

Domtar CORP
Form DEFA14A
March 28, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
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- Soliciting Material Pursuant to §240.14a-12

DOMTAR CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(3) Filing Party:

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Message to Shareholders

A growing Personal Care business

We continued the growth momentum for Domtar Personal Care in 2013 with two additional acquisitions. Associated Hygienic Products (AHP) is a leading store-brand manufacturer of infant diapers in the United States, and now that it is part of Domtar, our product range and market reach have taken a significant step forward. The early 2014 acquisition of Spain's largest branded adult incontinence (AI) products manufacturer, Indas, combined with the Attends Europe purchase in 2012, gives us the critical mass to build a truly pan-European business in this growing market segment.

With five acquisitions in just over two years, and capital investments in additional manufacturing capacity to drive organic growth, we are on track to reach our stated objective of \$300-500 million in EBITDA from growth businesses by 2017. An important element of this strategy will be realized through innovations that will maintain Domtar's absorbent hygiene products at the forefront of the industry. To this end, our 2012 acquisition of EAM brought significant capabilities and technologies that will further enhance Domtar's competitiveness into the future.

A high-performing Pulp and Paper business

Our high-performing Pulp and Paper business continues to be our central value proposition and we expect it to remain so for years to come. This core business is a strong cash flow generator and we continue to make disciplined strategic investments with a view toward improving our product mix by increasing the proportion of paper grades and market niches that are growing.

The 2013 completion of the repurposing of our Marlboro, South Carolina mill from commodity to specialty paper is a case in point. Specialty and packaging products now account for 15% of Domtar's total paper sales.

Message to Shareholders

We also took meaningful steps this past year to sustain our leadership in the uncoated freesheet market, by bringing the Xerox brand into our paper offering. This move adds another premium brand to our line of environmentally responsible papers, while giving Domtar access to Xerox research and development on pre-commercialized imaging technologies, allowing us to stay ahead of printing changes on the horizon.

Innovation in fiber-based materials

Speaking of R&D, Domtar achieved new milestones in wood fiber innovation in 2013. We inaugurated commercial-scale lignin extraction at our Plymouth, North Carolina mill, an initiative that allows us to take a component of wood fiber that was previously used as a renewable fuel and create new products of higher market value.

We also continue our involvement in the development of nanocrystalline cellulose, or NCC, a structural building block of trees. Cellulose nanocrystals are also non-toxic and highly iridescent, thereby offering a host of application opportunities. CelluForce, Domtar's 50-50 joint venture with FPIInnovations, is actively working to commercialize this high-potential bio-product.

Advocating for paper's

enduring value in a digital age

Advocacy remains an important part of our paper strategy. In 2013, our award-winning PAPERbecause campaign featured four new Really, Really Short Films that shifted the focus from the illogical extremes of the paperless office to the value of paper in everyday life.

Using humor to underscore the enduring importance of paper as a renewable and highly recyclable resource in a digital age has been remarkably effective in building industry and sales channel support. We think it is no coincidence that the U.S. industry recently coalesced behind a \$0.35 per ton Paper and Paper-based Packaging Promotion program (known as the Paper Check-off) that will fund the promotion of paper products through generic advertising, a strategy that has been deployed successfully for a number of agricultural product campaigns (beef, eggs, milk, etc.) over the years.

Sustainability leadership,

integral to our growth story

Our commitment to sustainability is part of our fiber. The foundation of our sustainability commitment remains our belief in partnerships, exemplified by our longstanding association with World Wildlife Fund (WWF) and the Rainforest Alliance and our continued preference for Forest Stewardship Council (FSC) certified fiber. Our signature EarthChoice® line of environmentally responsible papers now represents 25% of all the paper we sell at Domtar. The simple fact is that consumers want to buy responsibly sourced paper, and the EarthChoice Product Line represents the widest offering of FSC certified papers in the market today. We are pleased with the market that EarthChoice has created and believe there is room to grow and follow consumer demand going forward.

A whistlestop tour of 2013 also needs to include our important collaborations with not-for-profit organizations such as First Book, which this past year alone has delivered nearly one hundred thousand new books to children in need across North America, and Recyclebank, with its Green Schools program that empowers young people to take positive action for the environment. And of course, we continue to offer keystone support for the United Way/Centraide annual fundraising campaigns that have such an impact on the frontlines of social need in each of our host communities across North America.

