

Domtar Corporation

Third Quarter 2009 Earnings Call October 30, 2009

(All financial information is in U.S. dollars, and all earnings (loss) per share results are diluted, unless otherwise noted.)

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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, 2008 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 sections of the company's website at http://www.domtar.com.

HIGHLIGHTS

- Operating and financial performance improved in all businesses
- Losses in pulp dramatically reduced
- Sales volumes in paper improved 5%
- Lower operating costs
- Strong free cash flow

THIRD QUARTER 2009

- Earnings before items⁽¹⁾ of \$57 million or \$1.32 per share
- EBITDA before items⁽¹⁾ of \$229 million
- Higher volumes in all businesses and better pulp prices
- Free cash flow⁽¹⁾ of \$220 million
- Net debt-to-capital reduced to 38%
- Lack-of-order downtime and machine slowdowns:

Papers: 101k tons

Pulp: 38k metric tons

EARNINGS STATEMENT 3Q'09 vs 2Q'09

(In millions of dollars, unless otherwise noted)	2Q'09	3Q'09	Ch.	
Sales	\$1,319	\$1,440	\$121	Higher pulp and paper shipments
Cost of sales	1,116	1,124	8	
Depreciation and amortization	104	101	(3)	
SG&A	86	85	(1)	
Closure and restructuring costs	6	4	(2)	
Other operating income	(132)	(169)	(37)	Alternative fuel tax credits and
Operating income (loss)	139	295	156	gains on sale of assets
Interest expense	23	34	11	Gain on debt repurchase in 2Q'09
Effective tax rate	59%	30%		_
Net earnings	48	183	135	-

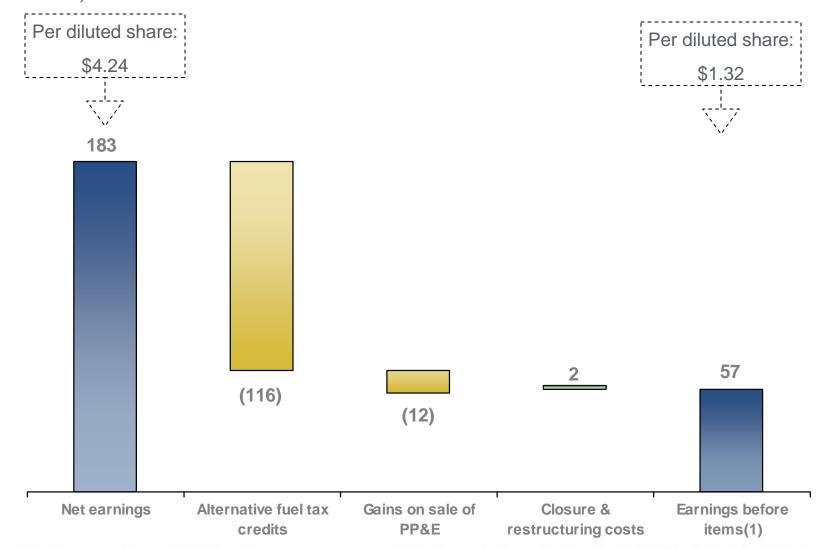
EARNINGS BEFORE ITEMS(1)

3nd Quarter 2009

Domtar

(In millions of dollars)

(1)

