



234 Kingsley Park Drive  
Fort Mill, South Carolina 29715

## News Release

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| <b>TICKER SYMBOL</b><br>(NYSE: UFS) (TSX: UFS) | <b>INVESTOR RELATIONS</b><br>Nicholas Estrela<br>Director<br>Investor Relations<br>Tel.: 514-848-5555 x 85979 | <b>MEDIA RELATIONS</b><br>David Struhs<br>Vice-President<br>Corporate Communications and Sustainability<br>Tel.: 803-802-8031 |
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### **DOMTAR CORPORATION REPORTS PRELIMINARY SECOND QUARTER 2015 FINANCIAL RESULTS**

#### ***Strong operational results in Pulp and Paper and Personal Care***

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

- Second quarter 2015 net earnings of \$0.60 per share; earnings before items<sup>1</sup> of \$0.61 per share
- Cash flow from operating activities of \$122 million
- Sales and margin momentum building in Personal Care

**Fort Mill, July 30, 2015** – Domtar Corporation (NYSE: UFS) (TSX: UFS) today reported net earnings of \$38 million (\$0.60 per share) for the second quarter of 2015 compared to net earnings of \$36 million (\$0.56 per share) for the first quarter of 2015 and net earnings of \$40 million (\$0.61 per share) for the second quarter of 2014. Sales for the second quarter of 2015 were \$1.3 billion.

Excluding items listed below, the Company had earnings before items<sup>1</sup> of \$39 million (\$0.61 per share) for the second quarter of 2015 compared to earnings before items<sup>1</sup> of \$48 million (\$0.75 per share) for the first quarter of 2015 and earnings before items<sup>1</sup> of \$40 million (\$0.61 per share) for the second quarter of 2014.

#### **Second quarter 2015 items:**

- Closure and restructuring costs of \$1 million (\$1 million after tax);
- Gain on disposal of property, plant and equipment of \$14 million (\$11 million after tax); and
- Impairment of property, plant & equipment of \$18 million (\$11 million after tax).

#### **First quarter 2015 items:**

- Closure and restructuring costs of \$1 million (\$1 million after tax);
- Gain on disposal of property, plant and equipment of \$1 million (\$1 million after tax); and
- Impairment of property, plant & equipment of \$19 million (\$12 million after tax).

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<sup>1</sup> Non-GAAP financial measure. Refer to the *Reconciliation of Non-GAAP Financial Measures* in the appendix.

## **Second quarter 2014 items:**

➤ None

*“Our pulp and paper business performed largely in-line with expectations. Our operations ran well despite the seasonally high level of scheduled maintenance at our mills. The flooding in the U.S. South negatively impacted some of our wood costs and supply, but production curtailments were limited,”* said John D. Williams, President and CEO. *“Our paper shipments year-to-date are outperforming the broader North American uncoated freesheet market by 2.3%. As the trade case progresses, we will continue to monitor further opportunities resulting from lower cut-size imports while continuing to balance our capacity versus our customer demand.”*

Mr. Williams added, *“Personal Care turned in a solid performance. Same currency sales increased 3% year over year while our cost savings program continued to deliver according to plan, driving a 300 basis-point margin improvement. Momentum in the business is growing, and we are operating and executing with more consistency. We remain focused on sharpening our strategies and capabilities that will deliver sustainable growth and value creation in this segment.”*

## **QUARTERLY REVIEW**

Operating income before items<sup>1</sup> was \$67 million in the second quarter of 2015 compared to an operating income before items<sup>1</sup> of \$90 million in the first quarter of 2015. Depreciation and amortization totaled \$91 million in the second quarter of 2015.

| (In millions of dollars)                   | 2Q 2015     | 1Q 2015     |
|--|-------------|-------------|
| Sales                                      | \$ 1,310    | \$ 1,348    |
| Operating income (loss)                    |             |             |
| Pulp and Paper segment                     | 55          | 75          |
| Personal Care segment                      | 17          | 10          |
| Corporate                                  | <u>(10)</u> | <u>(14)</u> |
| Total                                      | 62          | 71          |
| Operating income before items <sup>1</sup> | 67          | 90          |
| Depreciation and amortization              | 91          | 90          |

The decrease in operating income before items<sup>1</sup> in the second quarter of 2015 was the result of higher costs for planned maintenance, lower paper and pulp prices, lower paper and pulp shipments, higher freight costs and overall unfavorable exchange rates. These factors were partially offset by lower raw material and other costs and lower selling, general and administrative expenses. In addition, the first quarter was impacted by a bad debt expense.

When compared to the first quarter of 2015, manufactured paper shipments were down 2.6% and pulp shipments decreased 1.4%. The shipments-to-production ratio for paper was 97% in the second quarter of 2015, compared to 100% in the first quarter of 2015. Paper inventories increased by

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<sup>1</sup> Non-GAAP financial measure. Refer to the *Reconciliation of Non-GAAP Financial Measures* in the appendix.

23,000 tons while pulp inventories decreased by 15,000 metric tons in June when compared to March levels.

## **LIQUIDITY AND CAPITAL**

Cash flow provided from operating activities amounted to \$122 million and capital expenditures were \$66 million, resulting in free cash flow<sup>1</sup> of \$56 million for the second quarter of 2015. Domtar's net debt-to-total capitalization ratio<sup>1</sup> stood at 29% at June 30, 2015 compared to 30% at March 31, 2015.