Perhaps no achievement is more indicative of our determination to attain sustainable growth than our safety performance. In 2013, after several years of consistent improvement, we had our best year on record at Domtar with an incident rate of less than 1, considered to be world-class in manufacturing. Agility, Caring, and Innovation are the Domtar values that define us in the marketplace and unite us as employees, so our health and safety results are for me both a 2013 highlight and a proof point of our collective commitment to caring about our people.

Delivering value for shareholders,

now and into the future

As we continue our transformation journey, we are committed to driving value for our shareholders. In 2013, we returned \$250 million to shareholders through a combination of dividends and share buybacks representing over 100% of our free cash flow. At the same time, we invested \$242 million in capital expenditures across the business.

Thanks to the strong cash flow from our Pulp and Paper business, we are executing our growth strategy, sustaining our core business, and maintaining a healthy balance sheet, as indicated by our 24% net debt-to-total-capitalization ratio. This is a testament to our ability to manage the short term while transitioning the business to a growth-oriented product mix.

A continuing journey, an experienced team

I have said repeatedly that our move to position Domtar for sustainable growth is a process of evolution, not revolution. Indeed, we are building on the fiber that has made us successful over the past 150 years to reposition the company in markets with favorable trends in consumer demand and demographics.

Our shareholders can count on the people of Domtar, with their wealth of expertise, to keep our cash flow engine running efficiently while we ramp up our Personal Care business. We may be geographically dispersed, with a wide range of products, but we are bound together at Domtar by a commitment to quality and value that make a real difference in peoples lives.

This is the every day of our everyday fiber.

John D. Williams

President and

Chief Executive Officer

Domtar at a Glance

Domtar Corporation (NYSE: UFS) (TSX: UFS) designs, manufactures, markets, and distributes a wide variety of fiber-based products including communication papers, specialty and packaging papers, and absorbent hygiene products. The foundation of its business is a network of world-class wood fiber converting assets that produce papergrade, fluff, and specialty pulps. The majority of its pulp production is consumed internally to manufacture paper and consumer products. Domtar is the largest integrated marketer of uncoated freesheet paper in North America with recognized brands such as Cougar[®], Lynx[®] Opaque Ultra, Husky[®] Opaque Offset, First Choice[®], and EarthChoice[®] Office Paper. Domtar is also a leading marketer and producer of a broad line of incontinence care products marketed primarily under the Attends[®], IncoPack, and Indasec[®] brand names as well as baby diapers. In 2013, Domtar had sales of US\$5.4 billion from some 50 countries. The Company employs approximately 10,000 people. To learn more, visit www.domtar.com.

- 1 Non-GAAP financial measure. Consult the Reconciliation of Non-GAAP Financial Measures at the end of this document or at www.domtar.com

Selected Financial Figures

(in millions of dollars unless otherwise noted)

	2011	2012	2013
Sales per segment			
Pulp and Paper	5,542	5,088	4,843
<i>Intersegment sales Pulp and Paper</i>	(1)	(5)	(18)
Personal Care	71	399	566
Consolidated sales	5,612	5,482	5,391
Operating income (loss) per segment			
Pulp and Paper	581	330	171
Personal Care	7	45	43
Corporate	4	(8)	(53)
Operating income	592	367	161
Net earnings	365	172	91
Cash flow provided from operating activities	883	551	411
Capital expenditures	144	236	242
	739	315	169

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Free cash flow			
Total assets	5,869	6,123	6,278
Long-term debt, including current portion	841	1,207	1,514
Net debt-to-total capitalization ratio	12%	16%	24%
Total shareholders' equity	2,972	2,877	2,782
Weighted average number of common and exchangeable shares outstanding in millions (diluted)	40.2	36.1	33.4

1 Includes the acquisition of Indas, completed January 2, 2014.

Domtar is the largest integrated manufacturer and marketer of uncoated freesheet paper in North America, with a growing business in specialty and packaging papers. Our 13 pulp and paper mills are located in the United States and Canada.

