



234 Kingsley Park Drive  
Fort Mill, South Carolina 29715

## News Release

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**UITICKER SYMBOL**  
(NYSE: UFS) (TSX: UFS)

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### **DOMTAR CORPORATION REPORTS PRELIMINARY FOURTH QUARTER AND FISCAL YEAR 2017 FINANCIAL RESULTS; ANNOUNCES INCREASE TO ITS QUARTERLY DIVIDEND**

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

- Fourth quarter 2017 net loss of \$5.42 per share; earnings before items<sup>1</sup> of \$0.64 per share
- Price increases announced for pulp and several uncoated freesheet grades
- Announced a 4.8% dividend increase

**Fort Mill, SC, February 8, 2018** – Domtar Corporation (NYSE: UFS) (TSX: UFS) today reported a net loss of \$340 million (\$5.42 per share) for the fourth quarter of 2017 compared to net earnings of \$70 million (\$1.11 per share) for the third quarter of 2017 and net earnings of \$47 million (\$0.75 per share) for the fourth quarter of 2016. Sales for the fourth quarter of 2017 were \$1.3 billion.

Excluding items listed below, the Company had earnings before items<sup>1</sup> of \$40 million (\$0.64 per share) for the fourth quarter of 2017 compared to earnings before items<sup>1</sup> of \$65 million (\$1.03 per share) for the third quarter of 2017 and earnings before items<sup>1</sup> of \$47 million (\$0.75 per share) for the fourth quarter of 2016.

#### **Fourth quarter 2017 items:**

- Non-cash goodwill impairment charge associated with Personal Care of \$578 million (\$573 million after tax);
- Closure and restructuring costs of \$2 million (\$1 million after tax);
- Deferred tax benefit of \$186 million related to the U.S. Tax Cuts and Jobs Act of 2017 (U.S. Tax Reform); and
- Net gain on disposal of property, plant & equipment of \$9 million (\$8 million after tax).

#### **Third quarter 2017 items:**

- Gain on disposal of property, plant & equipment of \$4 million (\$3 million after tax); and
- Partial reversal of contingent consideration related to an acquisition of \$2 million (\$2 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.

#### **Fourth quarter 2016 items:**

- Closure and restructuring impact of \$(1) million (\$(1) million after tax); and
- Negative impact of purchase accounting of \$1 million (\$1 million after tax).

#### **FISCAL YEAR 2017 HIGHLIGHTS**

As a result of its annual goodwill and indefinite life intangible assets impairment tests, the Company recorded a non-cash goodwill impairment charge of \$578 million associated with Personal Care. Growing competitive market pressures in the healthcare and retail markets over the last year, including the entry of new competitors in the private label category, excess industry capacity and the decline of healthcare spending by governmental agencies, are expected to result in lower than previously anticipated sales and operating margins. In light of this weakened market outlook, our current business forecast was not sufficient to support the carrying value of the goodwill associated with Personal Care, leading to the impairment.

Commenting on the full-year results, John D. Williams, President and Chief Executive Officer said, “We generated nearly \$450 million of operating cash flow and continued our solid track record of rewarding shareholders with a high payout ratio while maintaining financial flexibility. Our performance, combined with our confidence in our cash flow generating capabilities, enable us to announce a 4.8% dividend increase. Looking ahead, we remain focused on maximizing long-term profitability and value creation.”

#### **QUARTERLY REVIEW**

“As expected, higher maintenance and seasonally higher operating costs impacted our fourth quarter Pulp and Paper results,” said John D. Williams, President and Chief Executive Officer. “Nevertheless, pulp price realizations were higher and we shipped record volumes of tissue grade and fluff pulp. Recently announced price increases across a number of pulp and paper grades are expected to drive continued momentum into 2018.”

