

Domtar Inc.

Annual Report

1979

PULP & PAPER PRODUCTS

- Fine Papers*
- Newsprint & Groundwood Specialties*
- Pulp*
- Woodlands*
- Envelopes*

PACKAGING

- Kraft Paper & Board*
- Corrugated Containers*
- Composite Cans*
- Specialty Papers*

CONSTRUCTION MATERIALS

- Gypsum*
- Roofing*
- Insulation*
- Masonry*
- Arborite® Products*

CHEMICALS

- Specialty Chemicals & Coal Tar Derivatives*
- Lime*
- Sifto® Salt*
- Wood Preserving*

DEVELOPMENT

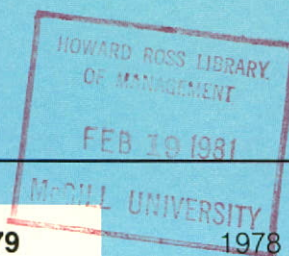
- Gas Exploration*

DOMTAR
®

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Highlights



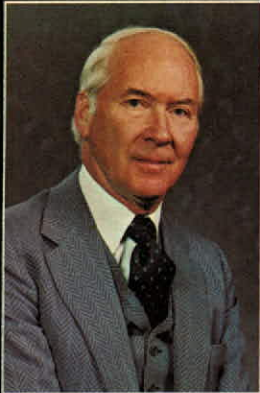
For the year

	1979	1978
In millions —		
Sales	\$ 1,495	\$ 1,241
Net earnings	\$ 98	\$ 63
Cash flow from operations	\$ 164	\$ 123
Capital investments — existing businesses	\$ 93	\$ 41
— new businesses	\$ 67	\$ 33
Per common share—		
Earnings	\$ 6.57	\$ 4.23
Dividends	\$ 1.80	\$ 1.10
Cash flow from operations	\$ 11.01	\$ 8.26
Return on capital employed (note 1)	14.8%	11.1%
Return on common shareholders' equity (note 2)	23.3%	17.5%
Common shares —		
Market Price (Toronto Stock Exchange)		
— High	\$ 29.25	\$ 24.88
— Low	\$ 22.38	\$ 14.00
Trading volume — Canada (note 3)	3,772,000	2,462,000
— United States (note 4)	2,229,000	101,000
At year end		
Debt/equity ratio	26:74	31:69
Book value per common share	\$ 30.54	\$ 25.78

Notes:

1. "Return on capital employed" is defined as net earnings plus minority interest and funded debt interest after tax as a percentage of the average of total assets less current liabilities.
2. "Return on common shareholders' equity" is defined as net earnings less preferred dividends as a percentage of the average of the common shareholders' equity.
3. The trading volume in Canada is the sum of the common shares of the Corporation traded on the Toronto, Montreal and Vancouver Stock Exchanges.
4. The trading volume in the United States is the number of common shares of the Corporation traded on the American Stock Exchange.

Directors



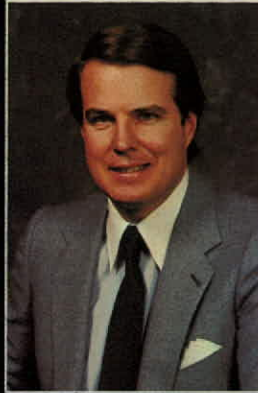
Alex E. Barron,
Toronto,
President, Canadian
General Investments
Limited



Pierre Côté, C.M.,
Québec,
Chairman of the Board,
Celanese Canada Inc.



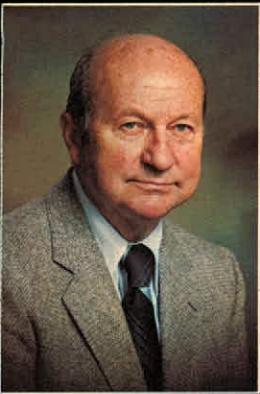
H. Roy Crabtree,
Montréal,
Chairman and President,
Wabasso Inc.



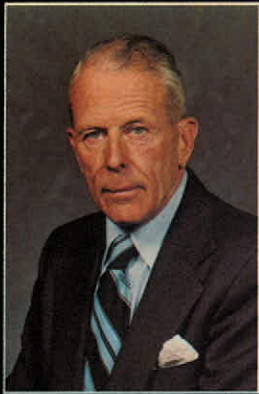
D. Steele Curry,
Calgary,
President, Revelstoke
Companies Ltd.



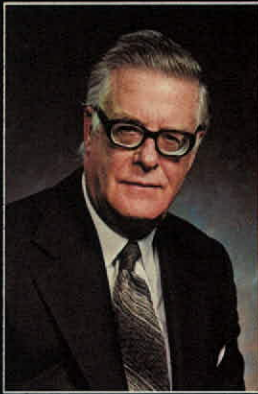
Robert Després, C.M.,
Québec,
President and Chief
Executive Officer,
National Cablevision Ltd.



Roger T. Hager,
Vancouver,
Director, The Canadian
Fishing Company Limited



Alex D. Hamilton,
Montréal,
President and Chief
Executive Officer,
Domtar Inc.



J. G. Kirkpatrick, Q.C.,
Montréal,
Senior Partner in the legal
firm of Ogilvy, Renault



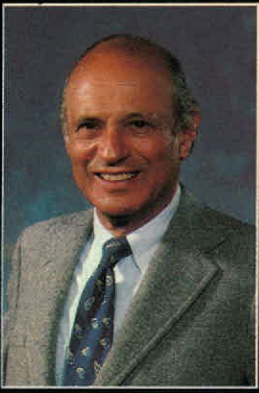
Camille Lacroix,
St. Romuald, Québec,
Chairman, Matapedia
Company Limited



Yves Pratte, Q.C.,
Montréal,
Senior Partner in
the legal firm of
Courtois, Clarkson,
Parsons & Tétrault



J. H. Robertson,
Montréal,
Executive Vice-President,
Domtar Inc.



Arthur Ross,
New York,
Vice Chairman and
Managing Director, Central
National Corporation



Lorne C. Webster,
Montréal,
President,
Prenor Group Ltd.

Report of the Directors to the Shareholders

Net Earnings Rise

Net earnings reached \$6.57 per common share, an increase of 55% over the earnings of \$4.23 per share in 1978. The \$2.34 per share improvement occurred due to:

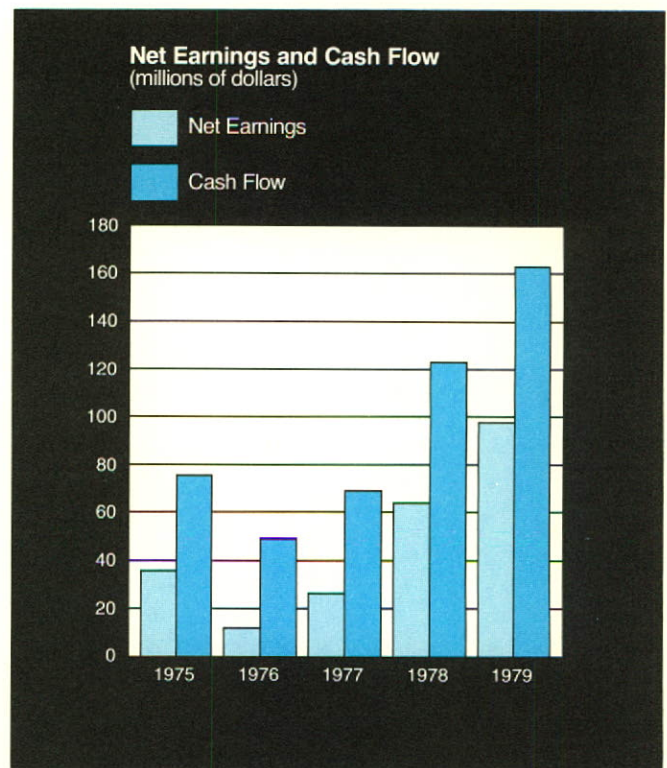
- Better margins resulting from market demand coming into balance with supply for pulp, fine papers, newsprint, linerboard, lime and specialty chemicals.
- Higher sales volume for fine papers arising from capacity added in 1978 and for masonry, particleboard and Cladboard® as capacity was more fully utilized.
- The earnings of Domtar Gypsum America Inc. being included for 12 months versus nine in 1978.

The improvements more than offset:

- Reduced sales volumes of coal tar products and lime due to strikes at plants of customers.
- Lower sales volumes of gypsum and roofing products due to the reduced level of housing starts in Canada.
- Start-up costs associated with the new fire rated ceiling panel plant in Cornwall.
- Lower sales volume of ice control salt due to weather conditions.

Cash Flow and Position

- The cash position at the beginning of the year was \$81 million.
- 1979 cash flow from operations was \$164 million.
- 1979 funds spent totalled \$197 million, including expenditures of:
 - \$93 million for fixed assets.
 - \$67 million for businesses acquired, excluding working capital.
 - \$27 million for dividends.
- The cash position at the end of the year was \$39 million.

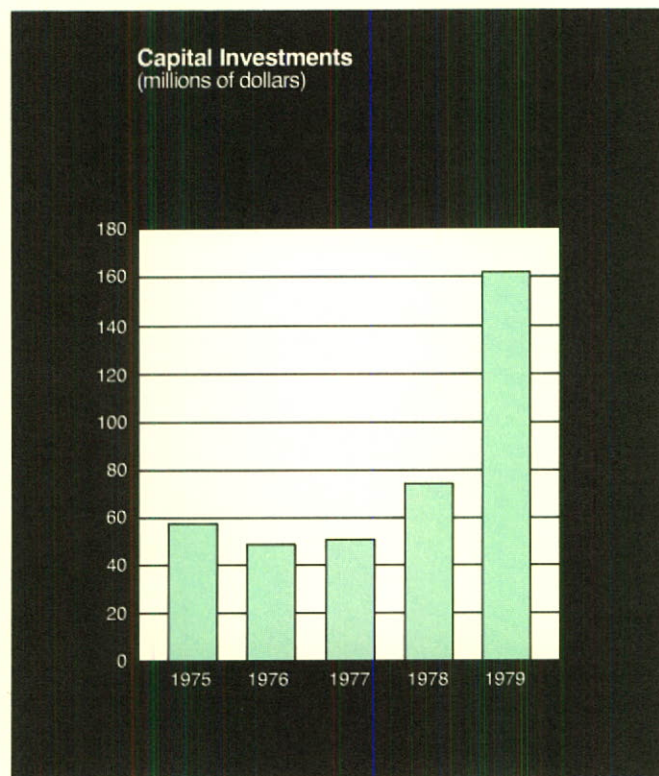


Fixed Asset Expenditures

The major expansion programs included in the \$93 million outlay were:

- A gypsum wallboard plant serving Ontario and the Northeastern United States. A new wallboard plant has been built beside the existing one over the gypsum mine at Caledonia, Ontario. The new plant has doubled the capacity of the existing facility and is designed to be as efficient as any in its market area of Eastern North America.
- Gypsum wallboard plants serving the West coast of the United States and Canada. Domtar Gypsum America is increasing the production of its two wallboard plants near Los Angeles and San Francisco by some 30%. Its paper mill near San Francisco which produces paper for wallboard is being expanded.
- A new ship was purchased. When converted in 1980, it will be the world's largest gypsum ore carrier. It will transport ore from Mexico to the wallboard plants of Domtar and its customers located on the West Coast.
- A new plant at Cornwall, Ontario is now producing fire rated ceiling panels for the Canadian market.
- Lumber mills supplying Eastern Canada, the Northeastern United States and the United Kingdom. The lumber mills at Girardville and Mistassini, Québec — associated with the Dolbeau newsprint mill — have been substantially modernized.
- A lime plant serving the Northeastern United States. The expansion program at the lime plant in Bellefonte, Pennsylvania includes kiln improvements, pollution control equipment and mine expansion.

In addition to expansions, 1979 expenditures included programs to reduce costs and to improve operating efficiencies.



Acquisitions and New Businesses

\$67 million was spent on:

- The purchase of three corrugated container plants and a linerboard mill in Toronto and a waste fibre recycling operation from Reed Ltd. — \$22 million.
- A 10% interest in a major land acquisition program for the exploration of natural gas and oil in Northern Alberta and British Columbia, with Canadian Hunter Exploration Ltd., a subsidiary of Noranda Mines Limited — \$10 million.
- The purchase of 25% of the interest of Agnew Lake Mines Limited in the Canadian Hunter joint venture for the exploration of natural gas and oil in Northern Alberta and British Columbia. This acquisition gives Domtar a participation of about 3% in the total venture. About half the \$35 million price is for proven and probable reserves, a major portion of which is in gas purchase contract areas.

Dividends Maintained

- Quarterly dividends of \$0.45 on the common shares — \$1.80 applicable to 1979 — were declared, continuing the policy introduced in 1978. The annual dividend of \$1.00 on the preference shares was declared as in previous years.

Share Purchase Plan

- 134 Québec employees purchased 14,058 treasury shares at the market price of \$23 each through a share purchase plan which was introduced in November as a result of new tax legislation in that province.