Paper

Our communication, specialty, and packaging papers are sold to a variety of customers in the United States, Canada, and overseas, including merchants, retailers, stationers, printers, publishers, converters, and end users. We sell a combination of private labels and well-recognized branded products such as Cougar, Lynx Opaque Ultra, Husky Opaque Offset, First Choice, and the EarthChoice Product Line, our offering of environmentally and socially responsible papers.

Market conditions¹

In 2013, 9.4 million short tons of uncoated freesheet paper were manufactured in North America, a 2% decline compared to the previous year. North American demand was about 9.5 million short tons, a 1.5% decrease compared to 2012. Global demand for uncoated freesheet was estimated at 45.1 million tons, a 0.9% increase over the previous year.

While North American demand for uncoated freesheet paper has been declining at an annual rate of about 3.4% since 2000, global demand increased at a rate of about 2.6% per year over the same period.

According to RISI², global demand is expected to grow at an annual rate of 0.2% over the next five years, buoyed by strong demand in South East Asia and increased consumption in Eastern Europe and Latin America.

¹ Source: All figures from the Pulp and Paper Products Council (PPPC) unless otherwise indicated.

² RISI, the leading information provider for the global forest products industry.

Pulp

We sell softwood, fluff, and hardwood market pulp produced in excess of our internal needs. This pulp is marketed and sold overseas, in the United States, and in Canada. Sales to overseas customers are made directly or through commission agents, while North American customers are served mainly through our own sales force. Domtar is the third largest chemical market pulp producer in North America, and the thirteenth largest in the world.

Market conditions¹

North American production of chemical market pulp was 15.3 million metric tons in 2013, a 0.3% decrease compared to 2012. Global production was approximately 55.1 million metric tons, a 2.9% increase over the previous year.

Key numbers Pulp and Paper

We manufacture pulp and paper products in nine pulp and paper mills in the United States and four in Canada. Our pulp and paper manufacturing operations are supported by 15 converting and distribution facilities (including a network of 12 plants located offsite of our paper mills). Our pulp and paper products are sold in more than 50 countries.

Review Pulp and Paper

Sales decreased by 4.8% to \$4.843 billion compared to 2012, mainly driven by lower prices for paper and lower shipments in both paper and pulp

EBITDA before items¹ of \$582 million

Capital investment of \$147 million in our mill system

Health and safety performance as measured by the total frequency rate (TFR) improved to 0.95 compared to 1.08 in 2012, Domtar's best-ever year on record

Key figures

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Year ended December 31 (In millions of dollars unless otherwise noted)	2011	2012	2013
Sales	5,542	5,088	4,843
Operating income	581	330	171
Depreciation and amortization	372	365	345
EBITDA before items ¹	1,090	740	582
Capital expenditures	135	183	147
Total assets	4,958	4,637	4,363
Paper shipments (000 ST)	3,534	3,320	3,260
Pulp shipments (000 ADMT)	1,497	1,557	1,445

¹ Non-GAAP financial measure. Consult the Reconciliation of Non-GAAP Financial Measures at the end of this document or at www.domtar.com

Our **Personal Care** business encompasses the design, manufacture, marketing, and distribution of adult incontinence (AI) products, infant diapers, and other absorbent products. We sell a combination of branded and private label products, including briefs, protective underwear, underpads, pads, washcloths, baby diapers, infant training pants, and related products.

We distribute our products into healthcare and retail channels. In both North America and Europe, we are a leading AI supplier in the healthcare channel, with a growing presence in retail. Our early 2014 acquisition of Indas, Spain's largest branded AI supplier, increased our AI position in Southern Europe in both healthcare and retail channels. In North America, we increased our presence in retail channels with our acquisition of AHP, a leading store-brand manufacturer of infant diapers.

Key numbers

Domtar Personal Care products are manufactured in six facilities in North America and Europe. The division has a research and development facility and production lines which manufacture high-quality airlaid and ultrathin laminated absorbent cores, along with research and development activities in the Divisional Head Office in Raleigh, North Carolina. Our absorbent hygiene products and absorbent cores are sold in some 50 countries.