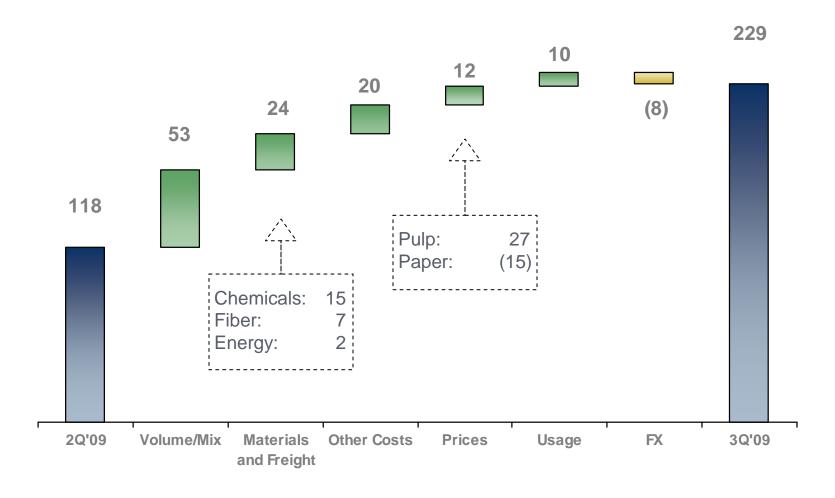


CASH FLOW STATEMENT 3Q '09 vs 2Q '09

(In millions of dollars)	2Q'09	3Q'09	
Net earnings (loss)	48	183	
Depreciation and amortization	104	101	
Deferred income taxes	74	63	
Other	(9)	(8)	
Changes in assets and liabilities			
Receivables	(81)	(24)	
Inventories	137	63	Working capital initiatives
Trade and other payables	22	49	\
Pension contribution over expense	2	(5)	<u> </u>
Other	9	(178)	Alternative fuel tax credits
Cash flow provided from operating activities	306	244	
Additions to PP&E	(18)	(24)	Capex @ 24% of D&A
Proceeds from disposal of PP&E	1	15	
Cash flows used for investing activities	(17)	(9)	
Net change in bank indebtedness	(28)	6	
Change in revolving credit facility	-	(150)	
Other	(34)	(43)	Repayment of long-term debt
Cash flows provided from (used for) financing activities	(62)	(187)	***************************************

EBITDA BEFORE ITEMS⁽¹⁾ 3Q'09 vs 2Q'09

(In millions of dollars)

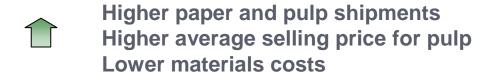


PAPERS SEGMENT

Overview

(In millions of dollars, unless otherwise noted)	3Q'09	Qr / Qr (vs 2Q'09)	Yr / Yr (vs 3Q'08)
Sales	\$1,211	7%	11%
EBITDA before items ⁽¹⁾	\$233	\$112	\$9

Variances (3Q'09 / 2Q'09):





PAPERS SEGMENT

Breakdown

	(In millions of dollars, unless otherwise noted)	3Q'09	Qr / Qr (vs 2Q'09)	Yr / Yr (vs 3Q'08)
2	Sales	\$976	\$33	\$157
PAPER	EBITDA before items ⁽¹⁾	\$243	\$48	\$35
	(In millions of dollars, unless otherwise noted)	3Q'09	Qr / Qr (vs 2Q'09)	Yr / Yr (vs 3Q'08)
PULP	Sales	\$235	\$51	\$4
P	EBITDA before items ⁽¹⁾	(\$10)	\$64	\$44

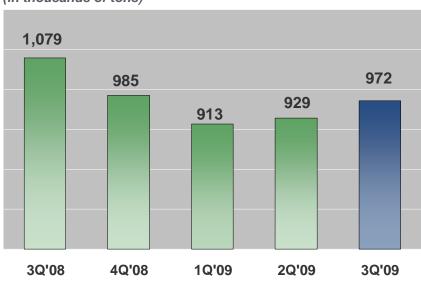
PAPERS SEGMENT

Volumes

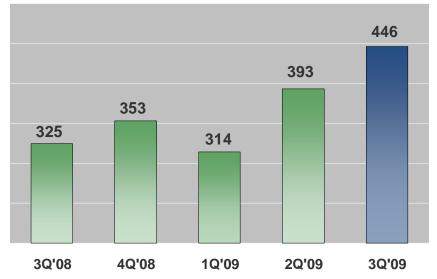


Pulp

(in thousands of tons)



(in thousands of metric tons)