Outlook for 1980

- The level of growth of North American economies in 1980 is unusually uncertain and any weakness in them will adversely affect Domtar's businesses to varying degrees. The rejection of the separatist option by the citizens of Québec will improve the economic climate in Québec and Canada and be favourable to the Corporation.
- The downside risk to earnings relates to a higher valued Canadian dollar, supply-demand imbalances, low housing starts, cost inflation outpacing potential price increases, and labour negotiations affecting nearly all divisions of the Packaging and Pulp & Paper Products Groups.
- Positive factors include: Pulp and paper inventories are low worldwide; Domtar's current capital investment program should further improve efficiencies and expand volume; and the start-up problems of the ceiling panel and particleboard plants should be over.
- 34% of the sales of the Pulp & Paper Products Group and 4% of the sales of the other groups are exported to the United States. In addition, the Corporation has operating subsidiaries in that country. Excluding translation gains and losses on converting balance sheet accounts, a one cent change in the United States - Canada exchange rate affects net earnings by approximately \$1.5 million.

Report of the Directors to the Shareholders

Capital Expenditure Program

Domtar is planning to spend some \$366 million on capital investments during 1980-81 of which \$243 million has been authorized by the Board. The major authorized projects include:

- More salt capacity — The Goderich, Ontario mine is to be expanded by 50%. The Cote Blanche, Louisiana mine is to be renovated to allow higher production levels.
- Cost reduction and pollution abatement programs for newsprint and linerboard:
 - A new recovery furnace for the Red Rock, Ontario linerboard and newsprint mill will reduce energy costs and abate pollution.
 - Phase II of the conversion to refiner-mechanical pulping at the Donnacona, Québec newsprint and groundwood specialties mill.
- A modernization program for the Cornwall fine papers mill and the Trenton, Ontario corrugating medium mill. These two mills and the one at Red Rock, Ontario are included in the Ontario and federal governments' assistance program under which \$16 million is expected to be received.
- More pulp capacity — A high density pulp storage tank at Lebel-sur-Quévillon, Québec will improve operating efficiency, increasing production by 10,000 tons annually.
- An expanded and modernized corrugated container plant at Winnipeg.
- More gypsum wallboard capacity — A new plant will be built at Tacoma, Washington and the capacity of the plant at Surrey, near Vancouver, British Columbia will be expanded by 30%.
- Gas exploration and development in the Canadian Hunter joint venture.

Financing

- To finance the above capital expenditures, major long term debt and equity financing will be undertaken in 1980.

Long Term Goals

- As stated in the 1978 Annual Report, Domtar will continue to upgrade its product mix and channel its investment to Canadian and United States businesses which are:
 - cost competitive in their markets.
 - potentially profitable taking into account current trends in energy costs, tariff policies and foreign exchange rates.
 - growing at least with the general economy.
 - enjoying customer acceptance and a prime market position.
- The major moves in 1979 to achieve these goals included:
 - concentration on certain fine paper and groundwood specialty products which are best produced in volume and high quality by Domtar.
 - doubling the strategic investment and capacity in the growing West Coast gypsum business.
 - acquiring from Reed Ltd. the corrugated container plants and linerboard mill, which are now considered cost-competitive.
 - investing in what is expected to be a major North American natural gas field — the Alberta - British Columbia "Deep Basin" — through the Canadian Hunter joint venture.
- Domtar is also pursuing the possibility of further diversification via acquisitions.

Board of Directors

Early in 1979, Messrs. D. Steele Curry of Calgary, the President of Revelstoke Companies Ltd., and Joseph H. Robertson, Executive Vice-President of Domtar Inc., were elected to fill the two vacancies on the Board of Directors.

In January 1980, Messrs. Roger Létourneau, Q.C., LL.D., of Québec and Maxwell C.G. Meighen, O.B.E., of Toronto asked to retire as Directors. The Board, which has regretfully accepted their resignations, wishes to thank them for the significant contribution which they made to the Corporation during their tenure. To fill one of these vacancies, Mr. Yves Pratte, Q.C., of Montréal was appointed to the Board.

Appreciation

Special appreciation and thanks are expressed by the Directors to the more than 18,000 Domtar employees without whose hard work, skill and dedication the Corporation's outstanding earnings performance in 1979 could not have been achieved.

On behalf of the Board

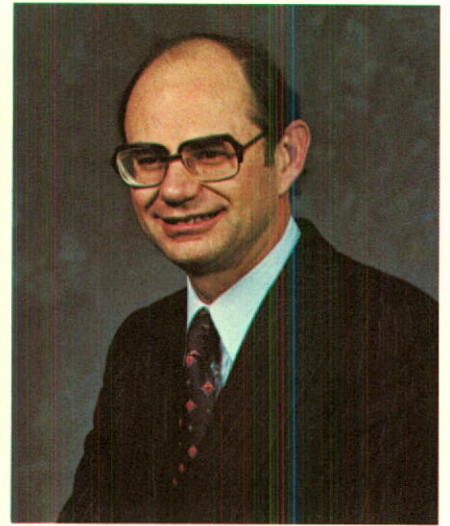


Alex. E. Barron
Chairman of the Board



Alex. D. Hamilton
President and Chief Executive Officer





PULP & PAPER
PRODUCTS GROUP
President
R. R. Pinard

Five Year Review Segmented Information

(millions of dollars)

	1979		1978	1977	1976	1975
	% of Domtar Total	\$	\$	\$	\$	\$
Net sales						
Newsprint and groundwood specialties	12.2	181.8	160.8	121.9	115.3	109.6
Woodlands and Lumber	2.6	40.1	38.5	18.7	6.4	4.3
Pulp	4.5	67.6	61.7	68.0	57.9	57.3
Envelopes	0.8	11.9	10.1	9.2	—	—
Fine Papers	28.5	425.8	321.1	265.5	209.2	189.8
	<u>48.6</u>	<u>727.2</u>	<u>592.2</u>	<u>483.3</u>	<u>388.8</u>	<u>361.0</u>
Operating profit (loss)	51.6	95.5	46.1	11.3	(10.7)	18.7
Identifiable assets	40.8	399.0	365.0	369.6	350.8	307.4

Domtar Pulp & Paper Products

Overall Group

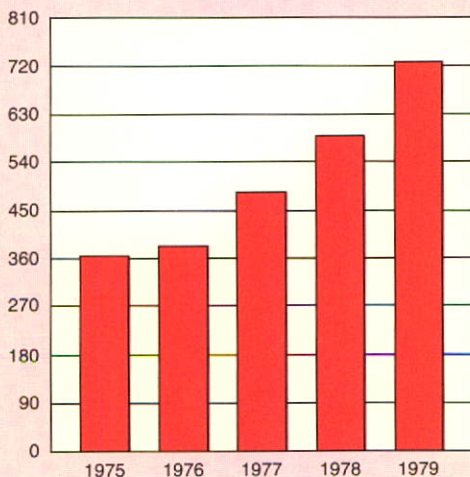
- In 1979, like 1978, the North American pulp and paper industry operated at close to practical maximum capacity, with increases in capacity lagging well behind growth in demand. The Canadian industry also benefitted throughout 1979 from an exchange rate against the United States dollar which favoured domestic and export sales.
- Sales for the Pulp & Paper Products Group at \$727 million, exceeded the 1978 level by 23%. The improvement in performance was due to higher selling prices, increased capacity, greater demand and increased revenues resulting from a further decline in the value of the Canadian dollar.
- Operating profit in 1979 reached \$96 million, exceeding 1978 by \$50 million. For the first time since 1974, the Group's profits reached levels considered to be adequate to provide funds for financing of capital expenditures and inflationary increases in working capital.
- At year end, pulp and paper operations were still experiencing strong demand. World inventory levels were generally low going into 1980.
- Labour relations continue to be excellent throughout the Group.

- Significant progress was made on incentive programs initiated in earlier years by Québec, Ontario and federal government agencies to encourage modernization and improvements in the competitive position of the Canadian pulp and paper industry. In Ontario, the Pulp & Paper Products Group, together with the Packaging Group, entered into a five-year modernization and pollution abatement capital expenditure program with the assistance of the Ontario and Canadian governments. A similar program is being concluded in Québec.

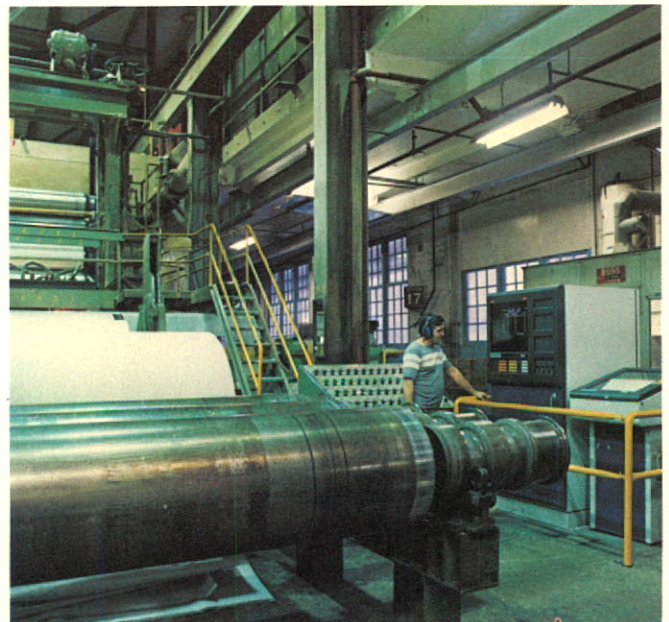
Newsprint and Groundwood Specialties — DOMTAR NEWSPRINT

- The demand for all products of the Newsprint division continued strong throughout 1979, assuring mill operations at capacity. Exchange rates were favourable. Operating profits rose significantly above the 1978 level.
- Engineering began on a \$7 million, 125 tons per day refiner-mechanical pulping installation for the Donnacona, Québec mill. This project is part of a longer term plan to convert the mill's fibre supply for papermaking to 100% refiner-mechanical pulp.

Pulp & Paper Products Sales
(millions of dollars)



In the Dolbeau, Québec mill of Domtar Newsprint, a newly installed computer enables production on two newsprint machines to be controlled to rigorous tolerances.



Domtar **Pulp & Paper Products**

Woodlands and Lumber — **DOMTAR FOREST PRODUCTS**

- The demand for lumber was strong, reaching a peak in late September. Pricing records were established for random length lumber but pricing for studs was little changed from 1978. Primarily as a result of a reduction in housing activity in the United States, lumber prices deteriorated rapidly in the fourth quarter. During 1979, major investment programs were undertaken at the Mistassini and Girardville, Québec sawmills to rationalize production facilities so as to reduce labour costs and improve the efficiency of lumber recovery.
- With the pulp and paper industry operating at capacity in 1979, wood fibre supply in Eastern Canada was tight. However, all Domtar mills had an adequate supply of wood throughout the year. To offset increasing fibre cost, more mechanised wood harvesting techniques were developed. Whole tree chips, produced by chipping the whole tree including branches and bark, have been successfully introduced at the Red Rock, Cornwall, Windsor and East Angus mills.

Two-by-four inch studs come off the production line at the Lebel-sur-Quévillon studmill. Domtar Forest Products' four sawmills have an annual capacity of 215 million board feet.



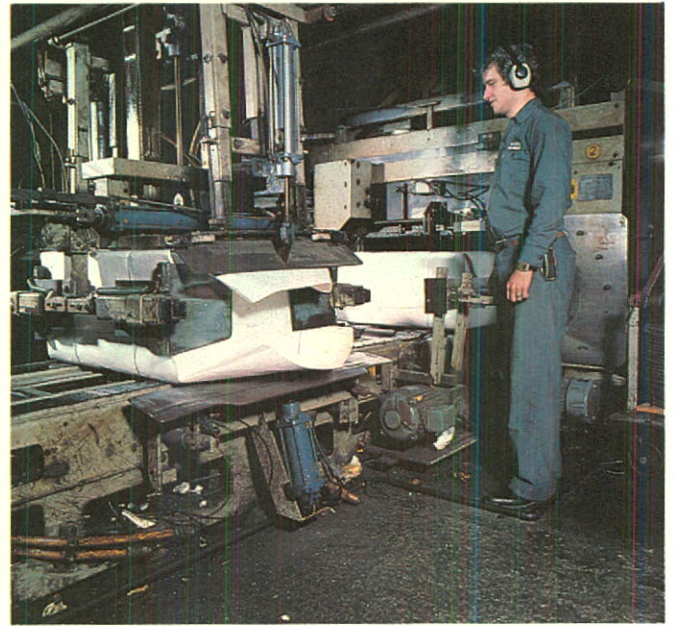
Pulp — **DOMTAR PULP**

- The demand for market pulp was strong throughout the year. Prices, with increases in each quarter, were well above the depressed 1978 levels. World inventories at year end were down to minimum levels. Despite operating problems at the Lebel-sur-Quévillon pulp mill, including a 23-day shutdown due to the failure of the digester, the profitability of the Pulp division improved significantly.
- A \$4.6 million project to increase in-process storage at the Quévillon mill was approved in 1979. When completed in 1981, this project will improve operational efficiency and increase overall mill capacity.

Envelopes — **DOMINION ENVELOPE COMPANY LIMITED**

- Through continued equipment modernization, this subsidiary maintained its leadership position in the industrial and consumer products markets for envelopes and bags and again experienced a profitable year.

Kraft pulp is baled on automated equipment in the Lebel-sur-Quévillon mill of Domtar Pulp before being shipped to other Domtar operations and to buyers around the world.