Commenting on Personal Care, Mr. Williams added, “While we had good results in 2017, we have concluded that the performance of our Personal Care business will continue to be impacted by an increasingly competitive market. We remain optimistic about the long-term growth trajectory of the absorbent hygiene market; however, this increasingly competitive market will negatively impact our sales, and we expect the environment to remain challenging for the foreseeable future. Importantly, the goodwill impairment charge is non-cash. It does not alter our current financial flexibility, and our overall cash generating capabilities remains strong.”

Operating loss was \$512 million in the fourth quarter of 2017 compared to operating income of \$89 million in the third quarter of 2017. Depreciation and amortization totaled \$82 million in the fourth quarter of 2017.

Operating income before items<sup>1</sup> was \$59 million in the fourth quarter of 2017 compared to an operating income before items<sup>1</sup> of \$83 million in the third quarter of 2017.

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

(In millions of dollars)	4Q 2017	3Q 2017
Sales	\$ 1,337	\$ 1,292
Operating income (loss)		
Pulp and Paper segment	58	93
Personal Care segment	(564)	8
Corporate	<u>(6)</u>	<u>(12)</u>
Total operating (loss) income	(512)	89
Operating income before items <sup>1</sup>	59	83
Depreciation and amortization	82	80

The operating loss in the fourth quarter of 2017 was a result of the goodwill impairment charge, higher maintenance and raw material costs, lower productivity and higher costs, when compared to the operating income in the third quarter of 2017. These factors were partially offset by higher selling prices and volume and favorable exchange rates.

When compared to the third quarter of 2017, manufactured paper shipments were up 1% and pulp shipments increased 9%. The shipments-to-production ratio for paper was 100% in the fourth quarter of 2017, compared to 97% in the third quarter of 2017. Paper inventories increased by 1,000 tons and pulp inventories decreased by 50,000 metric tons when compared to the third quarter of 2017.

## LIQUIDITY AND CAPITAL

Cash flow from operating activities amounted to \$125 million and capital expenditures were \$71 million, resulting in free cash flow<sup>1</sup> of \$54 million for the fourth quarter of 2017. Domtar's net debt-to-total capitalization ratio<sup>1</sup> stood at 28% at December 31, 2017 compared to 26% at September 30, 2017.

In 2017, cash flow from operating activities amounted to \$449 million and capital expenditures were \$182 million, resulting in free cash flow<sup>1</sup> of \$267 million.

## DECLARATION OF DIVIDEND

The Board of Directors approved a 4.8% increase to its quarterly dividend (from \$0.415 per share to \$0.435 per share) on its common stock. The Board of Directors declared a dividend payable on April 16, 2018 to stockholders of record as of the close of business on April 2, 2018.

## OUTLOOK

In 2018, costs, including freight, labor and raw materials, are expected to marginally increase. Our paper shipments should benefit from expected industry capacity closures, while paper prices should improve following the recently-announced price increases and pulp will benefit from volume growth in fluff. Personal Care is expected to be negatively impacted by an unfavorable tender balance, resulting in lower volume and operating margins.

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

## **EARNINGS CONFERENCE CALL**

The Company will hold a conference call today at 10:00 a.m. (ET) to discuss its fourth quarter and fiscal year 2017 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 first quarter 2018 earnings results on May 1, 2018 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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### **About Domtar**

Domtar is a leading provider of a wide variety of fiber-based products including communication, specialty and packaging papers, market pulp and absorbent hygiene products. With approximately 10,000 employees serving more than 50 countries around the world, Domtar is driven by a commitment to turn sustainable wood fiber into useful products that people rely on every day. Domtar's annual sales are approximately \$5.2 billion, and its common stock is traded on the New York and Toronto Stock Exchanges. Domtar's principal executive office is in Fort Mill, South Carolina. 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 2016 as filed with the SEC and as updated by subsequently-filed Form 10-Qs. 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)