During the quarter, Domtar repurchased \$17 million of common stock under its stock repurchase program.

## **OUTLOOK**

Looking into the second half of 2015, Domtar paper shipments are expected to trend with market demand and should benefit from lower import volumes in North America. We expect some short-term pricing volatility in pulp, as normal seasonal factors in certain markets take hold. Inflation on input costs is expected to be relatively flat; fiber costs will remain high in certain markets, but are not expected to increase further, while energy costs should remain favorable. Personal Care is expected to benefit from further cost savings and market growth, but the segment will be impacted by some seasonality in the third quarter.

## **EARNINGS CONFERENCE CALL**

The Company will hold a conference call today at 10:00 a.m. (ET) to discuss its second quarter 2015 financial results. Financial analysts are invited to participate in the call by dialing 1 (800) 499-4035 (toll free - North America) or 1 (416) 204-9269 (International) at least 10 minutes before start time, while media and other interested individuals are invited to listen to the live webcast on the Domtar Corporation website at [www.domtar.com](http://www.domtar.com).

The Company will release its third quarter 2015 earnings results on October 29, 2015 before markets open, followed by a conference call at 10:00 a.m. (ET) to discuss results. The date is tentative and will be confirmed approximately three weeks prior to the official earnings release date.

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<sup>1</sup> Non-GAAP financial measure. Refer to the *Reconciliation of Non-GAAP Financial Measures* in the appendix.

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**About Domtar**

*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 our business is a network of world-class wood fiber-converting assets that produce papergrade, fluff and specialty pulp. The majority of our pulp production is consumed internally to manufacture paper and consumer products. Domtar is the largest integrated marketer and manufacturer of uncoated freesheet paper in North America with recognized brands such as Cougar<sup>®</sup>, Lynx<sup>®</sup> Opaque Ultra, Husky<sup>®</sup> Opaque Offset, First Choice<sup>®</sup>, EarthChoice<sup>®</sup> and Xerox<sup>®</sup> Paper and Specialty Media. Domtar is also a marketer and producer of a broad line of absorbent hygiene products marketed primarily under the Attends<sup>®</sup>, IncoPack<sup>®</sup> and Indasec<sup>®</sup> brand names. In 2014, Domtar had sales of \$5.6 billion from some 50 countries. The Company employs approximately 9,800 people. To learn more, visit [www.domtar.com](http://www.domtar.com).*

**Forward-Looking Statements**

Statements in this release about our plans, expectations and future performance, including the statements by Mr. Williams and those contained under "Outlook," are "forward-looking statements." Actual results may differ materially from those suggested by these statements for a number of reasons, including changes in customer demand and pricing, changes in manufacturing costs, future acquisitions and divestitures, including facility closings, and the other reasons identified under "Risk Factors" in our Form 10-K for 2014 as filed with the SEC and as updated by subsequently filed Form 10-Q's. Except to the extent required by law, we expressly disclaim any obligation to update or revise these forward-looking statements to reflect new events or circumstances or otherwise.

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**Domtar Corporation**  
**Highlights**

(In millions of dollars, unless otherwise noted)

|  | Three months<br>ended<br>June 30,<br>2015 | Three months<br>ended<br>June 30,<br>2014 | Six months<br>ended<br>June 30,<br>2015 | Six months<br>ended<br>June 30,<br>2014 |
|--|---|---|---|---|
|  | \$  | \$  | \$                                      | \$                                      |
| <b>Selected Segment Information</b>  |   |   |   |   |
| <b>Sales</b>   |   |   |   |   |
| Pulp and Paper   | 1,110                                     | 1,160                                     | 2,256                                   | 2,328                                   |
| Personal Care  | 216                                       | 234                                       | 434                                     | 467                                     |
| Total for reportable segments  | 1,326                                     | 1,394                                     | 2,690                                   | 2,795                                   |
| Intersegment sales   | (16)                                      | (9)                                       | (32)                                    | (16)                                    |
| <b>Consolidated sales</b>  | <b>1,310</b>                              | <b>1,385</b>                              | <b>2,658</b>                            | <b>2,779</b>                            |
| <b>Depreciation and amortization and impairment and write-down of property, plant and equipment</b>              |   |   |   |   |
| Pulp and Paper   | 75  | 79  | 149                                     | 162                                     |
| Personal Care  | 16  | 17  | 32                                      | 33                                      |
| Total for reportable segments  | 91  | 96  | 181                                     | 195                                     |
| Impairment and write-down of property, plant and equipment - Pulp and Paper                                      | 18  | —   | 37                                      | —                                       |
| <b>Consolidated depreciation and amortization and impairment and write-down of property, plant and equipment</b> | <b>109</b>                                | <b>96</b>                                 | <b>218</b>                              | <b>195</b>                              |
| <b>Operating income (loss)<sup>1</sup></b>   |   |   |   |   |
| Pulp and Paper   | 55  | 74  | 130                                     | 163                                     |
| Personal Care  | 17  | 12  | 27                                      | 26                                      |
| Corporate  | (10)                                      | (7)                                       | (24)                                    | (31)                                    |
| <b>Consolidated operating income</b>   | <b>62</b>                                 | <b>79</b>                                 | <b>133</b>                              | <b>158</b>                              |
| Interest expense, net  | 25  | 26  | 51                                      | 51                                      |
| <b>Earnings before income taxes</b>  | <b>37</b>                                 | <b>53</b>                                 | <b>82</b>                               | <b>107</b>                              |
| Income tax (benefit) expense   | (1)                                       | 13  | 8                                       | 28                                      |
| <b>Net earnings</b>  | <b>38</b>                                 | <b>40</b>                                 | <b>74</b>                               | <b>79</b>                               |
| Per common share (in dollars)  |   |   |   |   |
| Net earnings   |   |   |   |   |
| Basic  | 0.60                                      | 0.62                                      | 1.16                                    | 1.22                                    |
| Diluted  | 0.60                                      | 0.61                                      | 1.16                                    | 1.22                                    |
| Weighted average number of common shares outstanding (millions)  |   |   |   |   |
| Basic  | 63.6                                      | 65.0                                      | 63.7                                    | 64.9                                    |
| Diluted  | 63.7                                      | 65.1                                      | 63.8                                    | 65.0                                    |
| Cash flows provided from operating activities  | 122                                       | 104                                       | 249                                     | 245                                     |
| Additions to property, plant and equipment   | 66  | 56  | 136                                     | 101                                     |