Fine Papers —
DOMTAR FINE PAPERS

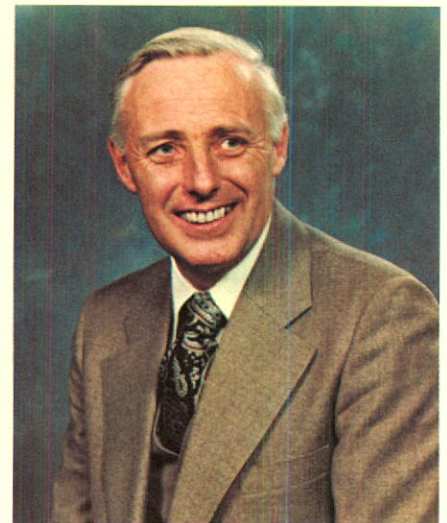
- Demand in all markets was buoyant throughout the year and entering 1980. This strong demand and the low value of the Canadian dollar permitted price increases sufficient to recover much of the rapid increase in wood, labour and energy costs at integrated mills. The strong demand for fine papers and hardwood pulp resulted in capacity operations at Domtar's fine paper and pulp mills. The strong market situation assured that the Canadian merchant group of the Fine Papers division, led by Buntin Reid and McFarlane Son & Hodgson, enjoyed another successful year.
- The Cornwall mill produced record tonnages of paper as the equipment changes made in 1977 and 1978 on Numbers 1 and 7 paper machines began to reach their objectives in 1979.
- Market conditions together with the improved operations resulted in significant profit improvements for Domtar's two integrated Canadian fine paper and pulp mills and its Canadian merchants in 1979. Pulp price increases, however, had a detrimental effect on the profitability of the three non-integrated operations, namely Beauharnois in Québec and Don Valley and St. Catharines in Ontario. These three mills are under extreme cost pressure.
- The current period of favourable exchange rates and strong demand offers the Canadian fine paper industry an opportunity to restructure and improve competitiveness before the recently negotiated tariff reductions take full effect. Most of the Cornwall mill's products would be at present substantially cost-competitive with imports from the United States into the Canadian market even with the Canadian dollar at par and with projected tariff cuts. In 1980, the Fine Papers division will continue to strengthen Cornwall's present competitiveness by means of marketing and investment strategies.
- In the United Kingdom, both the merchant group and the paper mill operated at a profit level substantially improved over 1978 despite difficult economic conditions.

Cornwall Coated Card, developed for a variety of specialty printing uses, is manufactured on Number One machine in the Cornwall, Ontario mill of Domtar Fine Papers.



Cornwall Coated Card is the paper selected by a Cornwall printer to produce thousands of crisp, colourful postcards depicting Canadian scenes.





PACKAGING GROUP
President
J. H. Smith

Five Year Review Segmented Information

(millions of dollars)

	1979		1978	1977	1976	1975
	% of Domtar Total	\$	\$	\$	\$	\$
Net sales						
Kraft papers	3.1	46.1	38.8	20.7	22.8	20.1
Corrugated containers and containerboard	11.9	178.0	123.2	108.5	104.8	81.7
Composite cans	1.1	15.9	12.0	11.5	10.6	8.5
Specialty papers	0.9	14.0	13.3	11.3	11.4	10.1
Converted papers	—	—	—	23.7	35.6	36.1
	<u>17.0</u>	<u>254.0</u>	<u>187.3</u>	<u>175.7</u>	<u>185.2</u>	<u>156.5</u>
Operating profit	13.9	25.7	18.4	12.8	11.3	7.5
Identifiable assets	16.0	156.3	114.1	110.2	126.6	124.8

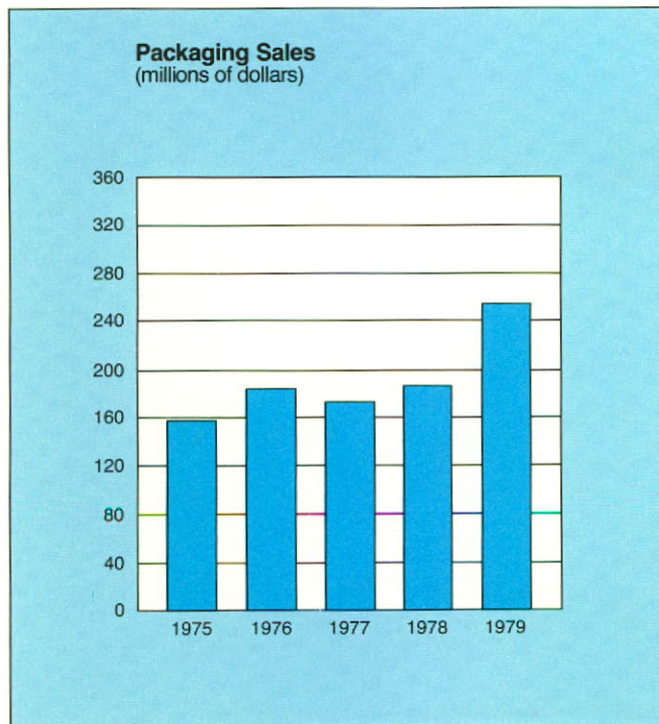
Domtar Packaging

Overall Group

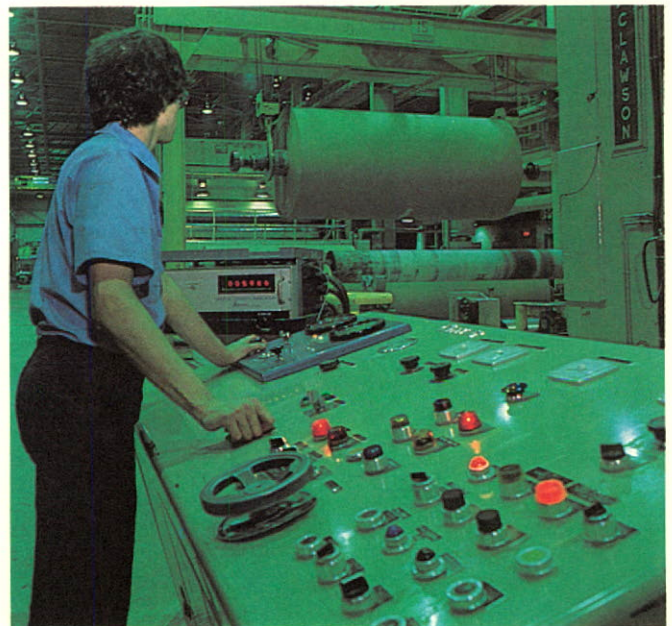
- Sales increased by 36% to \$254 million from the 1978 level of \$187 million. The growth resulted from strong markets for all product lines and the expansion of productive facilities through the acquisition in March of three corrugated container plants, a linerboard mill and associated recycling operations. Operating profit in 1979 increased by 40% to \$26 million.
- The Group's 17 plants and 4 primary mills operated at close to capacity throughout the year.
- Despite two strikes of relatively brief duration, labour relations were generally excellent.
- Significantly rising manufacturing costs, particularly for such raw materials as waste fibre, were offset by expanded production volume and price increases.

Kraft Papers

- Demand for kraft papers kept production at capacity throughout 1979.
- As a result of certain competitors announcing their withdrawal from production of these grades, Domtar is in a position to rationalize its product line further and thus improve its profitability.
- Domtar continues to develop its position in the specialty kraft papers market, both in Canada and the United States.



Domtar Packaging's mill in Mississauga, Ontario, produces from recycled fibre 260 tons a day of linerboard used in the manufacture of shipping containers.



Domtar Packaging

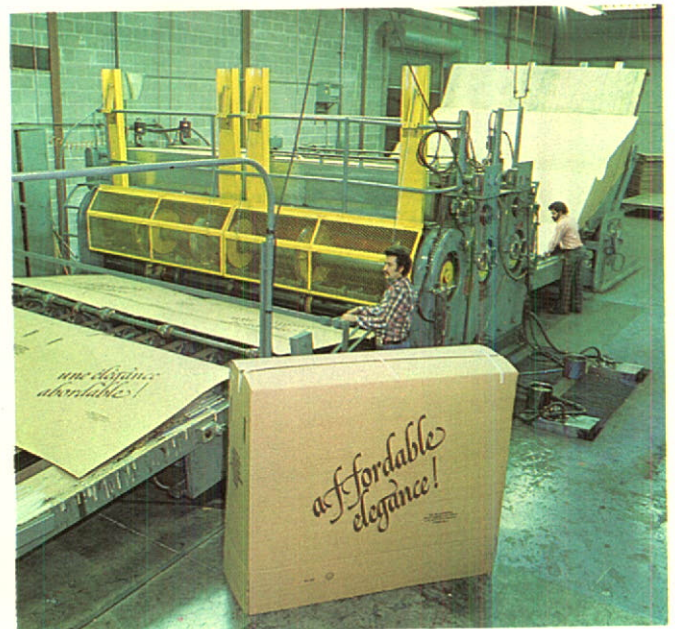
Corrugated Containers & Containerboard

- Growth of the Canadian corrugated container industry continued to outstrip that of the general economy.
- Growth in sales of containerboard resulted from higher demand and the addition in March of the Mississauga linerboard mill and the recycling division.
- The Mississauga mill uses recycled fibre for the production of linerboard with quality advantages which suit it for use as the liner of corrugated containers.
- Due in part to the addition in March of three corrugated container plants, the Group increased its overall share of the Canadian market to 24%. These three plants added 32% to productive capacity, an increase of 1.4 billion square feet to 6.0 billion square feet.
- All corrugating medium and 84% of the linerboard produced by the Group are consumed by its own corrugated container facilities.
- The continued high demand for linerboard, corrugating medium and corrugated containers during 1979 resulted in an appreciable increase in the overall operating profit of this major business line.

The Mississauga linerboard mill annually converts 90,000 tons of waste paper into 80,000 tons of product. Domtar is Canada's largest user of recycled fibre.



Giant press at the Keele Street, Toronto corrugated container plant is used for printing containers for protecting clothing during shipment.



Composite Cans

- There are four major product applications — for automotive oils, juice concentrates, household cleansers and powdered drinks.
- Composite Can division had its most successful year on record.
- In November, Domtar sold a 49% interest in the division to Sonoco International, Inc. of Hartsville, South Carolina. The division is now in a position to avail itself of Sonoco's extensive technology developed for world markets and exploit fast moving changes in markets, products and product design in Canada. Domtar will continue to provide all management services and personnel for the division.

Specialty Papers

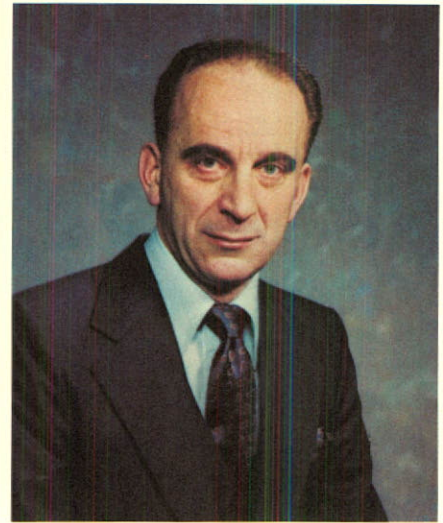
- This business consists of five product lines:
 - Plain and reinforced gummed tapes.
 - Vapowrap.
 - Photocopy paper.
 - Electrostatic offset plates.
 - Other coated papers.
- Increased profits were generated in 1979, reflecting improved markets throughout virtually all of its varied product lines.
- Major growth potential continues to be in the expansion of its electrostatic reprographics business.
- Exports accounted for approximately 20% of sales.

Paper-metal containers for a range of consumer products are inspected before shipment from the warehouse of the Chatham, Ontario plant of the Composite Can division.



Printing reprographic master plates on automated equipment is a developing business line at the Dorval, Québec plant of Eastern Coated Papers Limited, a Domtar subsidiary.





CONSTRUCTION
MATERIALS GROUP
President
N. B. Dephoure

**Five Year Review
Segmented Information**

(millions of dollars)

	1979		1978	1977	1976	1975
	% of Domtar Total	\$	\$	\$	\$	\$
Net sales						
Gypsum — Canada	4.2	62.4	60.0	46.3	38.1	38.6
— Domtar						
Gypsum America	5.1	76.4	49.8	—	—	—
Total Gypsum	9.3	138.8	109.8	46.3	38.1	38.6
Arborite®, Fibreglas (*) in- sulation and masonry	7.4	111.1	104.2	89.0	72.1	66.7
Roofing, fibre and ceiling tiles	4.8	71.3	67.0	62.1	61.8	54.8
	<u>21.5</u>	<u>321.2</u>	<u>281.0</u>	<u>197.4</u>	<u>172.0</u>	<u>160.1</u>
Operating profit	17.9	33.1	26.3	11.2	11.0	16.8
Identifiable assets	18.4	179.3	143.8	85.9	82.9	83.5

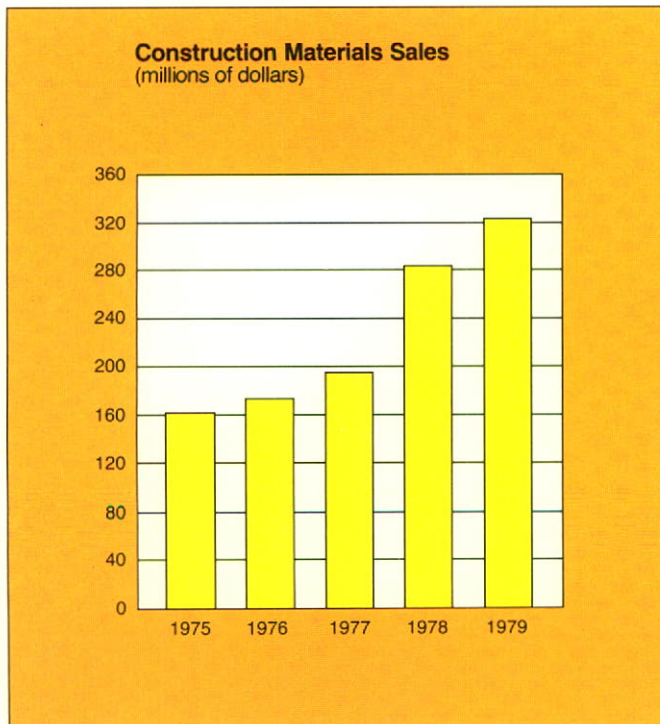
Domtar Construction Materials

Overall Group

- Sales totalled \$321 million or 14% above the 1978 level. Operating profit rose to \$33 million compared to \$26 million in the prior year. These increases are attributable to a full year's contribution from Domtar Gypsum America in California against only nine months in 1978.
- Housing starts in Canada at 197,000 units were at their lowest level in the past seven years. Sharp increases in mortgage rates alarmed builders and potential buyers alike. Although not as adversely affected, housing completions declined 10% below 1978 levels. In Eastern Canada, increased commercial and industrial construction was offset by a marked decline in institutional building. In Western Canada, all segments of building construction showed continued vigour.
- In the market served by Domtar Gypsum America, housing starts in 1979 are estimated to range from 185,000 to 200,000. This is down from the 1978 level of 244,000 due to high mortgage rates and the impact of inflation on the price of residential housing. However, this low level of housing starts barely meets the base needs of the market and will have to rise in the future to satisfy pent-up demand.

