX
Index Listing:	NYSE Composite, S&P 400 MidCap, Russell 1000
Ownership:	75% + in the U.S.
Employees:	Approximately 8,800







## Business segments

	2010
Sales <sup>1</sup>	\$5.9B
EBITDA before items <sup>1,2</sup>	\$1.1B


Pulp and Paper	
	2010
Sales	\$5.0B
Revenue contribution	82%
EBITDA before items <sup>2</sup>	\$1.1B



Distribution	
	2010
Sales	\$870M
Revenue contribution	14%
EBITDA before items <sup>2</sup>	\$2M



Personal Care	
	Estimated Run-Rate
Sales	\$200M
EBITDA before items <sup>2</sup>	\$39M

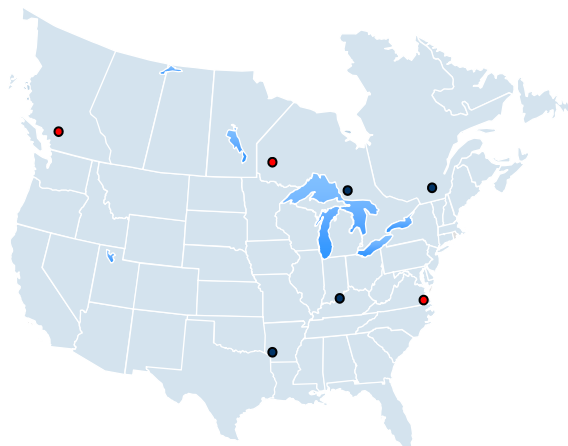


- (1) Includes results from Wood Segment that was sold in Q2/10 and excludes results from Personal Care acquired in Q3/11
- (2) Non-GAAP financial measure - refer to reconciliation available at [www.domtar.com](http://www.domtar.com).
- (3) Including intersegment sales.



# Pulp

## Cost competitive assets – sustainable end uses



### Overview

- ❑ 1.6M ADMT market pulp/ yr :
  - (1.5M ADMT/ yr net external purchases)
  - 3 non-integrated pulp mills
  
- ❑ Production (market pulp):
  - 38% Domestic
  - 62% Canada
  
- ❑ Sales:
  - 32% Domestic
  - 6% Canada
  - 62% Other countries

Sales	4Q'10	1Q'11	2Q'11	3Q'11
USD (in millions)	290	291	296	277

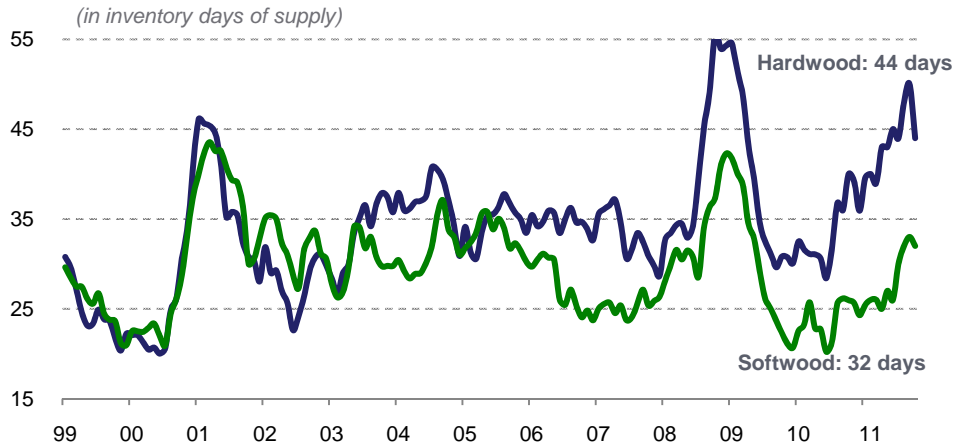
EBITDA Before items*	4Q'10	1Q'11	2Q'11	3Q'11
USD (in millions)	57	68	55	75