<sup>1</sup> As a result of changes in the Company's organization structure, we have changed the way we allocate certain Corporate general and administrative costs to the segments. Further, certain Corporate costs not related to segment activities, as well as the mark-to-market impact on stock-based compensation awards, will be presented on the Corporate line. As a result, we have revised our 2014 segment disclosures to conform to our 2015 presentation. (Previously reported numbers for Operating income (loss) for the three and six months ended June 30, 2014 are as follows; Pulp and Paper: \$69M and \$138M, respectively, Personal Care: \$14M and \$29M, respectively, Corporate: \$(4)M and \$(9)M, respectively).

**Domtar Corporation**  
**Consolidated Statements of Earnings**  
(In millions of dollars, unless otherwise noted)

|  | <b>Three months<br/>ended<br/>June 30,<br/>2015</b> | Three months<br>ended<br>June 30,<br>2014<br><small>(Unaudited)</small> | <b>Six months<br/>ended<br/>June 30,<br/>2015</b> | Six months<br>ended<br>June 30,<br>2014 |
|--|---|---|---|---|
|  | \$  | \$  | \$  | \$                                      |
| <b>Sales</b>   | <b>1,310</b>  | 1,385   | <b>2,658</b>                                      | 2,779                                   |
| <b>Operating expenses</b>  |   |   |   |   |
| Cost of sales, excluding depreciation and amortization                 | <b>1,052</b>  | 1,108   | <b>2,114</b>                                      | 2,211                                   |
| Depreciation and amortization  | <b>91</b>   | 96  | <b>181</b>  | 195                                     |
| Selling, general and administrative                                    | <b>99</b>   | 100   | <b>199</b>  | 214                                     |
| Impairment and write-down of property, plant and equipment             | <b>18</b>   | —   | <b>37</b>   | —                                       |
| Closure and restructuring costs  | <b>1</b>  | —   | <b>2</b>  | 1                                       |
| Other operating (income) loss, net                                     | <b>(13)</b>   | 2   | <b>(8)</b>  | —                                       |
|  | <b>1,248</b>  | 1,306   | <b>2,525</b>                                      | 2,621                                   |
| <b>Operating income</b>  | <b>62</b>   | 79  | <b>133</b>  | 158                                     |
| Interest expense, net  | <b>25</b>   | 26  | <b>51</b>   | 51                                      |
| <b>Earnings before income taxes</b>                                    | <b>37</b>   | 53  | <b>82</b>   | 107                                     |
| Income tax (benefit) expense   | <b>(1)</b>  | 13  | <b>8</b>  | 28                                      |
| <b>Net earnings</b>  | <b>38</b>   | 40  | <b>74</b>   | 79                                      |
| <b>Per common share (in dollars)</b>                                   |   |   |   |   |
| Net earnings   |   |   |   |   |
| Basic  | <b>0.60</b>   | 0.62  | <b>1.16</b>                                       | 1.22                                    |
| Diluted  | <b>0.60</b>   | 0.61  | <b>1.16</b>                                       | 1.22                                    |
| <b>Weighted average number of common shares outstanding (millions)</b> |   |   |   |   |
| Basic  | <b>63.6</b>   | 65.0  | <b>63.7</b>                                       | 64.9                                    |
| Diluted  | <b>63.7</b>   | 65.1  | <b>63.8</b>                                       | 65.0                                    |