Review

Sales increased 42% over 2012 to reach \$566 million. The increase was mainly attributable to the acquisition of Associated Hygienic Products (AHP) and the inclusion of the financial results of Attends Healthcare Limited (Attends Europe) for a full year

EBITDA before items¹ increased 19% to \$80 million compared to \$67 million in 2012

Capital expenditures more than doubled to \$91 million compared to \$44 million in 2012

Key figures

Year ended December 31 (In millions of dollars unless otherwise noted)	2011	2012	2013
Sales	71	399	566
Operating income	7	45	43
Depreciation and amortization	4	20	31
EBITDA before items ¹	12	67	80
Capital expenditures	-	44	91
Total assets	458	841	1,272

1 Non-GAAP financial measure. Consult the Reconciliation of Non-GAAP Financial Measures at the end of this document or at www.domtar.com

Our Communities

Sharing the power of reading with *Powerful Pages*

Together, Domtar and our partners are transforming the lives of children across

North America by providing the critical educational materials they need to read, learn, and succeed. We call this initiative *Powerful Pages*. Through it, we engage with organizations and schools across North America to share the gift of reading and to help equip students for learning. A love of books, and access to them, is a gift that gives back over an entire lifetime.

Domtar works towards promoting education and emphasizing literacy through a variety of projects and partnerships across North America. Highlights include:

Partnering with First Book (firstbook.org), an effort that has supplied close to 100,000 books to kids in need in the U.S. and Canada

Adding a Ben Carson Reading Room through the Carson Scholars Fund (carsonscholars.org) at Johnsonburg Area Elementary School in Johnsonburg, Pennsylvania

Sponsoring World Book Night US (us.worldbooknight.org), which helps to spread the love of reading from person to person

Supporting Classroom Central (classroomcentral.org), which provides school supplies to underprivileged students

Developing reading programs in local Domtar communities to challenge students and reward them for meeting their reading goals; and

Developing the Forest Academy (theforestacademy.com), an interactive Web site for 8-12-year-olds that provides a wealth of educational material about trees and forest ecology and, most of all, makes learning fun!

Domtar and United Way/Centraide:

Helping to brighten lives in our host communities

Domtar and First Book:

Putting books in the hands of children in need

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Domtar has teamed up with First Book to help bring the power of books into the communities where Domtar employees live and work. First Book, a non-profit social enterprise, was founded 20 years ago with the mission of putting new books in the hands of kids who need them.

The First Book and Domtar collaboration provides books to schools and programs serving children from low-income families in communities across North America. Highlights in 2013 include providing approximately 60,000 brand new books, and paying for shipping an additional 35,000 books.

In 2013, Domtar and its employees together committed over \$800,000 to United Way/Centraide organizations across North America.

Donating to the United Way/ Centraide helps brighten lives, and improving the quality of life in our host communities is one of Domtar's Community Investment Policy objectives. We are proud to pursue this goal through our longstanding affiliation with annual United Way/Centraide fundraising efforts.

EarthChoice

Responsibility comes full circle

EarthChoice is recognized as the widest range of environmentally responsible paper products available today. This recognition can be traced back to the brand's roots as the first Forest Stewardship Council (FSC) certified copy paper manufactured in North America. Since then, EarthChoice has expanded in scope to become our industry-leading sustainability platform. Today, EarthChoice encompasses each element of the fiber lifecycle from the forest to responsible production, usage, and recycling. The result is an intense focus on each phase of Domtar's operations, including:

WHERE FIBER COMES FROM: Through collaboration with leading environmental organizations, we are committed to using fiber from responsibly managed sources;

HOW PRODUCTS ARE MADE: Instilling transparency and environmental values in employees helps embed sustainability into our operations;

RESPONSIBLE USAGE: We encourage the responsible use of paper through innovative educational tools and advisory services;

RECYCLING/NEXT LIFE: Our support for reusing fiber is based on the fundamental belief that paper should not end up in a landfill.

Throughout each of the stages, we have developed projects and partnerships that promote increased responsibility and help customers make more informed decisions. Our efforts range from actively supporting FSC certification among private landowners to a partnership with Recyclebank that promotes higher recycling rates for fiber-based products.

To learn more, please visit www.domtar.com/earthchoice

PAPERbecause . . . by the numbers

5

years of

PAPERbecause:

18

videos

28

essays

45

print ads

200+

customer and
industry
co-branded
projects

Corporate Governance and Management

Domtar's Management Committee and Board of Directors are committed to the sustainability of the business and to upholding the highest standards of ethical and socially responsible behavior. They are responsible for the overall stewardship of the Company and ensuring that decisions are taken in the best interests of Domtar and its shareholders. They work closely together in developing and approving business strategies and material corporate actions while always taking into account the economic, social, and environmental impacts of their decisions. They are also constantly assessing the various risks and opportunities facing the Company while ensuring strict compliance with laws and ethical guidelines.