Arborite® Products

- The financial performance of the particleboard and Cladboard® decorative laminate plant in Huntsville, Ontario was greatly improved during the year. These results are attributable to greater production and market penetration of Cladboard® products, the marketing of which was facilitated by the opening of a sales office in Atlanta, Georgia.
- Better results were also recorded for Arborite® decorative and industrial laminates. In the case of decorative laminates, the improvement was due to cost reductions resulting from greater productivity and better utilization of raw materials.



The popularity of Arborite® decorative laminates continues in a variety of decorative and architectural settings in household and industrial applications.



Domtar Construction Materials

Fiberglas(*) Insulation

- Despite improved market penetration and the firm demand for upgrading the insulation of older buildings to conserve energy, reduced construction activity resulted in lower unit sales of Fiberglas (*) building insulation.

Masonry Products

- Profits improved through firm manufacturing cost control and strong market position. The introduction of new products aided by a vigorous advertising support program increased sales in a relatively slow market.
- A derailment in November and resultant fire and explosions one half-mile from the Mississauga, Ontario brick plant curtailed production at that location. However, effective and courageous action by plant personnel to protect production facilities minimized the potentially serious consequences.

Higher building standards and the upgrading of older buildings for energy conservation continue to stimulate sales of Fiberglas () building insulation.*



Attractive appearance, economy and durability of bricks manufactured by the Masonry division account for their extensive use in Canada's construction industry.



Roofing, Fibre and Ceiling Tiles

- Earnings increased marginally over 1978 levels due to productivity improvements resulting from the capital expenditure program. However, the industry was beset by strikes in 1979 and the Burnaby, British Columbia roofing plant was closed for five months. Strong demand from the Prairies and export markets caused Domtar's other roofing product plants to operate at close to capacity. The Thorold, Ontario felt mill attained record production levels.
- Deficiencies in process and mechanical equipment marred the start-up of the fire rated ceiling panel plant at Cornwall, Ontario and resulted in significant financial losses.

Because of their appearance, durability and ease of application, Domtar's asphalt roofing shingles are the choice of countless Canadian homeowners.



Gypsum —
CANADIAN OPERATIONS

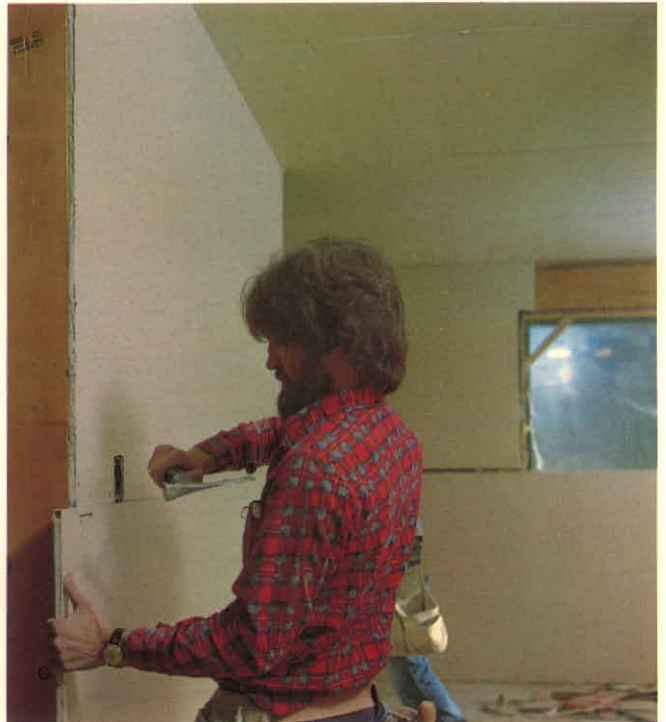
- Overall gypsum board shipments fell by 3%. The Canadian housing market slackened. Although shipments to the Northeastern and Northwestern United States increased, they were also below expectations. Demand was good in Western Canada. The Surrey, British Columbia plant achieved a record output.
- Profit margins were lower than the 1978 level.
- The new gypsum wallboard plant at Caledonia, Ontario went into production in early 1980. A 30% expansion of capacity at the Surrey, British Columbia plant is to be completed by the end of 1980.

Gypsum —
DOMTAR GYPSUM AMERICA

- Operations continued at capacity, resulting in record levels of sales and operating profit. The extremely satisfactory performance was due to the strength of all markets served by this company and to production improvements arising from its capital investment program.
- Productive capacity of the gypsum wallboard plants in the San Francisco and Los Angeles areas is being increased by 30%. The recycled paper mill near San Francisco which services the gypsum wallboard plants is being similarly expanded.
- Construction was announced of a new gypsum wallboard plant at Tacoma, Washington, capable of producing 300 million square feet per year. Scheduled to be completed in 1981, the Tacoma plant will enable Domtar Gypsum America to expand its operations northwards into the states of Washington, Alaska and Idaho.

Gypsum wallboard offers versatility and economy in design and application as well as fire resistance and sound control.

Domtar's gypsum wallboard is easy to install, finish and decorate and helps to preserve structural integrity for the life of a building.





CHEMICALS GROUP
President
W. D. Davidson

**Five Year Review
Segmented Information**
(millions of dollars)

	1979		1978	1977	1976	1975
	% of Domtar Total	\$				
Net sales						
Specialty chemicals and coal tar derivatives	3.3	49.0	44.3	35.7	28.8	27.0
Lime	3.0	44.9	40.1	33.4	28.5	21.7
Sifto® salt	4.9	74.0	67.0	56.2	52.2	46.2
Wood preserving	3.2	47.2	42.8	44.5	44.8	51.2
Other	—	—	—	—	2.4	3.3
	<u>14.4</u>	<u>215.1</u>	<u>194.2</u>	<u>169.8</u>	<u>156.7</u>	<u>149.4</u>
Operating profit	16.7	30.9	26.3	20.8	17.6	20.7
Identifiable assets	14.1	137.5	123.8	115.7	101.6	106.6

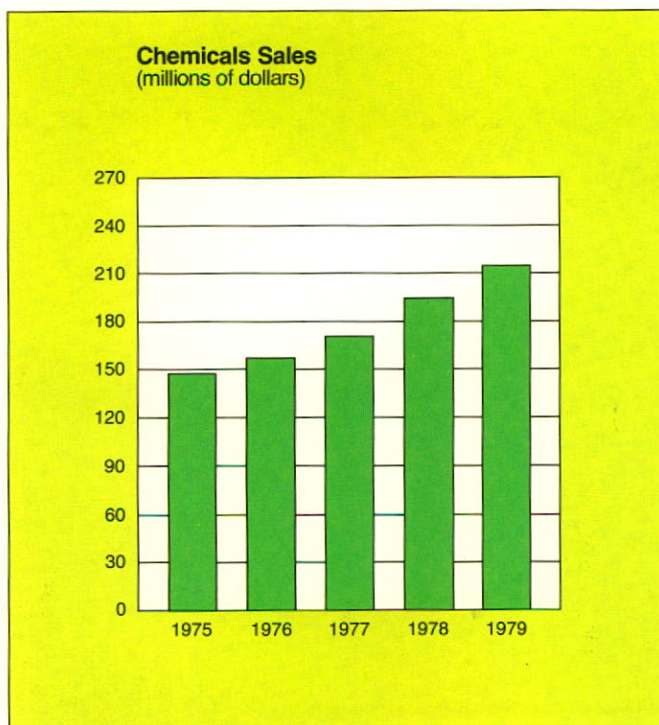
Domtar Chemicals Group

Overall Group

- Sales by the Chemicals Group totalled \$215 million, an 11% increase over those in 1978. Demand was generally buoyant, with the result that operating profit increased by 17% to \$31 million.

Specialty Chemicals and Coal Tar Derivatives — CDC DIVISION

- Cost control improved operating profit despite sales not reaching anticipated levels due to prolonged strikes at several customer locations.
- Divisional headquarters were relocated in September from Montréal to Mississauga, Ontario. The move was prompted by the need to service more effectively the majority of the division's customers, who are situated in Central Ontario, and to improve liaison with its plants.
- The Longford Mills, Ontario plant continued to operate at capacity in response to customer demand.
- The new specialty tar products plant in Hamilton performed excellently after normal start-up problems. Demand for these products surpassed expectations.



Specialty chemicals and coal tar derivatives produced by the CDC division are shipped to textile, pulp and paper, plastics and other chemical process industries.



Domtar Chemicals Group

Lime

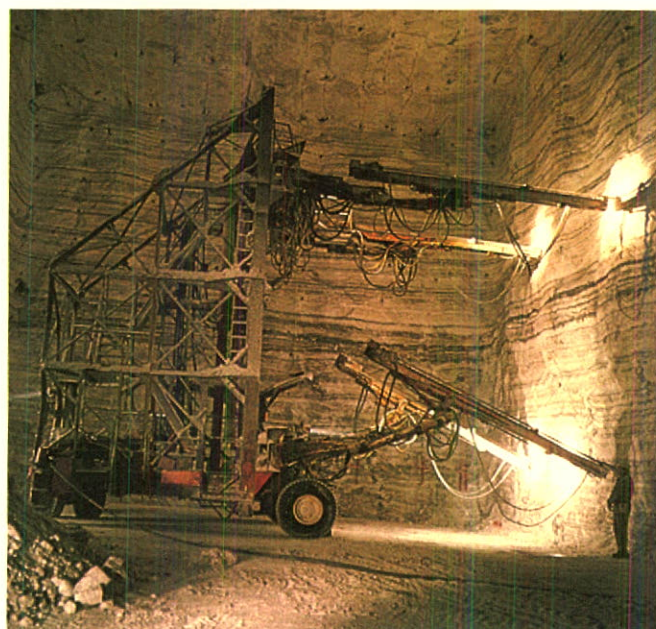
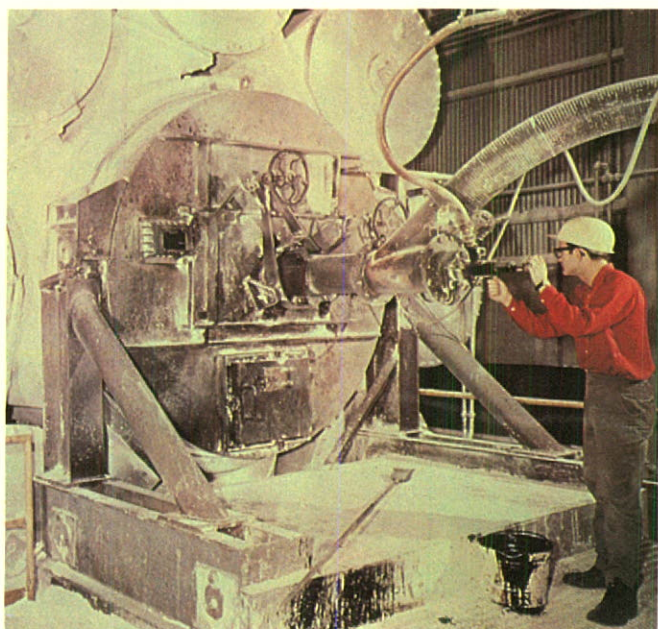
- Sales and profits exceeded 1978 levels due to strong demand for lime products in the first nine months resulting from high steel output in Canada and the United States. However, by year-end, a slowdown in the American steel industry was beginning to weaken demand.
- The new lime kiln installed in 1978 at the Joliette, Québec plant provided additional capacity to supply the Québec and New England markets.
- Substantial progress was made in supplying municipal water treatment markets in Illinois and Ohio.
- A \$3.5 million program was launched to modernize the Bellefonte, Pennsylvania lime plant and expand its capacity. It will involve kiln improvements, pollution control equipment and mine expansion.