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

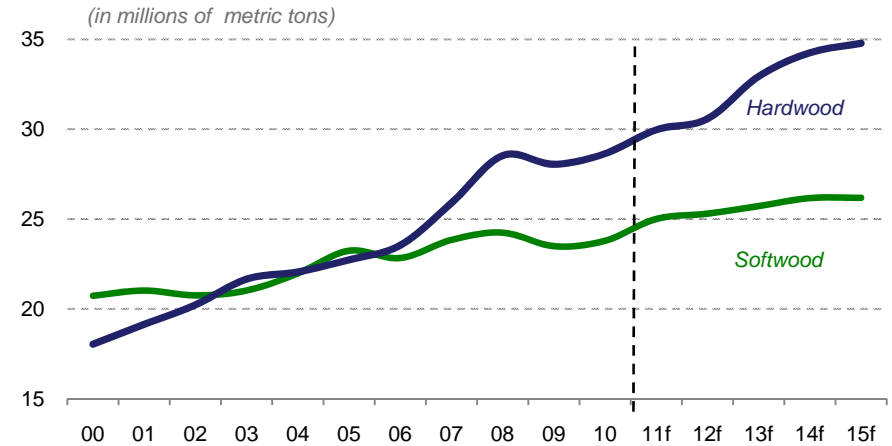


# Optimistic long-term outlook for softwood pulp

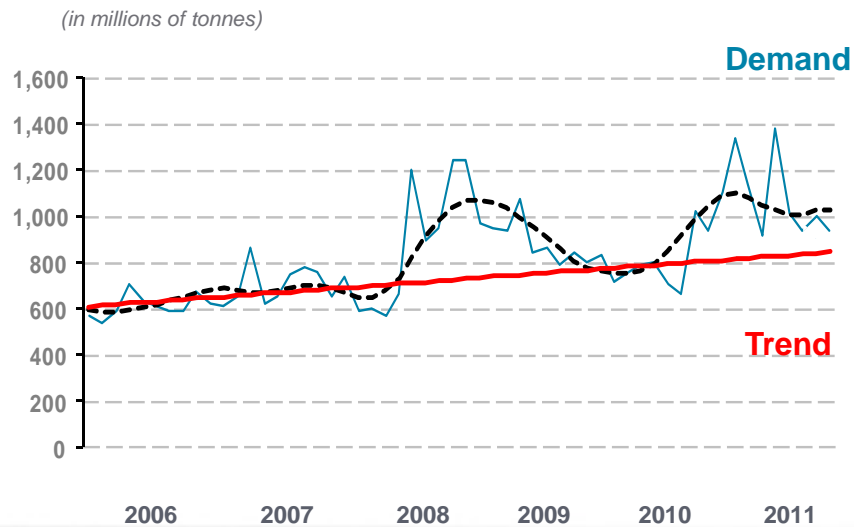
## Inventory levels trending below average