Board of Directors

Harold H. MacKay Chairman of the Board	Giannella Alvarez Corporate Director Atlanta, Georgia USA	Robert E. Apple Chief Operating Officer	Louis P. Gignac President G Mining	David J. Illingworth Corporate Director Orchid, Florida
Counsel, MacPherson Leslie & Tyerman LLP Regina Saskatchewan Canada		MasTec, Inc. Miami, Florida USA	Services Inc. Montreal, Quebec Canada	USA

Management Committee

John D. Williams President and Chief Executive Officer (CEO)	Melissa Anderson Senior Vice-President Human Resources	Daniel Buron Senior Vice-President and Chief Financial Officer (CFO)
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John D. Williams has been President and Chief Executive Officer of Domtar since January 2009. He is also a member of the Board of Directors.

Mr. Williams has over 30 years of experience in both consumer products and packaging. He began his career in consumer product sales in 1976, gaining insight into key market dynamics in the U.K. and the U.S. Prior to joining Domtar, he was President of SCA Packaging Europe.

Melissa Anderson has been Senior Vice-President, Human Resources since January 2010.

Prior to joining Domtar, she served as Senior Vice-President, Human Resources and Government Relations for The Pantry, Inc., one of the largest independently operated convenience retailers in the United States. Previously, Ms. Anderson spent 17 years with International Business Machines Corporation, serving as

Daniel Buron has been Senior Vice-President and Chief Financial Officer since May 2004.

Prior to May 2004, he was Vice-President, Finance, Pulp and Paper Sales Division and, prior to September 2002, Vice-President and Controller.

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Mr. Williams is a member of the Board of Directors of Owens Corning (NYSE: OC) and Chairman of the Board of the Montreal Chamber Orchestra. He is also Board Chairman of the American Forest & Paper Association. In 2010, he was named North American CEO of the Year by RISI as well as Global CEO of the Year by Pulp & Paper International (PPI). Mr. Williams was named Executive Papermaker of the Year for 2012 by *PaperAge* magazine.

Vice-President of Human Resources for IBM Global Financing, where she led an international team of HR professionals.

At Domtar, she is responsible for talent acquisition and management, health and safety, employee experience, labor relations, HR shared services, and HR business partners.

He has management oversight and responsibility for all financial functions, including financial reporting, financial risks and debt management, treasury operations, taxation, and information technology.

Domtar's commitment to sustainability and to high standards of conduct governs the Company's relationships with customers, suppliers, shareholders, competitors, host communities, and employees at every level of the organization. This standard is outlined in Domtar's Code of Business Conduct and Ethics applicable to all employees, including officers. The Board also adheres to its own Code as well as to the Corporate Governance Guidelines required by the New York and Toronto stock exchanges.

For complete information on Domtar's policies, procedures, and governance documents, please visit domtar.com.

Brian M. Levitt	David G. Maffucci	Robert J. Steacy	Pamela B. Strobel	Denis Turcotte	John D. Williams
Non-Executive Co-Chair	Corporate Director Charlotte	Corporate Director Toronto, Ontario	Corporate Director Chicago, Illinois	President and CEO North Channel	President and Chief Executive Officer
Osler, Hoskin & Harcourt LLP Montreal, Quebec Canada	North Carolina USA	Canada	USA	Management Sault Ste. Marie Ontario Canada	Domtar Corporation Charlotte North Carolina USA

Michael Fagan Senior Vice-President Personal Care	Zygmunt Jablonski Senior Vice-President Law and Corporate Affairs	Patrick Loulou Senior Vice-President Corporate Development	Richard L. Thomas Senior Vice-President Sales and Marketing
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Michael Fagan has been Senior Vice-President, Personal Care of Domtar since 2012.

Zygmunt Jablonski has been Senior Vice-President, Law and Corporate Affairs since 2009.

Patrick Loulou has been Senior Vice-President, Corporate Development since March 2007.