**Domtar Corporation**  
**Consolidated Balance Sheets at**  
(In millions of dollars)

|   | June 30,<br>2015 | December 31,<br>2014 |
|---|------------------|----------------------|
|   | (Unaudited)      |                      |
|   | \$               | \$                   |
| <b>Assets</b>                                     |                  |                      |
| <b>Current assets</b>                             |                  |                      |
| Cash and cash equivalents                         | 207              | 174                  |
| Receivables, less allowances of \$10 and \$6      | 640              | 628                  |
| Inventories                                       | 721              | 714                  |
| Prepaid expenses                                  | 36               | 25                   |
| Income and other taxes receivable                 | 13               | 54                   |
| Deferred income taxes                             | 78               | 75                   |
| <b>Total current assets</b>                       | <b>1,695</b>     | <b>1,670</b>         |
| Property, plant and equipment, at cost            | 8,817            | 8,909                |
| Accumulated depreciation                          | (5,858)          | (5,778)              |
| <b>Net property, plant and equipment</b>          | <b>2,959</b>     | <b>3,131</b>         |
| <b>Goodwill</b>                                   | <b>546</b>       | <b>567</b>           |
| <b>Intangible assets, net of amortization</b>     | <b>621</b>       | <b>661</b>           |
| <b>Other assets</b>                               | <b>142</b>       | <b>156</b>           |
| <b>Total assets</b>                               | <b>5,963</b>     | <b>6,185</b>         |
| <b>Liabilities and shareholders' equity</b>       |                  |                      |
| <b>Current liabilities</b>                        |                  |                      |
| Bank indebtedness                                 | 1                | 10                   |
| Trade and other payables                          | 687              | 721                  |
| Income and other taxes payable                    | 36               | 26                   |
| Long-term debt due within one year                | 169              | 169                  |
| <b>Total current liabilities</b>                  | <b>893</b>       | <b>926</b>           |
| <b>Long-term debt</b>                             | <b>1,178</b>     | <b>1,181</b>         |
| <b>Deferred income taxes and other</b>            | <b>765</b>       | <b>810</b>           |
| <b>Other liabilities and deferred credits</b>     | <b>366</b>       | <b>378</b>           |
| <b>Shareholders' equity</b>                       |                  |                      |
| Common stock                                      | 1                | 1                    |
| Additional paid-in capital                        | 1,985            | 2,012                |
| Retained earnings                                 | 1,168            | 1,145                |
| Accumulated other comprehensive loss              | (393)            | (268)                |
| <b>Total shareholders' equity</b>                 | <b>2,761</b>     | <b>2,890</b>         |
| <b>Total liabilities and shareholders' equity</b> | <b>5,963</b>     | <b>6,185</b>         |

**Domtar Corporation**  
**Consolidated Statements of Cash Flows**  
(In millions of dollars)

|   | <i>For the six months ended</i> |                      |
|---|---------------------------------|----------------------|
|   | <u>June 30, 2015</u>            | <u>June 30, 2014</u> |
|   | (Unaudited)                     |                      |
|   | \$                              | \$                   |
| <b>Operating activities</b>   |                                 |                      |
| Net earnings  | 74                              | 79                   |
| Adjustments to reconcile net earnings to cash flows from operating activities   |                                 |                      |
| Depreciation and amortization   | 181                             | 195                  |
| Deferred income taxes and tax uncertainties   | (32)                            | (6)                  |
| Impairment and write-down of property, plant and equipment  | 37                              | —                    |
| Net gains on disposal of property, plant and equipment  | (15)                            | —                    |
| Stock-based compensation expense  | 3                               | 3                    |
| Other   | —                               | 6                    |
| Changes in assets and liabilities, excluding the effects of acquisition of business                                       |                                 |                      |
| Receivables   | —                               | 24                   |
| Inventories   | (23)                            | (18)                 |
| Prepaid expenses  | (10)                            | (9)                  |
| Trade and other payables  | (18)                            | (43)                 |
| Income and other taxes  | 46                              | 23                   |
| Difference between employer pension and other post-retirement contributions and pension and other post-retirement expense | 3                               | (6)                  |
| Other assets and other liabilities  | 3                               | (3)                  |
| Cash flows provided from operating activities   | 249                             | 245                  |
| <b>Investing activities</b>   |                                 |                      |
| Additions to property, plant and equipment  | (136)                           | (101)                |
| Proceeds from disposals of property, plant and equipment  | 7                               | 1                    |
| Acquisition of business, net of cash acquired   | —                               | (546)                |
| Other   | 9                               | —                    |
| Cash flows used for investing activities  | (120)                           | (646)                |
| <b>Financing activities</b>   |                                 |                      |
| Dividend payments   | (50)                            | (36)                 |
| Stock repurchase  | (30)                            | —                    |
| Net change in bank indebtedness   | (9)                             | —                    |
| Change in revolving bank credit facility  | —                               | (140)                |
| Proceeds from receivables securitization facilities   | —                               | 90                   |
| Payments on receivables securitization facilities   | —                               | (84)                 |
| Repayment of long-term debt   | (2)                             | (3)                  |
| Other   | 1                               | 4                    |
| Cash flows used for financing activities  | (90)                            | (169)                |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>39</b>                       | <b>(570)</b>         |
| Impact of foreign exchange on cash  | (6)                             | —                    |
| Cash and cash equivalents at beginning of period  | 174                             | 655                  |
| <b>Cash and cash equivalents at end of period</b>   | <b>207</b>                      | <b>85</b>            |
| <b>Supplemental cash flow information</b>   |                                 |                      |
| Net cash payments for:  |                                 |                      |
| Interest  | 48                              | 44                   |
| Income taxes paid, net  | 2                               | 19                   |



**Domtar Corporation**  
**Quarterly 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" and "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.