## Limited softwood capacity

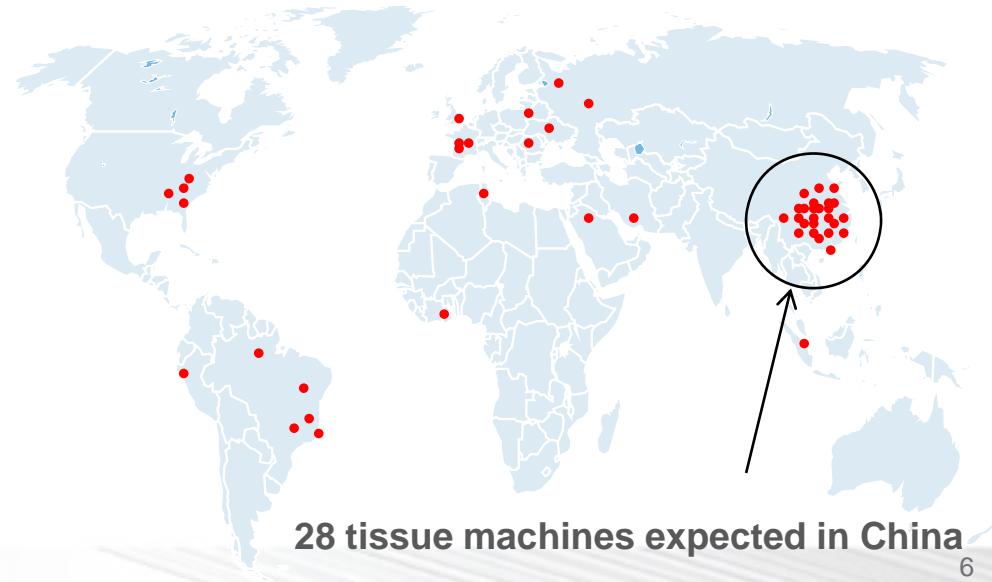


## Chemical Market Pulp Demand in China









Source: PPPC

## 52 Tissue Machines Scheduled for Start-up

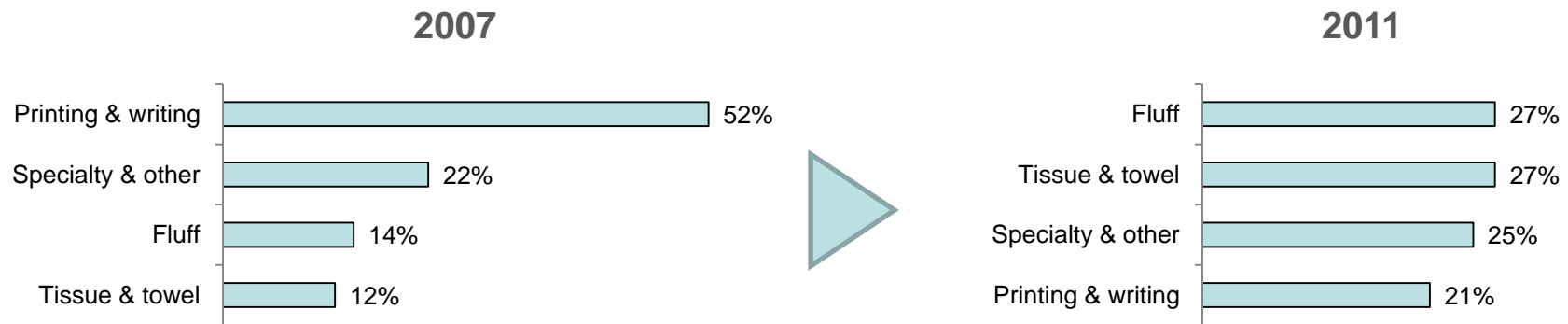




# Pulp mix focusing on premium end-uses

Grade		Applications	% of Portfolio
<b>Softwood Pulp</b>		<ul style="list-style-type: none"> <li>• Printing &amp; writing</li> <li>• Tissue</li> <li>• Specialty</li> </ul>	 <b>54%</b>
<b>Fluff Pulp</b>		<ul style="list-style-type: none"> <li>• Absorbent products</li> <li>• Incontinence</li> <li>• Diapers</li> <li>• Feminine Hygiene</li> </ul>	 <b>27%</b>
<b>Hardwood Pulp</b>		<ul style="list-style-type: none"> <li>• Printing &amp; writing</li> <li>• Tissue</li> <li>• Specialty</li> <li>• Paperboard</li> </ul>	 <b>19%</b>

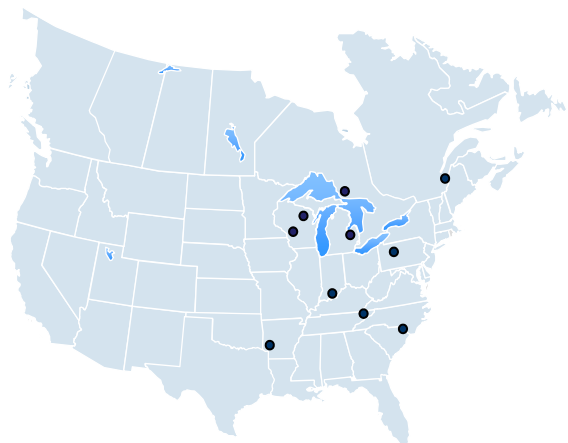
## Domtar market pulp sales by end use





# Paper

Leading market position – strong brand recognition



## Overview

- 3.8M tons of UFS capacity/year:**
  - 10 UFS mills
  - 15 converting & distribution operations
  - 9 regional replenishment centers
  
- Production by region:**
  - 81% Domestic
  - 19% Canada
  
- Sales by region:**
  - 86% Domestic
  - 10% Canada
  - 4% Other countries

<b>Sales</b>	<b>4Q'10</b>	<b>1Q'11</b>	<b>2Q'11</b>	<b>3Q'11</b>	<b>EBITDA</b>	<b>4Q'10</b>	<b>1Q'11</b>	<b>2Q'11</b>	<b>3Q'11</b>
USD (in millions)	922	978	965	969	Before items*	198	243	206	210
					USD (in millions)				