Richard L. Thomas has been Senior Vice-President, Sales and Marketing since 2007, when Domtar acquired Weyerhaeuser's Fine Paper division.

Prior to joining Domtar, Mr. Fagan held the positions of President and CEO of Attends Healthcare, Inc.

Prior to joining Domtar in 2008, he served in various in-house counsel positions for major manufacturing and

Previously, he held a number of positions in the telecommunications sector as well as in management

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since 2006 and Senior Vice-President, Sales and Marketing since 1999. Prior to joining Attends, he held a variety of sales development roles with Procter & Gamble, the previous owners of the Attends line of products and the creators of the category.

Mr. Fagan has management oversight and responsibility for Domtar's Personal Care segment that involves the manufacturing, sale and distribution of infant care and adult incontinence care products.

distribution companies in the paper industry for over 13 years. From 1985 to 1994, he practiced law in Washington, DC.

Mr. Jablonski is responsible for Domtar's Legal Affairs, Secretariat, Sustainability, and Environmental Affairs. He is also responsible for Corporate Communications & Investor Relations, Government Relations, and Internal Audit.

consulting. He has several years of experience in corporate strategy and business development.

Mr. Loulou is responsible for managing new business development, corporate strategy, and mergers and acquisitions. He is also responsible for Domtar's paper converting business in China.

Prior to joining Domtar, he was Vice-President, Fine Papers, at Weyerhaeuser Company. Mr. Thomas joined Weyerhaeuser in 2002 when Willamette Industries, Inc. was acquired by Weyerhaeuser. At Willamette, he held various management positions in operations after joining the company in 1992. Previously, he was with Champion International Corporation for 12 years.

As Senior Vice-President, Sales and Marketing, he is responsible for pulp and paper sales, customer service, product development, and the marketing of all pulp and paper grades produced at the mills.

Domtar Corporation Reconciliation of Non GAAP Financial Measures

(In millions of dollars, unless otherwise noted)

The following table sets forth certain non U.S. generally accepted accounting principles (GAAP) financial metrics identified in bold as Earnings before items , Earnings before items per diluted share , EBITDA , EBITDA margin , EBITDA before items , EBITDA margin before items , Free cash flow , Net debt to total capitalization. Management believes that the financial metrics presented are frequently used by investors and are useful to evaluate our ability to service debt and our overall credit profile. Management believes these metrics are also useful to measure the operating performance and benchmark with peers within the industry. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

The Company calculates Earnings before items and EBITDA before items by excluding the after tax (pre tax) effect of items considered by management as not reflecting our current operations. Management uses these measures, as well as EBITDA and Free cash flow, to focus on ongoing operations and believes that it is useful to investors because it enables them to perform meaningful comparisons between periods. Domtar believes that using this information along with Net earnings provides for a more complete analysis of the results of operations. Net earnings and Cash flow provided from operating activities are the most directly comparable GAAP measures.

	2011	2012	2013	
Reconciliation of Earnings before items to Net earnings				
Net earnings	(\$)	365	172	91
(+) Impairment and write down of PP&E ¹ and intangible assets	(\$)	53	9	17
(+) Closure and restructuring costs	(\$)	33	20	13
() Net (gains) losses on disposals of PP&E ¹ and sale of business	(\$)	(3)	1	2
(+) Impact of purchase accounting	(\$)	1	1	2
(+) Reversal of alternative fuel tax credits	(\$)			18
() Cellulose biofuel producer credits	(\$)			(33)
(+) Loss on repurchase of long term debt	(\$)	3	30	2
(+) Weston litigation settlement	(\$)			46
(=) Earnings before items	(\$)	452	233	158
(/) Weighted avg. number of common and exchangeable shares outstanding (diluted)	(millions)	40.2	36.1	33.4
(=) Earnings before items per diluted share	(\$)	11.24	6.45	4.73
Reconciliation of EBITDA and EBITDA before items to Net earnings				
Net earnings	(\$)	365	172	91
(+) Equity loss, net of taxes	(\$)	7	6	1
(+) Income tax expense (benefit)	(\$)	133	58	(20)
(+) Interest expense, net	(\$)	87	131	89
(=) Operating income	(\$)	592	367	161
(+) Depreciation and amortization	(\$)	376	385	376
(+) Impairment and write down of PP&E ¹ and intangible assets	(\$)	85	14	22
() Net (gains) losses on disposals of PP&E ¹ and sale of business	(\$)	(6)	2	4
(=) EBITDA	(\$)	1,047	768	563
(/) Sales	(\$)	5,612	5,482	5,391
(=) EBITDA margin	(%)	19%	14%	10%
EBITDA	(\$)	1,047	768	563
(+) Reversal of alternative fuel tax credits	(\$)			26
(+) Closure and restructuring costs	(\$)	52	30	18
(+) Impact of purchase accounting	(\$)	1	1	2
(+) Weston litigation settlement	(\$)			49
(=) EBITDA before items	(\$)	1,100	799	658
(/) Sales	(\$)	5,612	5,482	5,391
(=) EBITDA margin before items	(%)	20%	15%	12%
Reconciliation of Free cash flow to Cash flow provided from operating activities				
Cash flow provided from operating activities	(\$)	883	551	411
() Additions to PP&E ¹	(\$)	(144)	(236)	(242)
(=) Free cash flow	(\$)	739	315	169