|  |            | 2015  |       |              | 2014  |       |       |       |              |
|--|------------|-------|-------|--------------|-------|-------|-------|-------|--------------|
|  |            | Q1    | Q2    | YTD          | Q1    | Q2    | Q3    | Q4    | YTD          |
| <b>Reconciliation of "Earnings before items" to Net earnings</b>                 |            |       |       |              |       |       |       |       |              |
| Net earnings   | (\$)       | 36    | 38    | <b>74</b>    | 39    | 40    | 281   | 71    | <b>431</b>   |
| (+) Impairment and write-down of property, plant and equipment                   | (\$)       | 12    | 11    | <b>23</b>    | —     | —     | —     | 2     | <b>2</b>     |
| (+) Closure and restructuring costs  | (\$)       | 1     | 1     | <b>2</b>     | 1     | —     | 2     | 18    | <b>21</b>    |
| (-) Net gains on disposal of property, plant and equipment                       | (\$)       | (1)   | (11)  | <b>(12)</b>  | —     | —     | —     | —     | <b>—</b>     |
| (+) Impact of purchase accounting  | (\$)       | —     | —     | <b>—</b>     | 2     | —     | —     | —     | <b>2</b>     |
| (-) Alternative fuel tax credits   | (\$)       | —     | —     | <b>—</b>     | —     | —     | (18)  | —     | <b>(18)</b>  |
| (-) Internal Revenue Service audit settlement items                              | (\$)       | —     | —     | <b>—</b>     | —     | —     | (204) | —     | <b>(204)</b> |
| (=) <b>Earnings before items</b>   | (\$)       | 48    | 39    | <b>87</b>    | 42    | 40    | 61    | 91    | <b>234</b>   |
| (/) Weighted avg. number of common and exchangeable shares outstanding (diluted) | (millions) | 63.9  | 63.7  | <b>63.8</b>  | 65.0  | 65.1  | 64.9  | 64.4  | <b>64.9</b>  |
| (=) <b>Earnings before items per diluted share</b>                               | (\$)       | 0.75  | 0.61  | <b>1.36</b>  | 0.65  | 0.61  | 0.94  | 1.41  | <b>3.61</b>  |
| <b>Reconciliation of "EBITDA" and "EBITDA before items" to Net earnings</b>      |            |       |       |              |       |       |       |       |              |
| Net earnings   | (\$)       | 36    | 38    | <b>74</b>    | 39    | 40    | 281   | 71    | <b>431</b>   |
| (+) Income tax expense (benefit)   | (\$)       | 9     | (1)   | <b>8</b>     | 15    | 13    | (186) | (12)  | <b>(170)</b> |
| (+) Interest expense, net  | (\$)       | 26    | 25    | <b>51</b>    | 25    | 26    | 25    | 27    | <b>103</b>   |
| (=) Operating income   | (\$)       | 71    | 62    | <b>133</b>   | 79    | 79    | 120   | 86    | <b>364</b>   |
| (+) Depreciation and amortization  | (\$)       | 90    | 91    | <b>181</b>   | 99    | 96    | 96    | 93    | <b>384</b>   |
| (+) Impairment and write-down of property, plant and equipment                   | (\$)       | 19    | 18    | <b>37</b>    | —     | —     | —     | 4     | <b>4</b>     |
| (-) Net gains on disposal of property, plant and equipment                       | (\$)       | (1)   | (14)  | <b>(15)</b>  | —     | —     | —     | —     | <b>—</b>     |
| (=) <b>EBITDA</b>  | (\$)       | 179   | 157   | <b>336</b>   | 178   | 175   | 216   | 183   | <b>752</b>   |
| (/) Sales  | (\$)       | 1,348 | 1,310 | <b>2,658</b> | 1,394 | 1,385 | 1,405 | 1,379 | <b>5,563</b> |
| (=) <b>EBITDA margin</b>   | (%)        | 13%   | 12%   | <b>13%</b>   | 13%   | 13%   | 15%   | 13%   | <b>14%</b>   |

**Domtar Corporation**  
**Quarterly Reconciliation of Non-GAAP Financial Measures**  
(In millions of dollars, unless otherwise noted)

|                                       |      |       |       |              |       |       |       |       |              |
|---------------------------------------|------|-------|-------|--------------|-------|-------|-------|-------|--------------|
| EBITDA                                | (\$) | 179   | 157   | <b>336</b>   | 178   | 175   | 216   | 183   | <b>752</b>   |
| (-) Alternative fuel tax credits      | (\$) | —     | —     | —            | —     | —     | (18)  | —     | <b>(18)</b>  |
| (+) Closure and restructuring costs   | (\$) | 1     | 1     | <b>2</b>     | 1     | —     | 2     | 25    | <b>28</b>    |
| (+) Impact of purchase accounting     | (\$) | —     | —     | —            | 3     | —     | —     | —     | <b>3</b>     |
| <b>(=) EBITDA before items</b>        | (\$) | 180   | 158   | <b>338</b>   | 182   | 175   | 200   | 208   | <b>765</b>   |
| (/) Sales                             | (\$) | 1,348 | 1,310 | <b>2,658</b> | 1,394 | 1,385 | 1,405 | 1,379 | <b>5,563</b> |
| <b>(=) EBITDA margin before items</b> | (%)  | 13%   | 12%   | <b>13%</b>   | 13%   | 13%   | 14%   | 15%   | <b>14%</b>   |

**Reconciliation of "Free cash flow" to Cash flow provided from operating activities**

|  |      |      |      |              |      |      |      |      |              |
|--|------|------|------|--------------|------|------|------|------|--------------|
| Cash flow provided from operating activities   | (\$) | 127  | 122  | <b>249</b>   | 141  | 104  | 203  | 186  | <b>634</b>   |
| (-) Additions to property, plant and equipment | (\$) | (70) | (66) | <b>(136)</b> | (45) | (56) | (56) | (79) | <b>(236)</b> |
| <b>(=) Free cash flow</b>                      | (\$) | 57   | 56   | <b>113</b>   | 96   | 48   | 147  | 107  | <b>398</b>   |