	<b>Three months ended December 31, 2017</b>	Three months ended December 31, 2016 <small>(Unaudited)</small>	<b>Twelve months ended December 31, 2017</b>	Twelve months ended December 31, 2016
	\$	\$	\$	\$
<b>Selected Segment Information</b>				
<b>Sales</b>				
Pulp and Paper	1,090	1,046	4,216	4,239
Personal Care	262	242	1,005	917
Total for reportable segments	1,352	1,288	5,221	5,156
Intersegment sales	(15)	(14)	(64)	(58)
<b>Consolidated sales</b>	<b>1,337</b>	<b>1,274</b>	<b>5,157</b>	<b>5,098</b>
<b>Depreciation and amortization of property, plant and equipment</b>				
Pulp and Paper	64	68	254	284
Personal Care	18	17	67	64
Total for reportable segments	82	85	321	348
Impairment of goodwill - Personal Care	578	—	578	—
Impairment of property, plant and equipment - Pulp and Paper	—	—	—	29
<b>Consolidated depreciation and amortization and impairment of goodwill and property, plant and equipment</b>	<b>660</b>	<b>85</b>	<b>899</b>	<b>377</b>
<b>Operating income (loss)</b>				
Pulp and Paper	58	74	250	217
Personal Care	(564)	13	(527)	57
Corporate	(6)	(13)	(40)	(51)
<b>Consolidated operating (loss) income</b>	<b>(512)</b>	<b>74</b>	<b>(317)</b>	<b>223</b>
Interest expense, net	16	17	66	66
<b>(Loss) earnings before income taxes</b>	<b>(528)</b>	<b>57</b>	<b>(383)</b>	<b>157</b>
Income tax (benefit) expense	(188)	10	(171)	29
<b>Net (loss) earnings</b>	<b>(340)</b>	<b>47</b>	<b>(212)</b>	<b>128</b>
Per common share (in dollars)				
Net (loss) earnings				
Basic	(5.42)	0.75	(3.38)	2.04
Diluted	(5.42)	0.75	(3.38)	2.04
Weighted average number of common shares outstanding (millions)				
Basic	62.7	62.6	62.7	62.6
Diluted	62.7	62.7	62.7	62.7
Cash flows from operating activities	125	155	449	465
Additions to property, plant and equipment	71	45	182	347

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

	<b>Three months ended December 31, 2017</b>	Three months ended December 31, 2016 (Unaudited)	<b>Twelve months ended December 31, 2017</b>	Twelve months ended December 31, 2016
	\$	\$	\$	\$
<b>Sales</b>	<b>1,337</b>	1,274	<b>5,157</b>	5,098
<b>Operating expenses</b>				
Cost of sales, excluding depreciation and amortization	<b>1,076</b>	1,003	<b>4,131</b>	4,035
Depreciation and amortization	<b>82</b>	85	<b>321</b>	348
Selling, general and administrative	<b>119</b>	113	<b>456</b>	427
Impairment of goodwill and property, plant and equipment	<b>578</b>	—	<b>578</b>	29
Closure and restructuring costs	<b>2</b>	(1)	<b>2</b>	32
Other operating (income) loss, net	<b>(8)</b>	—	<b>(14)</b>	4
	<b>1,849</b>	1,200	<b>5,474</b>	4,875
<b>Operating (loss) income</b>	<b>(512)</b>	74	<b>(317)</b>	223
Interest expense, net	<b>16</b>	17	<b>66</b>	66
<b>(Loss) earnings before income taxes</b>	<b>(528)</b>	57	<b>(383)</b>	157
Income tax (benefit) expense	<b>(188)</b>	10	<b>(171)</b>	29
<b>Net (loss) earnings</b>	<b>(340)</b>	47	<b>(212)</b>	128
<b>Per common share (in dollars)</b>				
Net (loss) earnings				
Basic	<b>(5.42)</b>	0.75	<b>(3.38)</b>	2.04
Diluted	<b>(5.42)</b>	0.75	<b>(3.38)</b>	2.04
<b>Weighted average number of common shares outstanding (millions)</b>				
Basic	<b>62.7</b>	62.6	<b>62.7</b>	62.6
Diluted	<b>62.7</b>	62.7	<b>62.7</b>	62.7