1 PP&E: Property, plant and equipment

		2011	2012	2013
(continued)				
Net debt to total capitalization computation				
Bank indebtedness	(\$)	7	18	15
(+) Long term debt due within one year	(\$)	4	79	4
(+) Long term debt	(\$)	837	1,128	1,510
(=) Debt	(\$)	848	1,225	1,529
() Cash and cash equivalents	(\$)	(444)	(661)	(655)
(=) Net debt	(\$)	404	564	874
(+) Shareholders' equity	(\$)	2,972	2,877	2,782
(=) Total capitalization	(\$)	3,376	3,441	3,656
Net debt	(\$)	404	564	874
(/) Total capitalization	(\$)	3,376	3,441	3,656
(=) Net debt to total capitalization	(%)	12%	16%	24%

Earnings before items, Earnings before items per diluted share, EBITDA, EBITDA margin, EBITDA before items, EBITDA margin before items, Free cash flow

Net debt and Net debt to total capitalization have no standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation or as a substitute for Net earnings, Operating income or any other earnings statement, cash flow statement or balance sheet financial information prepared in accordance with GAAP. It is important for readers to understand that certain items may be presented in different lines by different companies on their financial statements thereby leading to different measures for different companies.

Reconciliation of Non GAAP Financial Measures By Segment

(In millions of dollars, unless otherwise noted)

The following table sets forth certain non U.S. generally accepted accounting principles (GAAP), financial metrics identified in bold as Operating income (loss) before items, EBITDA before items and EBITDA margin before items by reportable segment. Management believes that the financial metrics presented are frequently used by investors and are useful to measure the operating performance and benchmark with peers within the industry. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

The Company calculates the segmented Operating income (loss) before items by excluding the pre tax effect of items considered by management as not reflecting our ongoing operations. Management uses these measures to focus on ongoing operations and believes that it is useful to investors because it enables them to perform meaningful comparisons between periods. Domtar believes that using this information along with Operating income (loss) provides for a more complete analysis of the results of operations. Operating income (loss) by segment is the most directly comparable GAAP measure.

	Pulp and Paper ¹			Personal Care ²			Corporate			
	2011	2012	2013	2011	2012	2013	2011	2012	2013	
Reconciliation of Operating income (loss) to Operating income (loss) before items										
Operating income (loss)	(\$)	581	330	171	7	45	43	4	(8)	(53)
(+) Impairment and write down of PP&E and intangible assets	(\$)	85	14	20			2			
() Net (gains) losses on disposals of PP&E ³ and sale of business	(\$)		2	10				(6)		(6)
(+) Reversal of alternative fuel tax credits	(\$)			26						
(+) Weston litigation settlement	(\$)									49
(+) Closure and restructuring costs	(\$)	52	29	10		1	2			6
(+) Impact of purchase accounting	(\$)				1	1	2			
(=) Operating income (loss) before items	(\$)	718	375	237	8	47	49	(2)	(8)	(4)
Reconciliation of Operating income (loss) before items to EBITDA before items										
Operating income (loss) before items	(\$)	718	375	237	8	47	49	(2)	(8)	(4)
(+) Depreciation and amortization	(\$)	372	365	345	4	20	31			
(=) EBITDA before items	(\$)	1,090	740	582	12	67	80	(2)	(8)	(4)
(/) Sales	(\$)	5,542	5,088	4,843	71	399	566			
(=) EBITDA margin before items	(%)	20%	15%	12%	17%	17%	14%			

Operating income (loss) before items, EBITDA before items and EBITDA margin before items have no standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation or as a substitute for Operating income (loss) or any other earnings statement, cash flow statement or balance sheet financial information prepared in accordance with GAAP. It is important for readers to understand that certain items may be presented in different lines by different companies on their financial statements thereby leading to different measures for different companies.