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



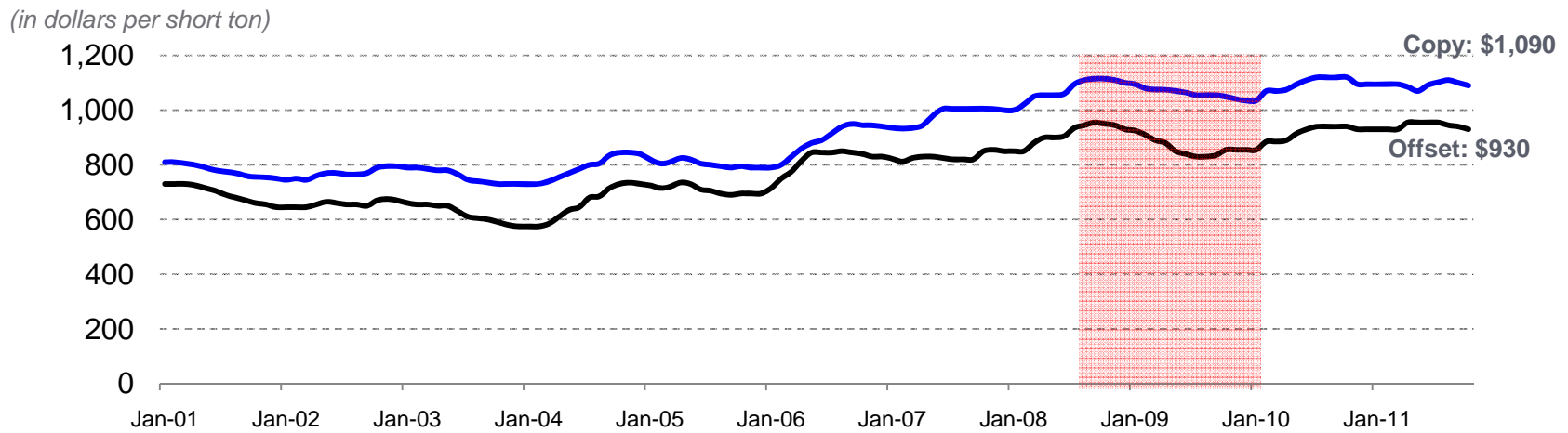
## Uncoated freesheet used in multiple applications

Grade		Applications	Sales Channel	% of Portfolio
<b>Business Papers</b>		<ul style="list-style-type: none"> <li>• Photocopies</li> <li>• Office documents</li> <li>• Presentations</li> </ul>	<ul style="list-style-type: none"> <li>• Merchants</li> <li>• Contract stationers</li> <li>• Box stores</li> <li>• Enterprise Group</li> </ul>	 <p>49%</p>
<b>Commercial Printing &amp; Publishing</b>		<ul style="list-style-type: none"> <li>• Commercial printing</li> <li>• Direct mail</li> <li>• Pamphlets</li> <li>• Brochures</li> </ul>	<ul style="list-style-type: none"> <li>• Merchants</li> <li>• Brokers</li> <li>• Direct sales</li> </ul>	 <p>25%</p>
<b>Converting Papers</b>		<ul style="list-style-type: none"> <li>• Forms</li> <li>• Envelopes</li> <li>• Tablet</li> </ul>	<ul style="list-style-type: none"> <li>• Direct sales</li> </ul>	 <p>16%</p>
<b>Specialty Papers</b>		<ul style="list-style-type: none"> <li>• Surgical gowns</li> <li>• Food wrappings</li> <li>• Candy wrappings</li> <li>• Security papers</li> </ul>	<ul style="list-style-type: none"> <li>• Direct sales</li> </ul>	 <p>10%</p>