**"Net debt-to-total capitalization" computation**

|   |      |       |       |  |       |       |       |       |  |
|---|------|-------|-------|--|-------|-------|-------|-------|--|
| Bank indebtedness                           | (\$) | 6     | 1     |  | 8     | 15    | 3     | 10    |  |
| (+) Long-term debt due within one year      | (\$) | 169   | 169   |  | 15    | 7     | 170   | 169   |  |
| (+) Long-term debt                          | (\$) | 1,179 | 1,178 |  | 1,490 | 1,410 | 1,202 | 1,181 |  |
| <b>(=) Debt</b>                             | (\$) | 1,354 | 1,348 |  | 1,513 | 1,432 | 1,375 | 1,360 |  |
| (-) Cash and cash equivalents               | (\$) | (183) | (207) |  | (130) | (85)  | (134) | (174) |  |
| <b>(=) Net debt</b>                         | (\$) | 1,171 | 1,141 |  | 1,383 | 1,347 | 1,241 | 1,186 |  |
| (+) Shareholders' equity                    | (\$) | 2,710 | 2,761 |  | 2,771 | 2,826 | 2,938 | 2,890 |  |
| <b>(=) Total capitalization</b>             | (\$) | 3,881 | 3,902 |  | 4,154 | 4,173 | 4,179 | 4,076 |  |
| Net debt                                    | (\$) | 1,171 | 1,141 |  | 1,383 | 1,347 | 1,241 | 1,186 |  |
| (/) Total capitalization                    | (\$) | 3,881 | 3,902 |  | 4,154 | 4,173 | 4,179 | 4,076 |  |
| <b>(=) Net debt-to-total capitalization</b> | (%)  | 30%   | 29%   |  | 33%   | 32%   | 30%   | 29%   |  |

"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.

## Domtar Corporation

### Quarterly Reconciliation of Non-GAAP Financial Measures – By Segment 2015

(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 |            |            |       |     | Personal Care |            |            |       |     | Corporate  |       |       |       |     | Total       |            |            |       |     |              |
|--|----------------|------------|------------|-------|-----|---------------|------------|------------|-------|-----|------------|-------|-------|-------|-----|-------------|------------|------------|-------|-----|--------------|
|  | Q1'15          | Q2'15      | Q3'15      | Q4'15 | YTD | Q1'15         | Q2'15      | Q3'15      | Q4'15 | YTD | Q1'15      | Q2'15 | Q3'15 | Q4'15 | YTD | Q1'15       | Q2'15      | Q3'15      | Q4'15 | YTD |              |
| <b>Reconciliation of Operating income (loss) to "Operating income (loss) before items"</b> |                |            |            |       |     |               |            |            |       |     |            |       |       |       |     |             |            |            |       |     |              |
| Operating income (loss) <sup>(1)</sup>   | (\$)           | 75         | 55         | —     | —   | <b>130</b>    | 10         | 17         | —     | —   | <b>27</b>  | (14)  | (10)  | —     | —   | <b>(24)</b> | 71         | 62         | —     | —   | <b>133</b>   |
| (+) Impairment and write-down of property, plant and equipment                             | (\$)           | 19         | 18         | —     | —   | <b>37</b>     | —          | —          | —     | —   | —          | —     | —     | —     | —   | —           | 19         | 18         | —     | —   | <b>37</b>    |
| (-) Net gains on disposal of property, plant and equipment                                 | (\$)           | —          | (14)       | —     | —   | <b>(14)</b>   | —          | —          | —     | —   | —          | (1)   | —     | —     | —   | <b>(1)</b>  | (1)        | (14)       | —     | —   | <b>(15)</b>  |
| (+) Closure and restructuring costs  | (\$)           | —          | 1          | —     | —   | <b>1</b>      | 1          | —          | —     | —   | <b>1</b>   | —     | —     | —     | —   | —           | 1          | 1          | —     | —   | <b>2</b>     |
| <b>(=) Operating income (loss) before items</b>  | (\$)           | <b>94</b>  | <b>60</b>  | —     | —   | <b>154</b>    | <b>11</b>  | <b>17</b>  | —     | —   | <b>28</b>  | (15)  | (10)  | —     | —   | <b>(25)</b> | <b>90</b>  | <b>67</b>  | —     | —   | <b>157</b>   |
| <b>Reconciliation of "Operating income (loss) before items" to "EBITDA before items"</b>   |                |            |            |       |     |               |            |            |       |     |            |       |       |       |     |             |            |            |       |     |              |
| Operating income (loss) before items   | (\$)           | 94         | 60         | —     | —   | <b>154</b>    | 11         | 17         | —     | —   | <b>28</b>  | (15)  | (10)  | —     | —   | <b>(25)</b> | 90         | 67         | —     | —   | <b>157</b>   |
| (+) Depreciation and amortization  | (\$)           | 74         | 75         | —     | —   | <b>149</b>    | 16         | 16         | —     | —   | <b>32</b>  | —     | —     | —     | —   | —           | 90         | 91         | —     | —   | <b>181</b>   |
| <b>(=) EBITDA before items</b>   | (\$)           | <b>168</b> | <b>135</b> | —     | —   | <b>303</b>    | <b>27</b>  | <b>33</b>  | —     | —   | <b>60</b>  | (15)  | (10)  | —     | —   | <b>(25)</b> | <b>180</b> | <b>158</b> | —     | —   | <b>338</b>   |
| (/) Sales  | (\$)           | 1,146      | 1,110      | —     | —   | <b>2,256</b>  | 218        | 216        | —     | —   | <b>434</b> | —     | —     | —     | —   | —           | 1,364      | 1,326      | —     | —   | <b>2,690</b> |
| <b>(=) EBITDA margin before items</b>  | (%)            | <b>15%</b> | <b>12%</b> | —     | —   | <b>13%</b>    | <b>12%</b> | <b>15%</b> | —     | —   | <b>14%</b> | —     | —     | —     | —   | —           | <b>13%</b> | <b>12%</b> | —     | —   | <b>13%</b>   |

"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.