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1 On May 31, 2013, the Company acquired Xerox's paper print and media products assets in the United States and Canada.

2 On July 1, 2013, the Company acquired 100% of the shares of Associated Hygiene Products LLC.

On May 1, 2012, the Company acquired 100% of the shares of EAM Corporation.

On March 1, 2012, the Company acquired 100% of the shares of Attends Healthcare Limited.

On September 1, 2011, the Company acquired 100% of the shares of Attends Healthcare Inc.

3 PP&E: Property, plant and equipment

Shareholder Information

Dividend policy

Subject to approval by its Board of Directors, Domtar pays a quarterly dividend on its common stock

(NYSE: UFS) (TSX: UFS) and on its exchangeable shares (TSX: UFX).

Dividend history

Year ended 2013

Declared	Record Date	Payable Date	Amount
October 30, 2013	December 13, 2013	January 15, 2014	US\$0.55
July 31, 2013	September 13, 2013	October 15, 2013	US\$0.55
May 1, 2013	June 14, 2013	July 15, 2013	US\$0.55
February 20, 2013	March 15, 2013	April 15, 2013	US\$0.45

Shareholder Services

For shareholder-related services, including estate settlement, lost stock certificates, change of name or address, stock transfers, and duplicate mailings, please contact the transfer agent at:

Computershare Investor Services

Computershare

P.O. BOX 30170

College Station, TX 77845-3170

Toll free: 1-877-282-1168

Outside the U.S.: 1-781-575-2879

Stock Exchange

information

Domtar Corporation common stock is traded on the New York Stock Exchange and on the Toronto Stock Exchange under the symbol UFS. Domtar (Canada) Paper Inc. exchangeable shares are traded on the Toronto Stock Exchange under the symbol UFX.

Requests for information

For additional copies of the Annual Report or other financial information, please contact:

Investor Relations Department

Domtar Corporation

395 de Maisonneuve Blvd. West

Montreal, QC

Canada H3A 1L6

Tel.: 514-848-5555

2014 Tentative

Earnings Calendar

First Quarter:

Thursday, April 24, 2014

Second Quarter:

Thursday, July 24, 2014

Third Quarter:

Thursday, October 23, 2014

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Web site:

www.computershare.com/investor

Canadian stockholders should

contact the transfer agent at:

Computershare Investor

Services Inc.

100 University Ave., 8th Floor

Toronto, ON

Canada M5J 2Y1

Toll free: 1-866-245-4053

www.investorcentre.com/service

Voice Recognition:

Investor Relations

Email: ir@domtar.com

Web site

www.domtar.com

Electronic versions of this

Annual Report, SEC filings, and

other Company publications are

available through the corporate

Web site.

Fourth Quarter:

Friday, February 6, 2015

Annual Meeting

Domtar Annual Meeting

of Stockholders

April 30, 2014, Montreal, Quebec

Montreal Museum of Fine Arts

Claire and Marc Bourgie Pavilion

1339 Sherbrooke Street West

Montreal, QC

Canada H3G 1J5

Production Notes

Domtar is pleased to make
an annual contribution
of \$350,000 to WWF from
the sale of FSC® Certified
EarthChoice® products.

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Cover printed on 80 lb. Cougar® Cover,

Smooth Finish.

Insert printed on 60 lb. Cougar® Text,

Smooth Finish.

Cover and insert printed with UV inks on a Heidelberg

Speedmaster CD 102 press 6-color units with in line coater and full inter-deck and end of press extended delivery UV drying systems.

Learn about the social and environmental

impacts of Domtar products at

domtarpapertrail.com

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(also known as World Wildlife Fund).

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