Sifto® Salt

- Profits again attained record levels due to the continuing rationalization of products and markets and to the improved balance of supply and demand in the United States.
- Sales revenue was 10% above 1978 levels despite a six week strike at the Amherst, Nova Scotia evaporator salt plant and operating difficulties at the rock salt mine in Cote Blanche, Louisiana.
- Two new distribution facilities — an industrial rock salt warehouse in Cincinnati, Ohio and a highway salt depot in Burns Harbor, Indiana — were brought into operation in 1979.
- A program to increase production capacity at the Cote Blanche, Louisiana mine will get underway in 1980 and plans are being finalized to expand the capacity of the Goderich mine by 1.2 million tons per year by late 1983. The combined capacity of the two rock salt mines will increase by approximately 40%.

Domtar's lime plants operated at close to capacity for most of the year, thanks to strong demand and the development of new markets.

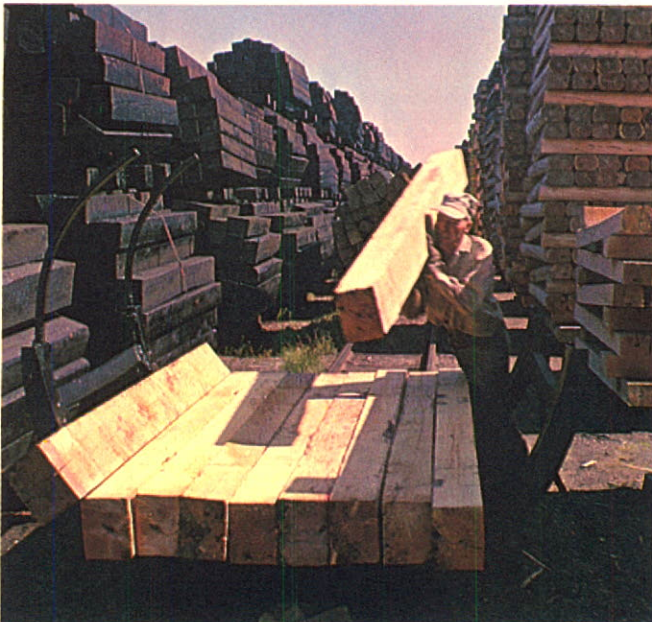
Substantial capacity increases are planned for the Sifto® Salt division's underground salt mines at Goderich, Ontario and Cote Blanche, Louisiana.



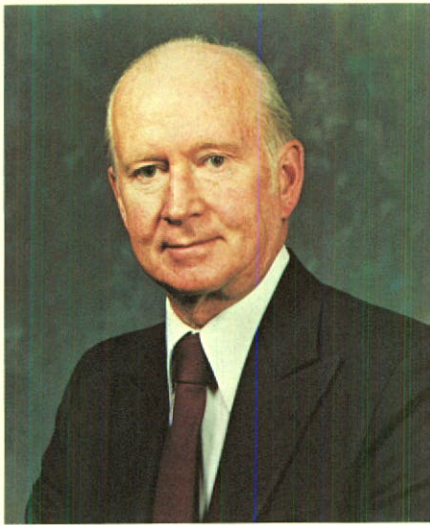
Wood Preserving

- Operating profits were slightly better than expected despite disappointing sales volumes. The sale of surplus land and the ability to maintain raw material inventories at low levels contributed to the improved return on assets.
- Major capital improvements included a computer installation at head office for an on-line management information and accounting control system and the replacement of the adzing, boring and incising mill in Cochrane, Alberta.
- Improved production efficiencies were achieved at the New Westminster, British Columbia plant.
- Concentration of research and development efforts on process control and environmental problems led to only limited progress in long term development programs for new preservatives and reconstituted wood.

Pressure treatment of timber products, as provided by Domtar's Wood Preserving division, gives them a service life of up to 70 years.



Corporate Staff Services



J.H. Robertson
Executive Vice-President
DOMTAR INC.

Employee Relations and Human Resources

- The Corporation renewed 51 collective agreements during the year, leaving 10 negotiations started in 1979 to be concluded in 1980.
- A total of eight strikes occurred in 1979, of which four were in the Chemicals Group, one in Construction Materials, two in Forest Products and one in Packaging, for a loss of 51,600 man-days. The strike which began at the Lime division's plant at Cambridge, Ontario on May 13 terminated with the announcement on January 15, 1980, of the closure of the plant.
- Increased efforts and resources were directed to improving the Corporation's performance in the field of occupational health and safety. The Operating Groups have assigned specialist coordinators and initiated training programs based on the principles of loss-control management. An industrial hygienist will be engaged in 1980.
- Employee relations staff units were established in 1979 in each of the Operating Groups. The initiative was in keeping with the Corporation's program of controlled decentralization and is aimed at making professional expertise more accessible to management and to individual employees alike.
- A special task force of employees was formed to review and recommend improvements to the employee performance and development review program and to the related remuneration program.

Their proposals are being implemented throughout Domtar. Both programs reflect the emphasis on establishing the controlled decentralization system of management throughout the Corporation. This system is based on a balance of delegation and corporate involvement. Operating authority is delegated to successively lower levels of management, consistent with their personnel and organizational resources for the discharge of such authority and consistent with effective and efficient management. A monitoring and feed back system is required to ensure appropriate accountability exists commensurate with the decentralization of decision making authority.

- The monthly pensions paid to all Canadian pensioners who retired prior to May 2, 1973 were increased during the year by the Corporation. A previous adjustment was made in 1974.
- In compliance with Québec's French Language Charter, the Corporation developed a comprehensive francization program for submission to l'Office de la Langue Française. This mandatory program will be finalized in 1980.

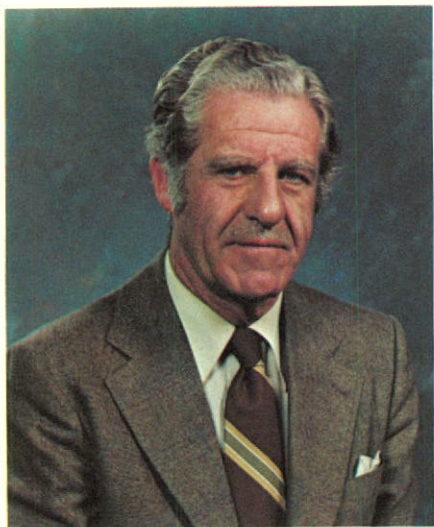
Central Research

- A new device developed by Central Research, the Domtar Smoothness/Dirt Sensor, is being evaluated in several of the Corporation's mills before being introduced on world markets by a leading equipment manufacturer.
- Feasibility studies of potential new growth areas are in progress, as is the vigorous recruitment of professional personnel in response to the sharply increased volume of research planned for 1980.

Public Affairs

- Donations to registered Canadian charitable organizations active in the fields of health and welfare, education, community causes and cultural activities and awards of Domtar scholarships totalled \$360,000 in 1980.
- These donations supplemented the money, time and efforts voluntarily contributed by numerous employees to ensure the success of a variety of deserving community activities. These ranged from fund raising campaigns for United Appeals to local improvement projects.
- The Corporation, in support of parliamentary democracy, contributed \$78,750 to Canadian political parties.

Corporate Special Programs



W.R. Lawson
Executive Vice-President
DOMTAR INC.

Mexico — Gypsum Rock

- In addition to the gypsum wallboard plants in the United States acquired from Kaiser Cement & Gypsum Corporation in 1978, Domtar also acquired 49% of the shares of Compania Occidental Mexicana, S.A. de C.V. (COMSA) which owns a gypsum rock mine in Mexico.

- During 1979, the mining concessions were renewed for an additional 25 years, thus securing a long-term source of supply for the wallboard plants. Reserves are adequate for this period.
- Mining capacity is being expanded by some 40%. Financing will be from cash flow and Mexican loans.
- Domtar Gypsum America Inc. is the exclusive sales agent for the entire output of the mine. Sales are to Domtar's own plants and to third parties.
- A new 30,000 ton motor vessel, the "Cabo San Lucas", has been purchased to replace an older, smaller vessel for the transport of gypsum rock from Mexico to wallboard plants on the West Coast of the United States and Canada.

Trucking

- The Harris Commercial Trucking division at Burlington, Ontario was closed. Its personnel, vehicles, licenses and operations have been integrated into the Domtar trucking fleet at Malton, Ontario.
- Starting in late 1979, day-to-day local trucking operations were transferred from the Corporate to the Operating Group level for greater efficiency. The Corporate staff now concentrates on those areas where central coordination is more cost- and service-effective.

One of the three vessels used for transporting gypsum ore from San Marcos Island, Mexico to North American West Coast ports, the M.V. Chavez loads 20,000 tons at the extensive San Marcos loading facilities.



Finance & Corporate Development



D.J. Speirs
Vice-President —
Finance & Corporate Development
DOMTAR INC.

New departments and goals

- During 1978, Domtar's first department to specialize in acquisitions was set up. Its role was to assist Domtar's Operating Groups to add to their existing businesses profitably. During 1979, a second department was set up to search out new growth areas not directly related to the Corporation's existing businesses, with the objective of improving the growth and stability of earnings. Hence, the Finance & Corporate Development Group now consists of six departments:

- Controller's
- Internal Audit
- Treasury
- Corporate Planning
- Acquisitions
- Corporate New Business Development

- Responsibility for investment management of Domtar's two major pension funds was transferred from two trust companies to the Treasury Department.

Financing

- Domtar is negotiating a private placement of \$42 million U.S. of 12¼% sinking fund debentures, series "I" maturing in 2000. In addition, Domtar has filed a preliminary prospectus covering the issue of approximately 2,000,000 common shares in mid-March 1980, subject to favourable market conditions. Further long term financing may be undertaken later in 1980.

Acquisitions and New Businesses

- Domtar acquired during 1978-79:
 - 1978 — Gypsum assets from Kaiser Cement & Gypsum Corporation (now included in Domtar Gypsum America).
 - 1979 — Three corrugated container plants and a paper mill from Reed Ltd.
 - An interest in two joint ventures in gas exploration and development.

Gas and Oil

- During 1979, Domtar invested \$45 million in two joint ventures to explore and develop natural gas and oil reserves in Western Canada. The manager of the joint ventures is Canadian Hunter Exploration Ltd., a subsidiary of Noranda Mines Limited. Participants include Noranda, Agnew Lake Mines Limited and Petromark Minerals Ltd. Under a farmout agreement, Esso Resources Canada Limited has the right to earn an interest of between 12.5% and 17.5% in the joint ventures' acreage.

Exploration efforts are now centred in the Deep Basin gas area of Northwestern Alberta and North-eastern British Columbia. The major development program is in the Elmworth and Wapiti areas of Alberta where gas production commenced November 1, 1979 at a rate of approximately 60 million cubic feet per day, of which the joint venture interest amounted to 22.7 million cubic feet per day during the two month period ended December 31, 1979. Development at Elmworth-Wapiti will continue for several years to prove additional reserves. Other gas development is underway at the Gold Creek area of Alberta and in several Northeastern British Columbia fields. During the winter drilling season, the joint ventures expect to operate 18 drilling rigs and 11 service rigs.

As a result of its investment, Domtar, as at December 31, 1979, had an undivided interest of about 3.0% in 1,952,000 net acres (2,873,000 gross acres) of licenses, permits and leases and had a further undivided interest of 10% in 140,000 net acres (229,000 gross acres) of licenses, permits and leases.

The larger of the joint ventures has drilled or participated in 522 wells from 1975 to 1979. Of these, 284 gas wells and 100 oil wells were successful; the remaining 138 wells were dry. The smaller of the joint ventures, formed in 1979, will drill its first wells in 1980.

The joint ventures are continuing an intensive exploration and development program. Depending upon the degree of exploration success and the rate of development, Domtar's investment in the joint ventures could amount to a further \$70 million by December 31, 1982.

On January 15, 1980, one of the joint ventures acquired gas and oil exploration rights on a block of approximately 4.8 million net acres in the Nechako Basin of British Columbia. This joint venture has committed itself to spend \$27.5 million between January 15, 1980 and January 15, 1985 for drilling and exploration work on this acreage, of which Domtar's net participation will be approximately 3%.



Domtar is participating in the Canadian Hunter joint venture for natural gas and oil exploration and development in Northern Alberta and British Columbia.

The gypsum rock quarried on San Marcos Island, Mexico, is of extremely high purity. At current extraction rates, the orebody is expected to last at least 25 more years.