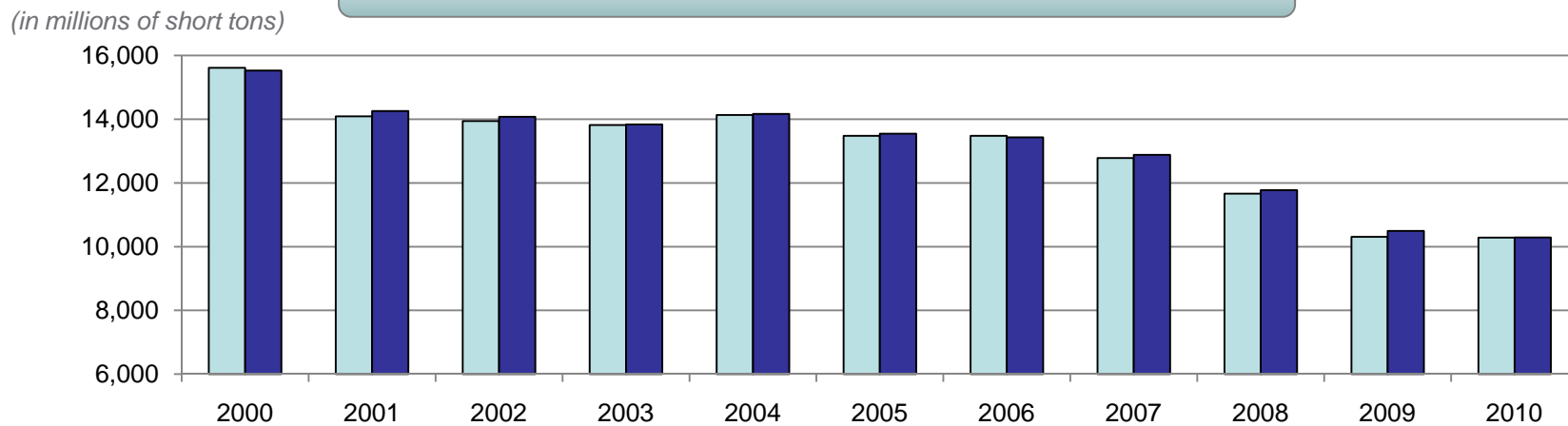


# North American UFS industry dynamics

Stable uncoated freesheet prices despite downturn



Balanced uncoated freesheet markets





# Distribution

## Market focused – growth – supplier of choice



### Overview

- ❑ **25 locations:**
  - 18 in United States
  - 7 in Canada
  
- ❑ **Product mix:**
  - 31% Domtar paper
  - 69% other manufacturer products
  
- ❑ **Sales:**
  - 50% warehouse distribution
  - 50% mill-direct deliveries

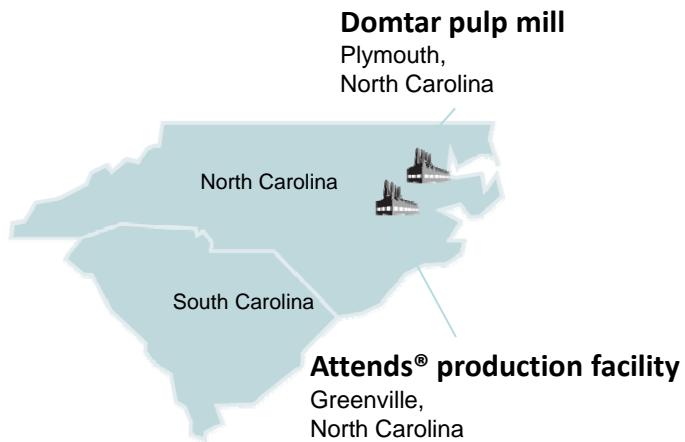
<b>Sales</b>	<b>4Q'10</b>	<b>1Q'11</b>	<b>2Q'11</b>	<b>3Q'11</b>	<b>EBITDA</b>	<b>4Q'10</b>	<b>1Q'11</b>	<b>2Q'11</b>	<b>3Q'11</b>
USD (in millions)	212	217	190	197	Before items*	(1)	1	(1)	-
					USD (in millions)				