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

	December 31, 2017 (Unaudited) \$	December 31, 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	139	125
Receivables, less allowances of \$7 and \$7	704	613
Inventories	757	759
Prepaid expenses	33	40
Income and other taxes receivable	28	31
<b>Total current assets</b>	<b>1,661</b>	<b>1,568</b>
<b>Property, plant and equipment, net</b>	<b>2,765</b>	<b>2,825</b>
<b>Goodwill</b>	<b>—</b>	<b>550</b>
<b>Intangible assets, net</b>	<b>633</b>	<b>608</b>
<b>Other assets</b>	<b>157</b>	<b>129</b>
<b>Total assets</b>	<b>5,216</b>	<b>5,680</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Bank indebtedness	—	12
Trade and other payables	716	656
Income and other taxes payable	24	22
Long-term debt due within one year	1	63
<b>Total current liabilities</b>	<b>741</b>	<b>753</b>
<b>Long-term debt</b>	<b>1,129</b>	<b>1,218</b>
<b>Deferred income taxes and other</b>	<b>491</b>	<b>675</b>
<b>Other liabilities and deferred credits</b>	<b>326</b>	<b>358</b>
<b>Shareholders' equity</b>		
Common stock	1	1
Additional paid-in capital	1,969	1,963
Retained earnings	895	1,211
Accumulated other comprehensive loss	(336)	(499)
<b>Total shareholders' equity</b>	<b>2,529</b>	<b>2,676</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,216</b>	<b>5,680</b>



## 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 are useful to understand our operating performance and benchmark with peers within the industry. The Company calculates “Earnings before items” and “EBITDA before items” by excluding the after-tax (pre-tax) effect of specified items. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

	2017					2016					
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	
<b>Reconciliation of "Earnings before items" to Net earnings (loss)</b>											
Net earnings (loss)	(\$)	20	38	70	(340)	(212)	4	18	59	47	<b>128</b>
(+) Impairment of goodwill and property, plant and equipment	(\$)	—	—	—	573	<b>573</b>	16	2	4	—	<b>22</b>
(+) Closure and restructuring costs	(\$)	—	—	—	1	<b>1</b>	2	16	8	(1)	<b>25</b>
(+) Litigation settlement	(\$)	—	—	—	—	—	—	2	—	—	<b>2</b>
(-) Net gains on disposals of property, plant and equipment	(\$)	—	—	(3)	(8)	<b>(11)</b>	—	—	—	—	—
(-) Reversal of contingent consideration	(\$)	—	—	(2)	—	<b>(2)</b>	—	—	—	—	—
(+) Impact of purchase accounting	(\$)	—	—	—	—	—	—	—	—	1	<b>1</b>
(-) U.S. Tax Reform	(\$)	—	—	—	(186)	<b>(186)</b>	—	—	—	—	—
(=) <b>Earnings before items</b>	(\$)	20	38	65	40	<b>163</b>	22	38	71	47	<b>178</b>
(/) Weighted avg. number of common shares outstanding (diluted)	(millions)	62.8	62.7	62.9	62.7	<b>62.7</b>	62.8	62.7	62.7	62.7	<b>62.7</b>
(=) <b>Earnings before items per diluted share</b>	(\$)	0.32	0.61	1.03	0.64	<b>2.60</b>	0.35	0.61	1.13	0.75	<b>2.84</b>
<b>Reconciliation of "EBITDA" and "EBITDA before items" to Net earnings (loss)</b>											
Net earnings (loss)	(\$)	20	38	70	(340)	(212)	4	18	59	47	<b>128</b>
(+) Income tax expense (benefit)	(\$)	5	9	3	(188)	<b>(171)</b>	(3)	6	16	10	<b>29</b>
(+) Interest expense, net	(\$)	17	17	16	16	<b>66</b>	17	15	17	17	<b>66</b>
(=) Operating income (loss)	(\$)	42	64	89	(512)	<b>(317)</b>	18	39	92	74	<b>223</b>
(+) Depreciation and amortization	(\$)	80	79	80	82	<b>321</b>	89	87	87	85	<b>348</b>
(+) Impairment of goodwill and property, plant and equipment	(\$)	—	—	—	578	<b>578</b>	21	3	5	—	<b>29</b>
(-) Net gains on disposals of property, plant and equipment	(\$)	—	—	(4)	(9)	<b>(13)</b>	—	—	—	—	—
(=) <b>EBITDA</b>	(\$)	122	143	165	139	<b>569</b>	128	129	184	159	<b>600</b>
(/) Sales	(\$)	1,304	1,224	1,292	1,337	<b>5,157</b>	1,287	1,267	1,270	1,274	<b>5,098</b>
(=) <b>EBITDA margin</b>	(%)	9%	12%	13%	10%	<b>11%</b>	10%	10%	14%	12%	<b>12%</b>
<b>EBITDA</b>											
(+) Closure and restructuring costs	(\$)	—	—	—	2	<b>2</b>	2	21	10	(1)	<b>32</b>
(+) Litigation settlement	(\$)	—	—	—	—	—	—	2	—	—	<b>2</b>
(-) Reversal of contingent consideration	(\$)	—	—	(2)	—	<b>(2)</b>	—	—	—	—	—
(+) Impact of purchase accounting	(\$)	—	—	—	—	—	—	—	—	1	<b>1</b>
(=) <b>EBITDA before items</b>	(\$)	122	143	163	141	<b>569</b>	130	152	194	159	<b>635</b>
(/) Sales	(\$)	1,304	1,224	1,292	1,337	<b>5,157</b>	1,287	1,267	1,270	1,274	<b>5,098</b>
(=) <b>EBITDA margin before items</b>	(%)	9%	12%	13%	11%	<b>11%</b>	10%	12%	15%	12%	<b>12%</b>