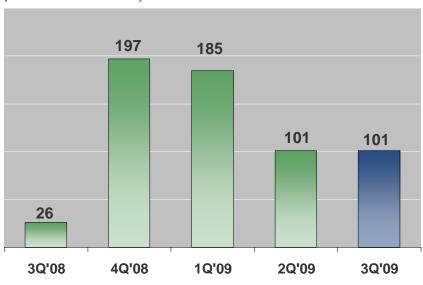
PAPERS SEGMENT

Lack-of-order downtime and machine slowdowns

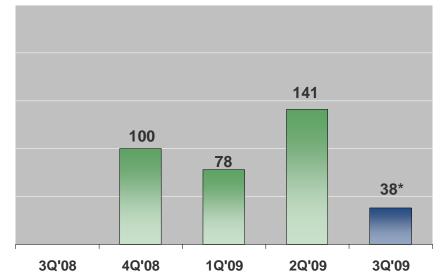
Paper

Pulp

(in thousands of tons)



(in thousands of metric tons)



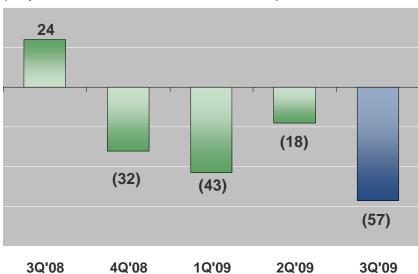
PAPERS SEGMENT

Inventories

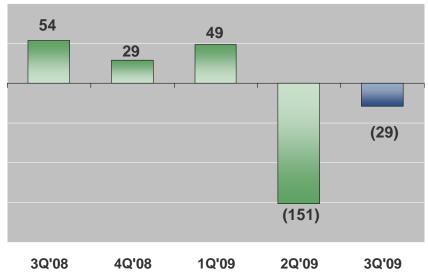
Paper

Pulp

(Sequential variations in thousands of tons)



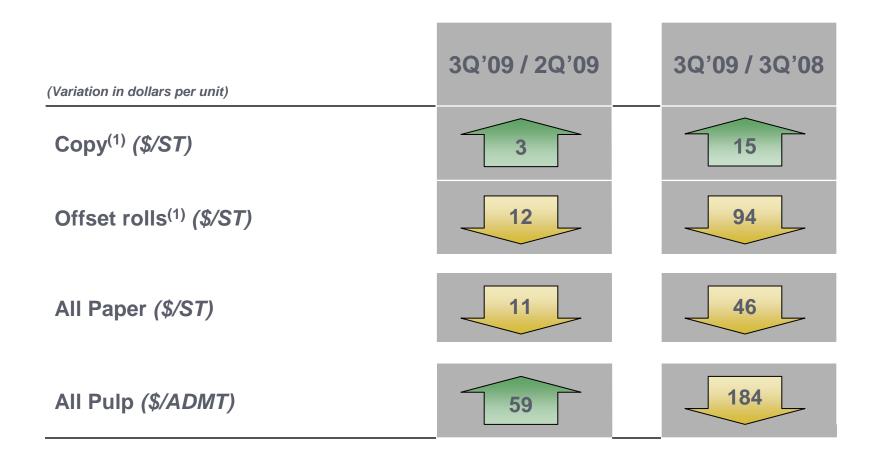




PAPERS SEGMENT

Prices

Domtar Transaction Prices



(1) Prices exclude exports.