CONSOLIDATED BALANCE SHEET

DECEMBER 31

(Thousands of dollars)

ASSETS

	<u>1979</u>	<u>1978</u>
Current assets:		
Cash and short-term investments, at cost (approximates market value) ...	\$ 39,840	\$ 100,854
Receivables	210,336	176,721
Inventories	189,015	154,181
Prepaid expenses	3,052	5,312
	<u>\$ 442,243</u>	<u>\$ 437,068</u>
Investments and advances	8,649	7,762
Fixed assets:		
Plant, machinery and facilities	960,126	858,658
Timber limits and land	37,366	32,879
Gas and oil properties	44,387	—
	<u>1,041,879</u>	<u>891,537</u>
Less: Accumulated depreciation	529,098	488,741
	<u>512,781</u>	402,796
Intangible assets and unamortized deferred charges:		
Unrealized exchange loss	6,901	8,596
Debt discount and expenses	1,040	1,143
Goodwill and other intangibles	5,419	6,082
	<u>13,360</u>	<u>15,821</u>
	<u>\$ 977,033</u>	<u>\$ 863,447</u>

APPROVED BY THE BOARD:

A. E. Barron, Director

A.D. Hamilton, Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	1979	1978
Current liabilities:		
Bank indebtedness	\$ 417	\$ 19,887
Payables	172,014	134,861
Income and other taxes payable	30,311	16,298
Dividends payable	6,841	6,800
Funded debt due within one year	2,529	—
	<u>\$ 212,112</u>	<u>\$ 177,846</u>
Funded debt	167,035	175,006
Deferred income taxes	128,884	113,051
Minority interest	3,635	3,209
Shareholders' equity:		
Stated capital—		
\$1 cumulative preference shares without nominal or par value, redeemable at \$25 per share		
Authorized and outstanding — 512,916 shares	12,054	12,054
14,841,358 common shares (1978 — 14,827,300 shares)	181,997	181,674
Retained earnings	271,316	200,607
	<u>465,367</u>	<u>394,335</u>
	<u>\$ 977,033</u>	<u>\$ 863,447</u>

See accompanying summary of accounting policies and notes to financial statements

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31

(Thousands of dollars)

	1979	1978
Revenue:		
Sales	\$1,495,370	\$1,240,909
Investment and sundry income	8,760	13,991
	\$1,504,130	\$1,254,900
Expenses:		
Cost of sales	1,161,757	996,496
Selling and administration	106,608	88,364
Research	4,244	3,569
Depreciation	48,007	43,629
Fixed asset disposals — loss	—	2,294
	1,320,616	1,134,352
Earnings before interest, income taxes and minority interest	183,514	120,548
Interest — funded debt	15,107	15,661
— other indebtedness	1,672	1,334
	16,779	16,995
Earnings before income taxes and minority interest	166,735	103,553
Income taxes — current	52,710	28,130
— deferred	15,830	11,420
	68,540	39,550
Earnings before minority interest	98,195	64,003
Minority interest	278	699
Net earnings	\$ 97,917	\$ 63,304
Earnings per common share	\$6.57	\$4.23

See accompanying summary of accounting policies and notes to financial statements

DOMTAR INC.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31

(Thousands of dollars)

	<u>1979</u>	<u>1978</u>
Balance at beginning of year	\$ 200,607	\$ 203,056
Retained earnings capitalized	—	48,930
	<u>200,607</u>	<u>154,126</u>
Net earnings	97,917	63,304
	<u>298,524</u>	<u>217,430</u>
Dividends:		
Preference shares, \$1.00 per share	\$ 513	\$ 513
Common shares, \$1.80 per share (1978 — \$1.10)	<u>26,695</u>	<u>16,310</u>
	<u>27,208</u>	<u>16,823</u>
Balance at end of year	\$ 271,316	\$ 200,607

See accompanying summary of accounting policies and notes to financial statements

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31

(Thousands of dollars)

	1979	1978
Funds provided by:		
Net earnings	\$ 97,917	\$ 63,304
Items not affecting cash flow from operations—		
Depreciation	48,007	43,629
Fixed asset disposals — loss	—	2,294
Deferred income taxes	15,830	11,420
Minority interest	278	699
Other	1,693	1,699
Cash flow from operations	<u>163,725</u>	<u>123,045</u>
Common shares issued	323	—
Fixed asset disposals	2,046	3,499
Minority interest sold	1,875	—
Investments and advances	—	4,742
	<u>\$ 167,969</u>	<u>\$ 131,286</u>
Funds used for:		
Fixed asset purchases	93,115	41,039
Businesses acquired, less working capital at acquisition	67,337	33,420
Funded debt reduction	7,076	8,923
Minority interest purchased	1,727	8,715
Investments and advances	597	—
Dividends	27,208	16,823
	<u>197,060</u>	<u>108,920</u>
Working capital - increase (decrease) ...	(29,091)	22,366
Non-cash working capital - increase ...	12,453	14,346
Cash and short-term investments less bank indebtedness - increase (decrease)	\$ (41,544)	\$ 8,020
Changes in components of non-cash working capital:		
Receivables	\$ 33,615	\$ 25,771
Inventories	34,834	10,837
Prepaid expenses	(2,260)	1,880
Payables	(37,153)	(21,725)
Income and other taxes payable	(14,013)	(7,681)
Dividends payable	(41)	(3,618)
Funded debt due within one year	(2,529)	8,882
Non-cash working capital - increase ...	\$ 12,453	\$ 14,346

See accompanying summary of accounting policies and notes to financial statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DECEMBER 31, 1979

The Corporation follows the generally accepted accounting principles described below. These, together with the notes which follow, should be considered an integral part of the consolidated financial statements.

Principles of consolidation:

The accompanying financial statements include the accounts of Domtar Inc. and all its subsidiaries.

Translation of foreign currencies:

Amounts stated in foreign currencies are translated into Canadian dollars as follows: asset and liability accounts at year-end rates, except inventories, investments, fixed assets, intangible assets and deferred income taxes which are translated at rates prevailing at the transaction dates; revenue and expenses (other than those relating to assets and liabilities translated at historical rates) at average rates for the year.

Gains and losses arising from translation are included in net earnings, except for the gains and losses relating to the translation of funded debt which are deferred and amortized over the remaining term of the related debt. This translation policy conforms with requirements of the Financial Accounting Standards Board (FASB) in the United States, except that the FASB requires that all gains and losses arising from translation be included in net earnings rather than be deferred and amortized. Had the Corporation followed the FASB accounting principle for funded debt, the impact on net earnings and retained earnings for 1979 and 1978 would have been as follows:

	1979		1978	
	thousands	per share	thousands	per share
Net earnings:				
As reported	\$ 97,917	\$ 6.57	\$ 63,304	\$ 4.23
Restated per FASB	99,612	6.68	60,118	4.02
Retained earnings:				
As reported	271,316		200,607	
Restated per FASB	264,415		192,011	

Valuation of inventories:

Inventories of pulpwood, raw materials and operating and maintenance supplies are valued at cost. Finished goods, including work in process, are valued at the lower of cost and net realizable value.

Fixed assets and depreciation:

Fixed assets are recorded at cost. The cost and related accumulated depreciation of items retired or disposed of are removed from the books and any gains or losses are included in the consolidated statement of earnings. Depreciation is provided on the straight-line method using rates based on the estimated useful lives of the assets which are generally as follows:

Production machinery	12 to 16 years
Logging equipment	Up to 6 years
Ships	Up to 15 years
Automobiles	4 years
Buildings	Up to 40 years

Expenditures for repairs and maintenance are charged against earnings as incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DECEMBER 31, 1979

Gas and oil investments:

The Corporation follows the successful efforts method of accounting for cost of gas and oil investments. Under this method, lease acquisition costs and the costs of exploring and developing producing wells are capitalized. The costs of unsuccessful wells are charged to expenses. The undeveloped properties are reviewed annually and, where impairment to value is determined, the capitalized costs are written off. The capitalized costs of proven properties are depleted by the unit of production method.

Income taxes:

The Corporation provides for income taxes on the tax allocation basis. The provision for deferred income taxes mainly arises as a result of depreciation and depletion being claimed for income tax purposes in excess of amounts of depreciation recorded for financial statement purposes. The Corporation reflects the impact of the federal investment tax credit in earnings in the year during which the related expenditures are made.

Intangible assets and unamortized deferred charges:

The unrealized exchange loss is amortized over the remaining term of the related debt.

Discount and expenses on the issue of funded debt are amortized on a straight-line basis over the terms of the related obligations.

Goodwill represents the excess of the cost of shares of acquired companies over the values attributed to the underlying net assets. The Corporation follows the policy of amortizing goodwill on a straight-line basis over periods not exceeding twenty-five years.

Other intangibles are amortized on a straight-line basis over their estimated useful lives.

Pension costs:

Pension costs associated with current service are expensed in the period in which the service is rendered. Past service costs remaining to be charged to operations are amortized over periods not exceeding those during which funding is permitted by the applicable regulatory bodies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1979

1. Inventories:

	1979 (thousands of dollars)	1978 (thousands of dollars)
Logs and pulp chips	\$ 18,653	\$ 17,135
Raw materials and operating and maintenance supplies	85,171	67,881
Finished goods including work in process	85,191	69,165
	<u>\$ 189,015</u>	<u>\$ 154,181</u>

2. Investments and advances:

	1979 (thousands of dollars)	1978 (thousands of dollars)
Loans, mortgages and debentures	\$ 7,133	\$ 6,536
Shares	1,516	1,226
	<u>\$ 8,649</u>	<u>\$ 7,762</u>

3. Fixed assets:

	1979			1978
	Cost	Accumulated depreciation (millions of dollars)	Net book value	Net book value (millions of dollars)
Plant, machinery and facilities—				
Pulp and paper	\$ 447.5	\$ 250.8	\$ 196.7	\$ 185.8
Packaging	185.5	108.3	77.2	61.3
Construction materials	181.1	79.5	101.6	74.1
Chemicals	138.1	81.5	56.6	51.8
Other	7.9	4.2	3.7	1.1
Timber limits and land	37.4	4.7	32.7	28.7
Gas and oil properties	44.4	.1	44.3	—
	<u>\$ 1,041.9</u>	<u>\$ 529.1</u>	<u>\$ 512.8</u>	<u>\$ 402.8</u>

4. Pension plans:

The Corporation and its subsidiaries in Canada and the United States contributed \$13,574,000 (1978 — \$11,894,000) as a charge against 1979 earnings towards past service liabilities and current service benefits on behalf of unionized and non-unionized employees.

The liability for benefits in respect of past service remaining to be charged to operations approximates \$31,279,000 (1978 — \$53,326,000). This liability is being amortized and funded over periods of up to fifteen years in Canada and up to thirty-five years in the United States.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1979

5. Funded debt:

	Maturity	1979 (thousands of dollars)	1978 (thousands of dollars)
Domtar Inc.—			
Sinking fund debentures—			
6¼% Series "B"	1980	\$ 2,850	\$ 2,850
5½% Series "C"	1982	5,900	5,900
5¾% Series "D"	1984	8,800	9,600
5⅝% Series "E"	1990	25,200	25,200
6¾% Series "F"	1987	28,000	29,217
11% Series "G"	1995	50,000	50,000
9⅝% Series "H" (\$50,000,000 U.S.)	1996	58,390	59,285
		<u>179,140</u>	<u>182,052</u>
Less: Held for sinking fund		9,576	7,046
		<u>169,564</u>	<u>175,006</u>
Less: Due within one year		2,529	—
		<u>\$ 167,035</u>	<u>\$ 175,006</u>

Amounts due for retirement or sinking fund provisions in each of the next five years:

1980	1981	1982	1983	1984
		(thousands of dollars)		
\$2,529	\$2,845	\$14,128	\$10,028	\$14,828

6. Businesses acquired:

The Corporation in 1979 acquired the assets of the linerboard and corrugated container business of Reed Ltd. The Corporation also entered into two joint ventures with Canadian Hunter Exploration Ltd. for exploration for natural gas and oil in northern Alberta and British Columbia, the first through a 10 per cent interest in a major land acquisition program and the other by the purchase from Agnew Lake Mines Limited of a 3.7 per cent interest in an existing joint venture.

The following is a summary of net assets obtained through acquisitions:

	1979 (thousands of dollars)	1978 (thousands of dollars)
Net assets acquired at assigned values:		
Fixed assets	\$ 66,923	\$ 25,337
Working capital	4,508	1,373
Other assets	—	7,875
	<u>71,431</u>	<u>34,585</u>
Excess of cost over assigned values of net assets acquired	414	208
Net assets acquired for cash	<u>\$ 71,845</u>	<u>\$ 34,793</u>
Acquisitions by principal industry:		
Pulp and paper	\$ 86	\$ 730
Packaging	27,266	116
Construction materials	—	33,217
Chemicals	—	730
Gas and oil	44,493	—
	<u>\$ 71,845</u>	<u>\$ 34,793</u>
Acquisitions by principal geographic area:		
Canada	\$ 71,098	\$ 846
United States	747	27,942
Other	—	6,005
	<u>\$ 71,845</u>	<u>\$ 34,793</u>

7. Remuneration of directors and senior officers:

The aggregate direct remuneration paid or payable in 1979 by the Corporation and its subsidiaries to the directors and senior officers was \$2,198,000 (1978 — \$1,634,000).

8. Segmented Information:

An analysis of the Corporation's operations and assets by principal industry segment and by principal geographic area is presented on pages 39 to 41.

9. Commitments and contingent liabilities:

Of the 1980 capital expenditures program, the Corporation is committed for approximately \$26,000,000.

Minimum rental commitments under long-term leases amount to \$8.8 million in 1980, \$6.4 million in 1981, \$5.2 million in 1982, \$4.0 million in 1983, \$3.8 million in 1984 and lesser amounts thereafter. Total rental expense amounted to \$10.7 million in 1979.

There are outstanding lawsuits and claims against the Corporation as follows:

- (a) Proceedings instituted by certain Cree Indians alleging that the mercury content of the environment has partly been caused by mercury discharges of the Corporation's chemical plant at Lebel-sur-Quévillon, Québec. They are claiming from the Corporation, jointly and severally with several other companies, an amount of approximately \$5,200,000 in damages. In addition they request that the Corporation be evicted from the area.
- (b) Various lawsuits and claims aggregating \$3,100,000.

The Corporation is contesting these lawsuits and claims and does not consider that their outcome will have a material adverse effect on the Corporation and its subsidiaries.

AUDITORS' REPORT

To the Shareholders of
Domtar Inc.