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



# Personal Care

## Comprehensive product portfolio – strong channel presence



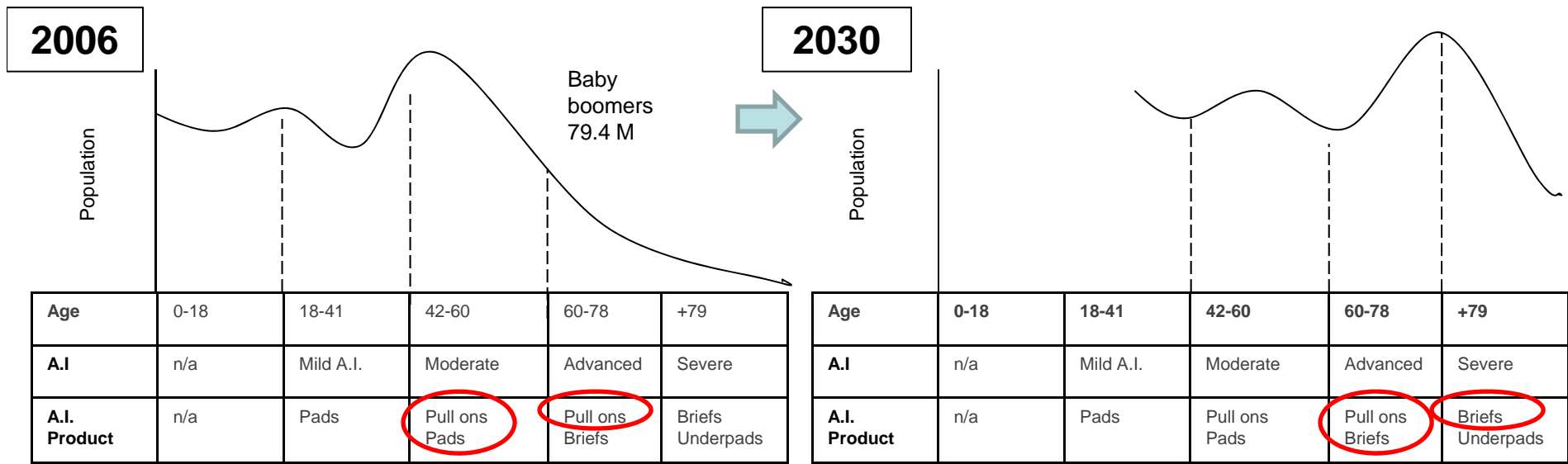
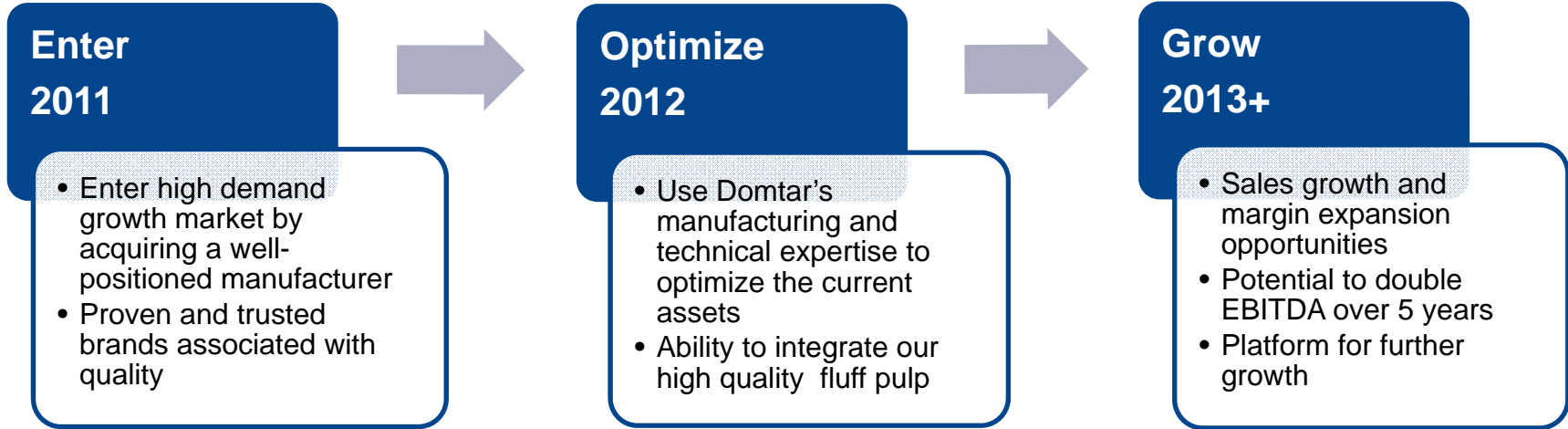
### Overview

- ❑ 775,000 square foot facility and distribution center:
  - 9 production lines
  
- ❑ Product mix:
  - Briefs/ Protective underwear
  - Pads/ Underpads
  - Washcloths
  