PAPER MERCHANTS SEGMENT Overview

(In millions of dollars, unless otherwise noted)	3Q'09	Qr / Qr (vs 2Q'09)	Yr / Yr (vs 3Q'08)
Sales	\$239	17%	7%
EBITDA before items ⁽¹⁾	\$3		\$1

Variances (3Q'09 / 2Q'09):

- Higher paper deliveries Lower costs
- Lower prices

WOOD SEGMENT Overview



(In millions of dollars, unless otherwise noted)	3Q'09	Qr / Qr (vs 2Q'09)	Yr / Yr (vs 3Q'08)
Sales	\$59	28%	22%
EBITDA before items ⁽¹⁾	(\$4)	\$2	

Variances (3Q'09 / 2Q'09):



Higher selling prices Higher shipments



Unfavorable foreign exchange rate

ALTERNATIVE FUEL TAX CREDITS

	1Q'09	2Q'09	3Q'09
Alternative fuel tax credits	\$46M	\$131M	\$159M
Taxes on P/L	40%	40%	27%
Cash received	-	\$137M	\$3M



- On May 25, 2009, Domtar stopped claiming fuel tax credits on form 8849.
- Credits earned will be claimed on Domtar's annual tax return.

SUMMARY

Profitability

•EBITDA in paper business (excl. pulp) reached \$250/ton

SG&A

Below 6% of total sales

Capex

Trending low at 24% of D&A

Health & Safety

Constant efforts to keep incident rate low

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OUTLOOK

- Lower paper volumes due to seasonality and higher maintenance costs in fourth quarter
- Unfavorable foreign exchange rate to impact Canadian mills
- Benefits expected from the recently announced price increases in paper and pulp
- Continue strategy of reducing discretionary spending and balancing production with customer demand



AVAILABLE LIQUIDITY

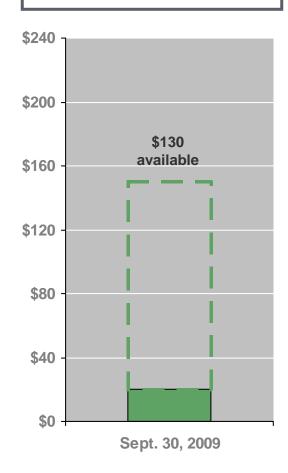
(In millions of dollars)



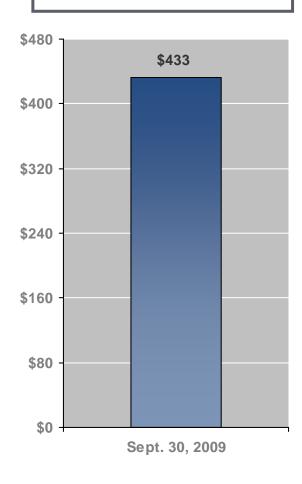


Sept. 30, 2009

A/R Securitization Program



Cash and Cash Equivalents



\$0

INCOME TAX RATE

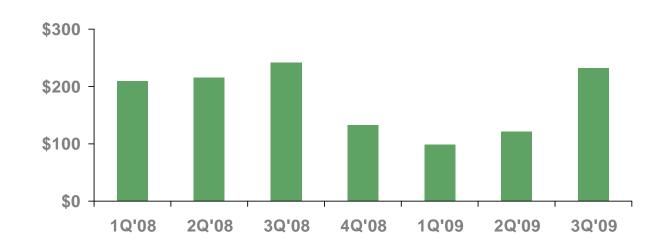
		3Q'09			YTD	
(In millions of dollars)	U.S.	Canada	Total	U.S.	Canada	Total
Earnings (loss) before income taxes	241	20	261	401	(77)	324
Tax rate	39%	27%		39%	27%	
Income tax expense (benefit) before adjustments	94	5	99	156	(21)	135
Items:						
Rate change and other adjustments	(16)	-	(16)	(18)	2	(16)
Valuation allowance	-	(5)	(5)	-	19	19
Income tax expense	78	-	78	138	-	138
Effective tax rate	32%	0%	30%	34%	0%	43%

PAPERS SEGMENT

Breakdown

(In millions of dollars)

EBITDA before items(1)



	1Q'08	2Q'08	3Q'08	4Q'08	1Q'09	2Q'09	3Q'09
Total	210	216	242	133	99	121	233
Paper	204	215	208	163	171	195	243
Pulp	6	1	34	(30)	(72)	(74)	(10)