We have examined the consolidated balance sheet of Domtar Inc. as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

Montréal, January 28, 1980

Segmented Information

The Corporation's operations and assets by principal industry segment and by principal geographic area are as follows:

By principal industry	Year ended December 31				
	1979	1978	1977	1976	1975
	(millions of dollars)				
	————— unaudited —————				
Sales:					
Pulp and paper	\$ 727.2	\$ 592.2	\$ 483.3	\$ 388.8	\$ 361.0
Packaging	254.0	187.3	175.7	185.2	156.5
Construction materials	321.2	281.0	197.4	172.0	160.1
Chemicals	215.1	194.2	169.8	156.7	149.4
Gas and oil	0.2	—	—	—	—
	<u>1,517.7</u>	<u>1,254.7</u>	<u>1,026.2</u>	<u>902.7</u>	<u>827.0</u>
Inter-segment eliminations	(22.3)	(13.8)	(16.7)	(15.9)	(11.8)
	<u>\$1,495.4</u>	<u>\$1,240.9</u>	<u>\$1,009.5</u>	<u>\$ 886.8</u>	<u>\$ 815.2</u>
Operating profit (loss):					
Pulp and paper	\$ 95.5	\$ 46.1	\$ 11.3	\$ (10.7)	\$ 18.7
Packaging	25.7	18.4	12.8	11.3	7.5
Construction materials	33.1	26.3	11.2	11.0	16.8
Chemicals	30.9	26.3	20.8	17.6	20.7
Gas and oil	—	—	—	—	—
	<u>185.2</u>	<u>117.1</u>	<u>56.1</u>	<u>29.2</u>	<u>63.7</u>
Corporate administrative expenses	(7.1)	(5.5)	(5.2)	(5.2)	(5.0)
Fixed asset disposals — gain (loss)	—	(2.3)	—	1.6	3.8
Corporate interest and other income	5.4	11.3	7.8	8.2	7.3
	<u>183.5</u>	<u>120.6</u>	<u>58.7</u>	<u>33.8</u>	<u>69.8</u>
Interest expense	(16.8)	(17.0)	(16.9)	(14.2)	(9.5)
Earnings before income taxes and minority interest	<u>\$ 166.7</u>	<u>\$ 103.6</u>	<u>\$ 41.8</u>	<u>\$ 19.6</u>	<u>\$ 60.3</u>

Segmented Information

Year ended December 31

By principal industry (continued)

	1979	1978	1977	1976	1975
			(millions of dollars)		
				unaudited	
Identifiable assets:					
Pulp and paper	\$ 399.0	\$ 365.0	\$ 369.6	\$ 350.8	\$ 307.4
Packaging	156.3	114.1	110.2	126.6	124.8
Construction materials	179.3	143.8	85.9	82.9	83.5
Chemicals	137.5	123.8	115.7	101.6	106.6
Gas and oil	45.9	—	—	—	—
	<u>918.0</u>	<u>746.7</u>	<u>681.4</u>	<u>661.9</u>	<u>622.3</u>
Corporate	59.0	116.7	101.1	106.0	99.1
	<u>\$ 977.0</u>	<u>\$ 863.4</u>	<u>\$ 782.5</u>	<u>\$ 767.9</u>	<u>\$ 721.4</u>
Depreciation:					
Pulp and paper	\$ 24.8	\$ 22.8	\$ 20.3	\$ 19.0	\$ 15.9
Packaging	8.4	7.3	7.6	7.3	7.2
Construction materials	7.3	6.2	4.3	2.8	3.0
Chemicals	7.0	6.9	6.3	5.9	5.2
Gas and oil	0.1	—	—	—	—
	<u>47.6</u>	<u>43.2</u>	<u>38.5</u>	<u>35.0</u>	<u>31.3</u>
Corporate	0.4	0.4	0.4	0.4	0.4
	<u>\$ 48.0</u>	<u>\$ 43.6</u>	<u>\$ 38.9</u>	<u>\$ 35.4</u>	<u>\$ 31.7</u>
Capital expenditures (excluding acquisitions):					
Pulp and paper	\$ 35.7	\$ 12.4	\$ 14.6	\$ 24.7	\$ 26.1
Packaging	8.4	5.2	5.9	5.5	8.9
Construction materials	35.3	13.3	3.6	7.7	13.7
Chemicals	12.7	9.1	13.9	5.8	8.6
Gas and oil	0.5	—	—	—	—
	<u>92.6</u>	<u>40.0</u>	<u>38.0</u>	<u>43.7</u>	<u>57.3</u>
Corporate	0.5	1.0	—	0.7	0.4
	<u>\$ 93.1</u>	<u>\$ 41.0</u>	<u>\$ 38.0</u>	<u>\$ 44.4</u>	<u>\$ 57.7</u>

Year ended December 31

By principal geographic area	1979	1978	1977	1976	1975
			(millions of dollars)		
			—————	unaudited	—————
Sales:					
Canada					
Within Canada	\$ 1,018.8	\$ 863.2	\$ 755.0	\$ 681.2	\$ 639.2
To United States	262.6	235.1	168.7	137.6	99.8
Offshore	49.5	27.3	35.5	30.3	35.6
	1,330.9	1,125.6	959.2	849.1	774.6
United States	140.2	86.9	29.4	24.7	17.2
Other	62.6	45.5	31.2	23.6	29.9
	1,533.7	1,258.0	1,019.8	897.4	821.7
Transfers between geographic areas	(38.3)	(17.1)	(10.3)	(10.6)	(6.5)
	\$ 1,495.4	\$ 1,240.9	\$ 1,009.5	\$ 886.8	\$ 815.2
Operating profit (loss):					
Canada	\$ 149.9	\$ 103.6	\$ 54.3	\$ 33.3	\$ 64.0
United States	32.0	13.1	3.0	(1.5)	(1.8)
Other	3.3	0.4	(1.2)	(2.6)	1.5
	185.2	117.1	56.1	29.2	63.7
Corporate administrative expenses	(7.1)	(5.5)	(5.2)	(5.2)	(5.0)
Fixed asset disposals — gain (loss)	—	(2.3)	—	1.6	3.8
Corporate interest and other income	5.4	11.3	7.8	8.2	7.3
	183.5	120.6	58.7	33.8	69.8
Interest expense	(16.8)	(17.0)	(16.9)	(14.2)	(9.5)
Earnings before income taxes and minority interest	\$ 166.7	\$ 103.6	\$ 41.8	\$ 19.6	\$ 60.3
Identifiable assets:					
Canada	\$ 787.2	\$ 659.8	\$ 635.3	\$ 622.5	\$ 583.1
United States	69.9	59.0	25.8	22.0	18.8
Other	60.9	27.9	20.3	17.4	20.4
	918.0	746.7	681.4	661.9	622.3
Corporate	59.0	116.7	101.1	106.0	99.1
	\$ 977.0	\$ 863.4	\$ 782.5	\$ 767.9	\$ 721.4

Segment revenues include sales and services to unaffiliated customers, as reported in the Corporation's consolidated earnings statement, and sales to other segments which reflect transfer prices at market value.

Segment operating profit is revenue less allocable operating expenses.

Segment identifiable assets are those which are directly used in segment operations or geographic areas. Corporate assets are principally marketable securities, certain non-trade receivables, prepaid items and other assets.

Inflation Accounting

Inflation

- Failure to recognize the impact of inflation in the accounts of a business tends to overstate its earnings and cash flow. As a result, the capital of the business may be impaired. Capital intensive businesses are most severely affected. Domtar since 1974 has actively supported the efforts of the accounting profession to develop supplementary information designed to assist shareholders and other users of financial statements in analyzing the impact of inflation on earnings, capital and the real return thereon.

Two Methods

- The accounting profession throughout the world has issued various recommendations and guidelines relating to the disclosure of the impact of inflation on earnings. The United States Financial Accounting Standards Board is requiring disclosure of price-level and current cost information. The Canadian Institute of Chartered Accountants and the United Kingdom Accounting Standards Committee have issued exposure drafts supporting current cost disclosure. However, the disclosure requirements of these accounting bodies differ.

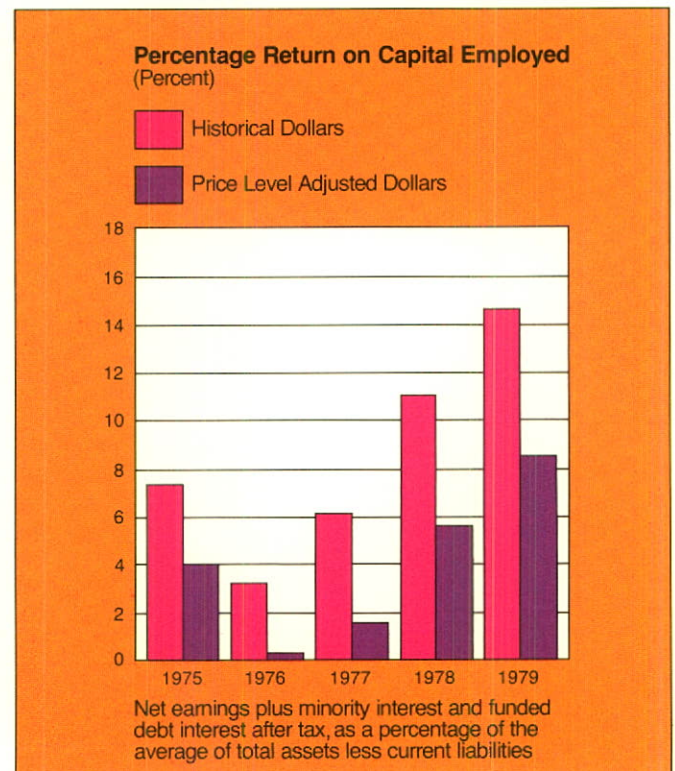
Faced with these widely varied requirements, the Corporation has decided to limit its supplementary information to that produced in previous years and to await further research and, it is hoped, a consensus of opinion before changing its methodology. Hence, Domtar is continuing to provide comparisons on two bases:—

- a) Price-level
 - To restate the earnings reported under historical costs into a constant monetary unit.
- b) Ontario Government's Committee on Inflation Accounting
 - To reflect the effects of inflation on funds available for distribution or expansion.

Restated Earnings — Price Level Method

- The application of price-level accounting concepts has the effect of restating the 1979 reported net earnings of \$6.57 per common share to \$4.97 per common share. The return on common shareholders' equity is reduced from 23.3% to 11%.

A major impact of the use of price-level accounting, as indicated on the graph, is the reduction in the return on capital employed from 14.8% to 8.6% for 1979 and from 11.1% to 5.7% for 1978.



Restated Funds Available — Ontario Method

- As recommended in 1977 by the Ontario Government's Committee on Inflation Accounting, the statement below focuses attention on the additional sums of money which should be set aside to cover the effects of inflation on the replacement of inventories and the maintenance of plant, machinery and equipment at today's cost.

The corrosive impact of inflation is evident from either the use of price-level accounting concepts or the statement recommended by the Ontario Committee. It is clear that generally accepted accounting principles do not display this condition and changes are required to report profitability in real terms and to indicate to business, government and the general public the nature and magnitude of the effects of inflation on the financial health of the Corporation.

Comparison of funds available for distribution or expansion on the historic basis of accounting and the replacement basis for the year ended December 31, 1979

(thousands of dollars)

	Historic basis	Replacement basis
Cash flow from operations — from statement of changes in financial position — after allowing for all cash costs and taxes payable	\$ 163,725	\$ 163,725
Funds required to replace productive assets — assumed to equal depreciation (note 1)	(48,007)	(127,072)
Funds required to replace inventories (note 2)	—	(22,465)
Funds available for investment in productivity or growth or for distribution as dividends before financing adjustment	115,718	14,188
Financing adjustment — additional funds which may be available from borrowings — assuming constant financial ratios (note 3)	—	13,047
Funds available for investment in productivity or growth or for distribution as dividends after financing adjustment (note 4)	<u>\$ 115,718</u>	<u>\$ 27,235</u>

Notes:

1. The increased cost of maintaining the operating capacity of productive assets (\$79,065,000) represents the difference between depreciation determined on a historic cost basis and that determined on the replacement cost of the productive assets.
2. The increased cost of replacing inventories (\$22,465,000) represents the difference between the historic cost and the current cost of goods sold at the date of sale.
3. The extent to which additional funds *may* be available from borrowings (\$13,047,000) is based on the ratio of non-equity capital to non-equity capital plus equity capital at the beginning of the accounting period.
4. The funds available should be evaluated on the basis that they do not take into account improvements in operating cash flows which could result from the replacement of productive capacity based on new technology, economies of scale and other relevant factors.