- ❑ Sales Channel:
  - Long term care
  - Acute care
  - Homecare
  - Retail

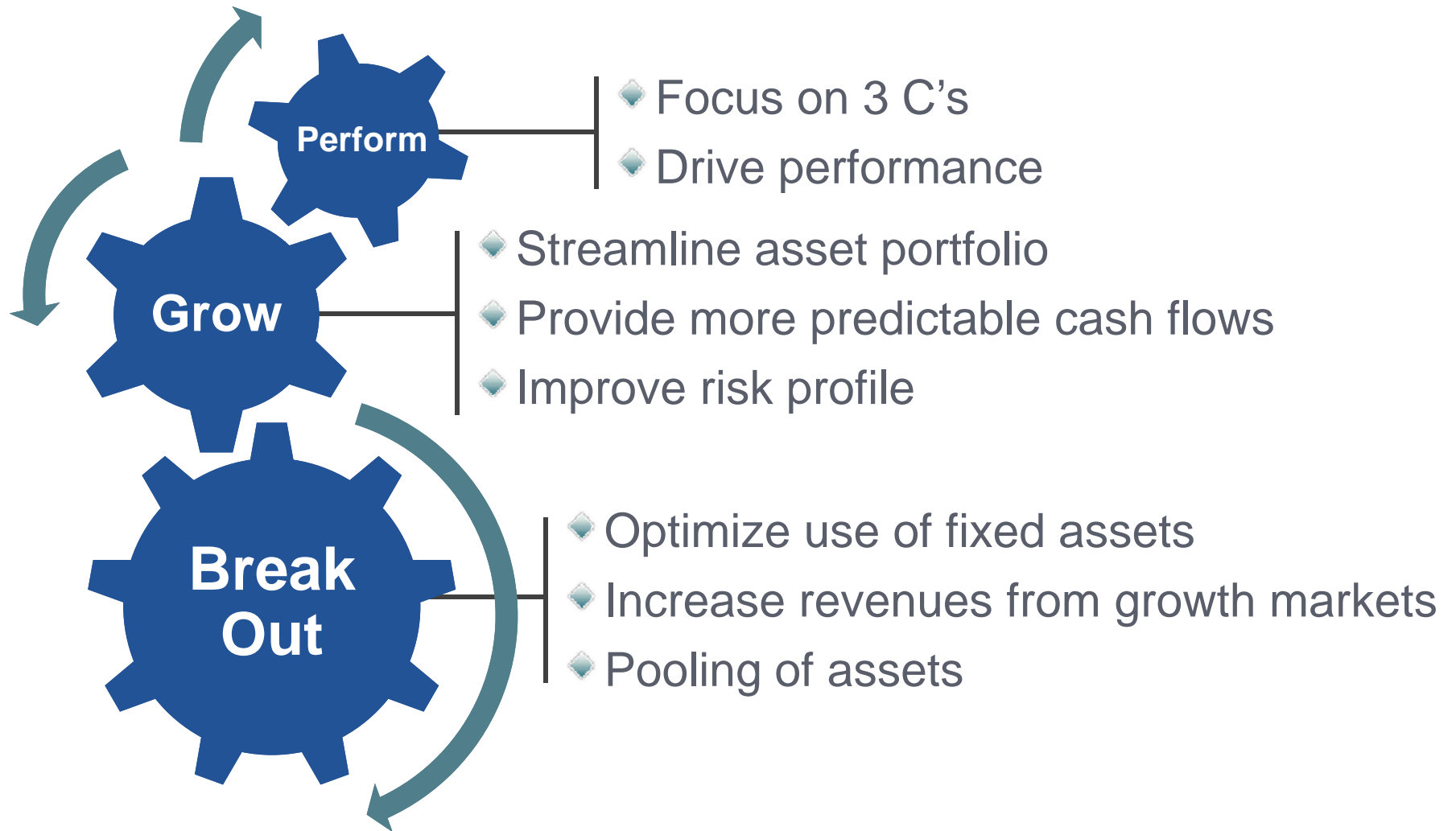




# Attends acquisition: high organic growth potential



## Strategic journey

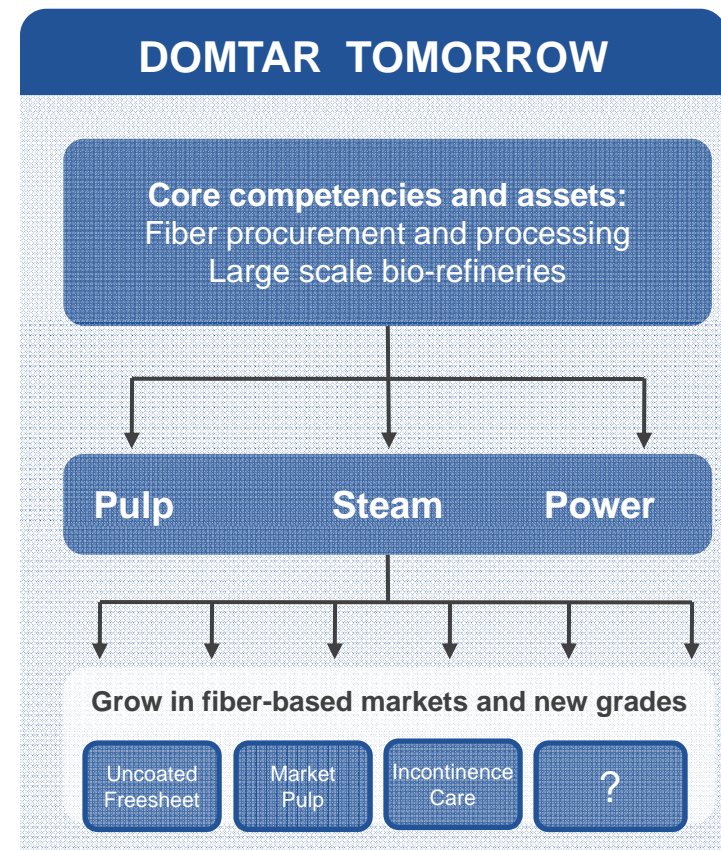
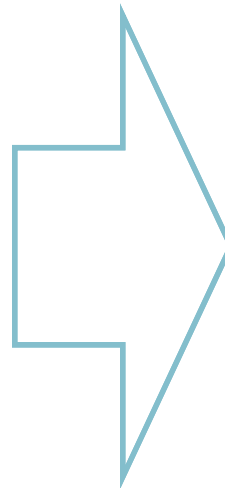
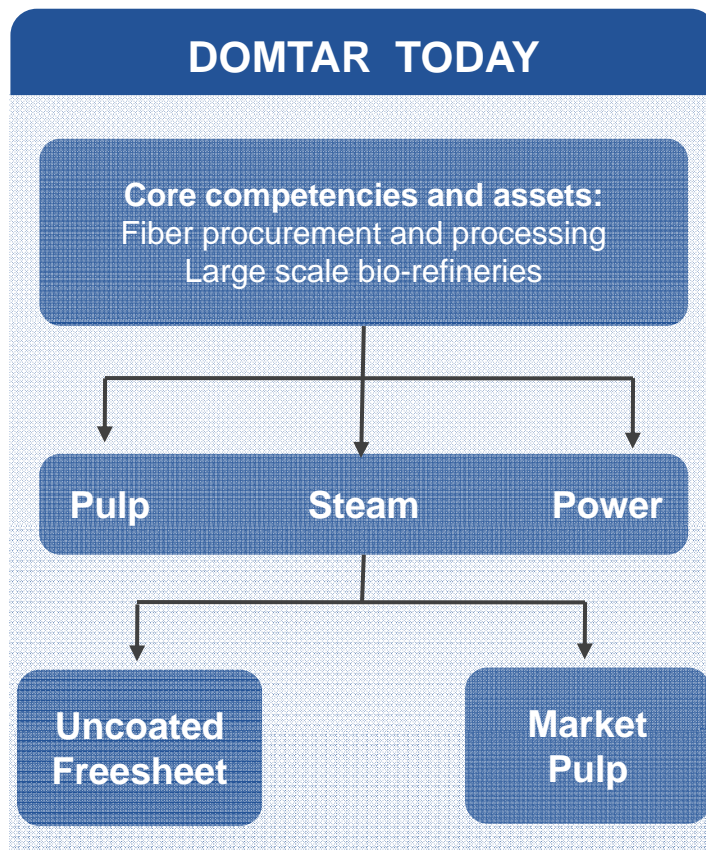




# Domtar – A wood fiber procuring and processing business

## The future of Domtar...

- Growth through leveraging of existing assets and skills
- Growth through acquisitions and partnerships



## NCC – Paving the way for new markets



- **Innovative product**
- **50/50 partnership with FPIInnovations**
- **Construction of one metric ton per day demonstration plant**
- **Nanocrystalline cellulose (NCC) can be economically extracted from wood fiber and has useful properties that can allow various uses, including:**
  - Iridescent or magnetic films
  - Electrically conductive membranes
  - Pigments, inks and cosmetics
  - Paint additives
  - Construction products
  - Biocomposites for bone replacement



# Evolution in capital allocation priorities

Priority	2007	2008	2009	2010	2011	2012	2013
Debt	Systematic debt reduction						
Strategic investments			Asset repurposing				
Acquisitions				Fiber-based products			
Dividends				\$0.25 / qtr	\$0.35 / qtr		
Share buyback				\$600MM			

**1** Maintain strong balance sheet and ample liquidity

**Strength to sustain all points in the cycle**  
**Financial flexibility to seize opportunities**

**2** Distribution of capital to shareholders

**Quarterly dividends**  
**Stock buyback program**



## Key investment highlights

- ✓ **Strong leadership position with world-class assets**
- ✓ **Executing on strategy to improve performance**
- ✓ **Improving financial and liquidity position**
- ✓ **Leveraging our commitment to sustainability**



**Domtar**