<sup>(1)</sup> As a result of changes in the Company’s organization structure, we have changed the way we allocate certain Corporate general and administrative costs to the segments. Further, certain Corporate costs not related to segment activities, as well as the mark-to-market impact on stock-based compensation awards, will be presented on the Corporate line. As a result, we have revised our 2014 segment disclosures to conform to our 2015 presentation.

## Domtar Corporation

### Quarterly Reconciliation of Non-GAAP Financial Measures – By Segment 2014

(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 |       |       |       |       | Personal Care <sup>(1)</sup> |       |       |       |     | Corporate  |       |       |       |      | Total       |       |       |       |       |              |
|--|----------------|-------|-------|-------|-------|------------------------------|-------|-------|-------|-----|------------|-------|-------|-------|------|-------------|-------|-------|-------|-------|--------------|
|  | Q1'14          | Q2'14 | Q3'14 | Q4'14 | YTD   | Q1'14                        | Q2'14 | Q3'14 | Q4'14 | YTD | Q1'14      | Q2'14 | Q3'14 | Q4'14 | YTD  | Q1'14       | Q2'14 | Q3'14 | Q4'14 | YTD   |              |
| <b>Reconciliation of Operating income (loss) to "Operating income (loss) before items"</b> |                |       |       |       |       |                              |       |       |       |     |            |       |       |       |      |             |       |       |       |       |              |
| Operating income (loss) <sup>(2)</sup>   | (\$)           | 89    | 74    | 101   | 88    | <b>352</b>                   | 14    | 12    | 12    | 11  | <b>49</b>  | (24)  | (7)   | 7     | (13) | <b>(37)</b> | 79    | 79    | 120   | 86    | <b>364</b>   |
| (-) Alternative fuel tax credits   | (\$)           | —     | —     | —     | —     | —                            | —     | —     | —     | —   | —          | —     | —     | (18)  | —    | <b>(18)</b> | —     | —     | (18)  | —     | <b>(18)</b>  |
| (+) Closure and restructuring costs  | (\$)           | —     | —     | 2     | 25    | <b>27</b>                    | 1     | —     | —     | —   | <b>1</b>   | —     | —     | —     | —    | —           | 1     | —     | 2     | 25    | <b>28</b>    |
| (+) Impact of purchase accounting  | (\$)           | —     | —     | —     | —     | —                            | 3     | —     | —     | —   | <b>3</b>   | —     | —     | —     | —    | —           | 3     | —     | —     | —     | <b>3</b>     |
| (+) Impairment and write-down of property, plant and equipment                             | (\$)           | —     | —     | —     | 4     | <b>4</b>                     | —     | —     | —     | —   | —          | —     | —     | —     | —    | —           | —     | —     | —     | 4     | <b>4</b>     |
| <b>(=) Operating income (loss) before items</b>  | (\$)           | 89    | 74    | 103   | 117   | <b>383</b>                   | 18    | 12    | 12    | 11  | <b>53</b>  | (24)  | (7)   | (11)  | (13) | <b>(55)</b> | 83    | 79    | 104   | 115   | <b>381</b>   |
| <b>Reconciliation of "Operating income (loss) before items" to "EBITDA before items"</b>   |                |       |       |       |       |                              |       |       |       |     |            |       |       |       |      |             |       |       |       |       |              |
| Operating income (loss) before items   | (\$)           | 89    | 74    | 103   | 117   | <b>383</b>                   | 18    | 12    | 12    | 11  | <b>53</b>  | (24)  | (7)   | (11)  | (13) | <b>(55)</b> | 83    | 79    | 104   | 115   | <b>381</b>   |
| (+) Depreciation and amortization  | (\$)           | 83    | 79    | 79    | 78    | <b>319</b>                   | 16    | 17    | 17    | 15  | <b>65</b>  | —     | —     | —     | —    | —           | 99    | 96    | 96    | 93    | <b>384</b>   |
| <b>(=) EBITDA before items</b>   | (\$)           | 172   | 153   | 182   | 195   | <b>702</b>                   | 34    | 29    | 29    | 26  | <b>118</b> | (24)  | (7)   | (11)  | (13) | <b>(55)</b> | 182   | 175   | 200   | 208   | <b>765</b>   |
| (/) Sales  | (\$)           | 1,168 | 1,160 | 1,186 | 1,160 | <b>4,674</b>                 | 233   | 234   | 231   | 230 | <b>928</b> | —     | —     | —     | —    | —           | 1,401 | 1,394 | 1,417 | 1,390 | <b>5,602</b> |
| <b>(=) EBITDA margin before items</b>  | (%)            | 15%   | 13%   | 15%   | 17%   | <b>15%</b>                   | 15%   | 12%   | 13%   | 11% | <b>13%</b> | —     | —     | —     | —    | —           | 13%   | 13%   | 14%   | 15%   | <b>14%</b>   |

“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.