Five Year Review

(Dollars in millions except per share amounts)

		1979	1978	1977	1976	1975
STATEMENT OF EARNINGS	REVENUE					
	Sales	1,495.4	1,240.9	1,009.5	886.8	815.2
	Investment and sundry income ..	8.7	14.0	9.0	9.6	8.1
	Fixed assets disposals — gain ...	—	—	—	1.6	3.8
		1,504.1	1,254.9	1,018.5	898.0	827.1
STATEMENT OF EARNINGS	COSTS AND EXPENSES					
	Cost of sales	1,161.8	996.5	837.3	750.8	652.6
	Selling and administration	106.6	88.4	79.6	73.4	69.0
	Research	4.2	3.6	3.9	4.5	4.0
	Depreciation	48.0	43.6	38.9	35.4	31.7
	Fixed assets disposals — loss ...	—	2.3	—	—	—
	Interest — funded debt	15.1	15.7	16.0	13.3	8.6
	— other indebtedness ...	1.7	1.3	0.9	1.0	0.9
	Income taxes — current	52.7	28.1	12.8	3.7	11.9
	— deferred	15.8	11.4	1.0	4.2	12.0
	Minority interest	0.3	0.7	1.3	1.1	1.1
		1,406.2	1,191.6	991.7	887.4	791.8
	Net earnings	97.9	63.3	26.8	10.6	35.3
PER COMMON SHARE	Earnings	6.57	4.23	1.78	0.68	2.34
	Dividends	1.80	1.10	0.80	1.00	1.60
	Cash flow	11.01	8.26	4.56	3.32	5.11
	Shareholders' equity	30.54	25.78	22.65	21.67	22.00
OTHER STATISTICS	Number of preference shareholders	1,457	1,486	1,537	1,613	1,654
	Number of common shareholders	19,995	20,393	22,244	23,330	25,815
	Common shares outstanding	14,841,358	14,827,300	14,827,300	14,827,300	14,827,300
	Number of employees	18,353	17,414	16,815	17,520	17,637
	Employees' salaries, wages and benefits	389.5	337.0	297.3	273.9	232.9
PULP AND PAPER PRODUCTION (TONS)	Newsprint and groundwood specialties	418,358	412,056	288,228	309,435	307,837
	Kraft paper and board	526,286	433,260	383,108	354,213	300,219
	Fine and specialty papers	380,619	328,737	293,210	240,742	192,127
	Market pulp	164,899	193,030	207,624	160,802	160,648
		1,490,162	1,367,083	1,172,170	1,065,192	960,831

		1979	1978	1977	1976	1975	
CASH FLOW AND FINANCIAL POSITION CHANGES	FUNDS PROVIDED BY	Net earnings	97.9	63.3	26.8	10.6	35.3
		Add back: Fixed asset disposals (gain) loss	—	2.3	—	(1.6)	(3.8)
		Depreciation	48.0	43.6	38.9	35.4	31.7
		Deferred income taxes ..	15.8	11.4	1.0	4.2	12.0
		Minority interest	0.3	0.7	1.3	1.1	1.1
		Other	1.7	1.7	0.2	0.1	—
		Cash flow from operations	163.7	123.0	68.2	49.8	76.3
		Common shares issued	0.3	—	—	—	—
	Funded debt issued	—	—	—	48.9	49.0	
	Fixed asset disposals	2.0	3.5	4.6	4.4	4.7	
	Minority interest sold	1.9	—	—	—	—	
	Investments and advances reduction	—	4.7	0.2	0.5	4.8	
		167.9	131.2	73.0	103.6	134.8	
	FUNDS USED FOR	Fixed asset purchases	93.1	41.0	38.0	44.4	57.7
		Businesses acquired (less working capital)	67.3	33.4	12.7	5.1	—
		Funded debt reduction	7.1	8.9	16.6	8.9	8.0
		Minority interest purchased	1.7	8.7	3.9	1.0	1.1
Investments and advances		0.6	—	—	—	—	
Preference shares purchased		—	—	0.5	—	—	
Dividends		27.2	16.8	12.4	15.4	24.3	
	197.0	108.8	84.1	74.8	91.1		
NET	Increase (decrease) in working capital	(29.1)	22.4	(11.1)	28.8	43.7	
	Increase in non-cash working capital	12.5	14.4	2.9	20.9	2.8	
	(41.6)	8.0	(14.0)	7.9	40.9		
SUMMARY BALANCE SHEET	NET ASSETS	Cash and short-term investments less bank indebtedness	39.4	81.0	72.9	86.9	79.0
		Non-cash working capital	190.7	178.2	164.0	161.1	140.2
		Investments and advances	8.6	7.8	11.7	11.8	14.3
		Net fixed assets	512.8	402.8	385.8	378.7	364.3
		Intangible assets and unamortized deferred charges	13.4	15.8	2.1	2.3	1.0
		764.9	685.6	636.5	640.8	598.8	
	FINANCED BY	Funded debt	167.0	175.0	173.9	190.5	150.1
		Deferred income taxes	128.9	113.1	103.5	102.5	97.8
		Minority interest	3.6	3.2	11.2	13.9	12.2
		Shareholders' equity	465.4	394.3	347.9	333.9	338.7
		764.9	685.6	636.5	640.8	598.8	

Domtar Locations Map

Domtar Pulp & Paper Products

Domtar Forest Products

Kiln dried spruce and pine dimension lumber and studs.
Woodland operations: Red Rock, Ontario; Cornwall, Ontario; Lebel-sur-Quévillon, Québec; Dolbeau, Québec.
Sawmills: Sapawé, Ontario; Girardville, Québec, Mistassini, Québec.
Studmills: Lebel-sur-Quévillon, Québec.

Domtar Newsprint

Standard newsprint and groundwood specialty and coated publication grade papers.
Mills: Donnacona, Québec; Dolbeau, Québec.

Domtar Pulp

Bleached and unbleached softwood and hardwood sulphate pulp; semi-bleached softwood sulphate pulp; and unbleached sulphite pulp.
Mill: Lebel-sur-Quévillon, Québec.

Domtar Fine Papers

Uncoated and coated fine papers for the printing, business and converter trades as well as specialty papers such as diazo base, glassine, grease-proof and carbonizing.
Mills: St. Catharines, Ontario; Don Valley, Ontario; Cornwall, Ontario; Beauharnois, Québec; Windsor, Québec; Sunderland, England.

Fine papers are sold domestically through sales offices and a national network of six Domtar fine paper merchants (including Canada's largest, Burtin Reid Paper). As the largest Canadian exporter of fine papers, Domtar Fine Papers sells through sales representatives to 60 countries. There are sales offices in Stamford, Connecticut; Jamaica; Australia and England.

Dominion Envelope Company Limited

Envelopes and specialty bags.
Plant: Toronto, Ontario.

Domtar Packaging

Kraft Paper and Board division

Linerboard, corrugated medium, kraft papers and boxboard.
Mills: Red Rock, Ontario; Mississauga, Ontario; Trenton, Ontario; East Angus, Québec.

Corrugated Containers division

Corrugated shipping containers and displays.
Plants: Vancouver, B.C.; Calgary, Alberta; Winnipeg, Manitoba; Kitchener, Ontario; Metropolitan Toronto (four locations); Peterborough, Ontario; St. Mary's, Ontario; Metropolitan Montréal (two locations); Québec; Moncton, N.B.

Composite Can division

Composite paper-metal containers for foodstuffs including fruit juices and dough; automotive oils and other consumer products.
Plants: Chatham, Ontario; Prescott, Ontario.

Eastern Coated Papers Limited

Plain and reinforced gummed tapes; photocopy paper; and coated papers for wrappings.
Plant: Dorval, Québec.

Domtar Construction Materials

Arborite® Products

ARBORITE® decorative and industrial plastic laminates; particleboard; and CLADBOARD® decorative laminates.
Plants: Particleboard; Cladboard® decorative panels: Huntsville, Ontario.
High pressure decorative and industrial laminates: Vaughan, Ontario; LaSalle, Québec.

Masonry Products

Clay brick and HAYDITE® lightweight aggregate.
Plants: Mississauga, Ontario; Ottawa, Ontario; LaPrairie, Québec.

Gypsum Products

GYPROC® gypsum wallboard, lath, wall panelling, plasters and associated products.
Plants: Surrey, B.C.; Calgary, Alberta; Winnipeg, Manitoba; Caledonia, Ontario; Montréal, Québec; Windsor, N.S.
Gypsum mines: Gypsumville, Manitoba; Caledonia, Ontario.

Domtar Gypsum America

Gypsum wallboard.
Plants: Antioch, California; Long Beach, California.
Paper mill: San Leandro, California.
Gypsum Mine (49% interest): San Marcos Island, Mexico.

Roofing Products

Asphalt shingles, roll roofing and siding.
Plants: Burnaby, B.C.; Lloydminster, Alberta; Brantford, Ontario; Thorold, Ontario; Lachine, Québec.

Insulation Products

Roof sheathing, panel board, ceiling tiles, grid panels, non-combustible grid panels; national distributor of FIBERGLAS® building insulation.
Plants: Fire rated ceiling panels: Cornwall, Ontario.
Roofing and ceiling products; ceiling tile: Donnacona, Québec.

Specialty Products

Plant: Plastic conduit: St-Laurent, Québec.

Domtar Chemicals Group

CDC division

Synthetic detergents; wetting agents; carboxymethylcellulose; dyestuffs and pigments; coal tar pitches and acids; creosote; naphthalene.
Plants: Synthetic detergents: Longford Mills, Ontario.
Coal tar products and by-products: Sault Ste Marie, Ontario; Hamilton, Ontario.

Lime division

Limestone, hydrated lime and quicklime for the steel, paper and glass industries.
Quarries and/or plants: Tacoma, Washington; Blubber Bay, B.C.; Beachville, Ontario; Joliette, Québec; Bellefonte, Pennsylvania.

Sifto® Salt division

SIFTO® products — ice control, chemical, industrial and table salt.
Evaporator salt plants: Unity, Saskatchewan; Goderich, Ontario; Amherst, N.S.
Rock salt mines: Goderich, Ontario; Cote Blanche, Louisiana.
Distribution centres: Strategically located in major ports on the St. Lawrence River, the Great Lakes and the Ohio and Mississippi Rivers.

Wood Preserving division

Pressure treated wood products for utility, railway, construction and agricultural use.
Treatment plants: New Westminster, B.C.; Prince George, B.C.; Cochrane, Alberta; Edmonton, Alberta; Trenton, Ontario; Delson, Québec; Newcastle, N.B.; Truro, N.S.

Gas Exploration

Principally in the "Deep Basin" and "Shelf" areas of Northwestern Alberta and Northeastern British Columbia.

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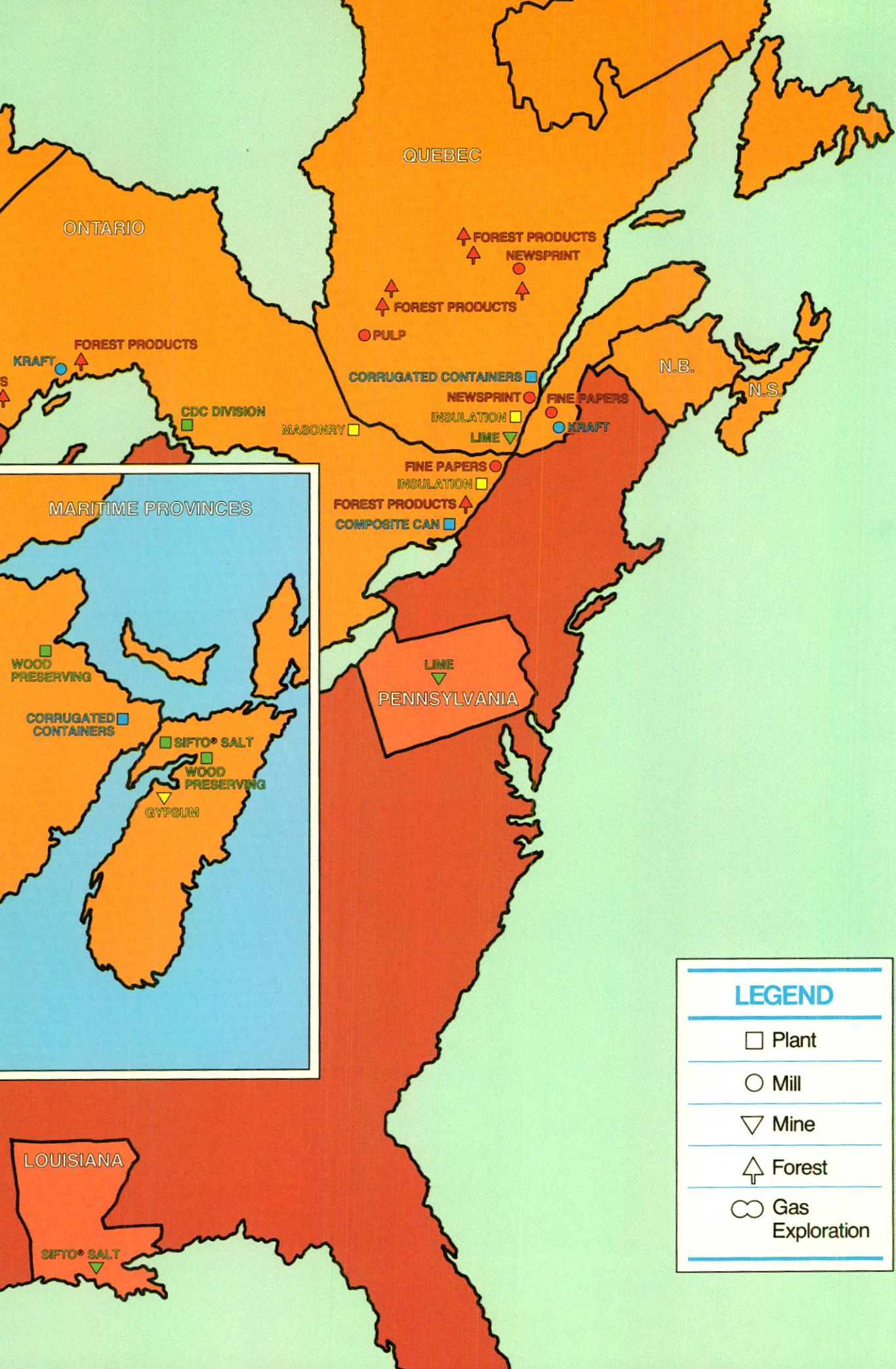
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LEGEND

□ Plant

○ Mill

▽ Mine

↑ Forest

∞ Gas
Exploration



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