<sup>(1)</sup> On January 2, 2014, the Company acquired 100% of the shares of Laboratorios Indas, S.A.U. in Spain.

<sup>(2)</sup> As a result of changes in the Company’s organization structure, we have changed the way we allocate certain Corporate general and administrative costs to the segments. Further, certain Corporate costs not related to segment activities, as well as the mark-to-market impact on stock-based compensation awards, will be presented on the Corporate line. As a result, we have revised our 2014 segment disclosures to conform to our 2015 presentation.

**Domtar Corporation**  
**Supplemental Segmented Information**  
(In millions of dollars, unless otherwise noted)

|  | 2015         |       |       | 2014         |       |       |       |       |              |
|--|--------------|-------|-------|--------------|-------|-------|-------|-------|--------------|
|  | Q1           | Q2    | YTD   | Q1           | Q2    | Q3    | Q4    | YTD   |              |
| <b>Pulp and Paper Segment</b>                              |              |       |       |              |       |       |       |       |              |
| Sales  | (\$)         | 1,146 | 1,110 | <b>2,256</b> | 1,168 | 1,160 | 1,186 | 1,160 | <b>4,674</b> |
| Operating income <sup>(a)</sup>                            | (\$)         | 75    | 55    | <b>130</b>   | 89    | 74    | 101   | 88    | <b>352</b>   |
| Depreciation and amortization                              | (\$)         | 74    | 75    | <b>149</b>   | 83    | 79    | 79    | 78    | <b>319</b>   |
| Impairment and write-down of property, plant and equipment | (\$)         | 19    | 18    | <b>37</b>    | —     | —     | —     | 4     | <b>4</b>     |
| <b>Paper</b>   |              |       |       |              |       |       |       |       |              |
| Paper Production   | ('000 ST)    | 808   | 806   | <b>1,614</b> | 801   | 786   | 758   | 777   | <b>3,122</b> |
| Paper Shipments - Manufactured                             | ('000 ST)    | 804   | 783   | <b>1,587</b> | 804   | 779   | 776   | 786   | <b>3,145</b> |
| Communication Papers                                       | ('000 ST)    | 669   | 653   | <b>1,322</b> | 678   | 647   | 649   | 661   | <b>2,635</b> |
| Specialty and Packaging                                    | ('000 ST)    | 135   | 130   | <b>265</b>   | 126   | 132   | 127   | 125   | <b>510</b>   |
| Paper Shipments - Sourced from 3rd parties                 | ('000 ST)    | 35    | 29    | <b>64</b>    | 50    | 42    | 47    | 34    | <b>173</b>   |
| Paper Shipments - Total                                    | ('000 ST)    | 839   | 812   | <b>1,651</b> | 854   | 821   | 823   | 820   | <b>3,318</b> |
| <b>Pulp</b>  |              |       |       |              |       |       |       |       |              |
| Pulp Shipments <sup>(b)</sup>                              | ('000 ADMT)  | 350   | 345   | <b>695</b>   | 318   | 336   | 367   | 370   | <b>1,391</b> |
| Hardwood Kraft Pulp  | (%)          | 9%    | 8%    | <b>9%</b>    | 12%   | 11%   | 12%   | 11%   | <b>12%</b>   |
| Softwood Kraft Pulp  | (%)          | 65%   | 65%   | <b>65%</b>   | 58%   | 63%   | 63%   | 60%   | <b>61%</b>   |
| Fluff Pulp   | (%)          | 26%   | 27%   | <b>26%</b>   | 30%   | 26%   | 25%   | 29%   | <b>27%</b>   |
| <b>Personal Care Segment</b>                               |              |       |       |              |       |       |       |       |              |
| Sales  | (\$)         | 218   | 216   | <b>434</b>   | 233   | 234   | 231   | 230   | <b>928</b>   |
| Operating income <sup>(a)</sup>                            | (\$)         | 10    | 17    | <b>27</b>    | 14    | 12    | 12    | 11    | <b>49</b>    |
| Depreciation and amortization                              | (\$)         | 16    | 16    | <b>32</b>    | 16    | 17    | 17    | 15    | <b>65</b>    |
| <b>Average Exchange Rates</b>                              |              |       |       |              |       |       |       |       |              |
|  | \$US / \$CAN | 1.241 | 1.229 | <b>1.235</b> | 1.103 | 1.091 | 1.089 | 1.136 | <b>1.105</b> |
|  | \$CAN / \$US | 0.806 | 0.813 | <b>0.810</b> | 0.906 | 0.917 | 0.918 | 0.881 | <b>0.906</b> |
|  | € / \$US     | 1.126 | 1.106 | <b>1.116</b> | 1.370 | 1.371 | 1.324 | 1.249 | <b>1.329</b> |

<sup>(a)</sup> As a result of changes in the Company's organization structure, we have changed the way we allocate certain Corporate general and administrative costs to the segments. Further, certain Corporate costs not related to segment activities, as well as the mark-to-market impact on stock-based compensation awards, will be presented on the Corporate line. As a result, we have revised our 2014 segment disclosures to conform to our 2015 presentation.

<sup>(b)</sup> Figures are gross of market pulp purchased from other producers on the open market for some of our paper making operations. Pulp Shipments represent the amount of pulp produced in excess of our internal requirement.

Note: the term "ST" refers to a short ton and the term "ADMT" refers to an air dry metric ton.