## Domtar Corporation

### Quarterly Reconciliation of Non-GAAP Financial Measures

(In millions of dollars, unless otherwise noted)

	2017					2016					
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	
<b>Reconciliation of "Free cash flow" to Cash flows from operating activities</b>											
Cash flows from operating activities	(\$)	91	121	112	125	449	97	118	95	155	465
(-) Additions to property, plant and equipment	(\$)	(34)	(37)	(40)	(71)	(182)	(100)	(119)	(83)	(45)	(347)
(=) <b>Free cash flow</b>	(\$)	57	84	72	54	267	(3)	(1)	12	110	118
<b>"Net debt-to-total capitalization" computation</b>											
Bank indebtedness	(\$)	2	—	—	—	6	1	—	12		
(+) Long-term debt due within one year	(\$)	64	1	1	1	41	64	63	63		
(+) Long-term debt	(\$)	1,188	1,203	1,164	1,129	1,211	1,237	1,309	1,218		
(=) Debt	(\$)	1,254	1,204	1,165	1,130	1,258	1,302	1,372	1,293		
(-) Cash and cash equivalents	(\$)	(111)	(124)	(143)	(139)	(97)	(111)	(168)	(125)		
(=) <b>Net debt</b>	(\$)	1,143	1,080	1,022	991	1,161	1,191	1,204	1,168		
(+) Shareholders' equity	(\$)	2,685	2,770	2,886	2,529	2,736	2,716	2,754	2,676		
(=) Total capitalization	(\$)	3,828	3,850	3,908	3,520	3,897	3,907	3,958	3,844		
Net debt	(\$)	1,143	1,080	1,022	991	1,161	1,191	1,204	1,168		
(/) Total capitalization	(\$)	3,828	3,850	3,908	3,520	3,897	3,907	3,958	3,844		
(=) <b>Net debt-to-total capitalization</b>	(%)	30%	28%	26%	28%	30%	30%	30%	30%		

"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 (loss), 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.

## Domtar Corporation

### Quarterly Reconciliation of Non-GAAP Financial Measures – By Segment 2017

(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 are useful to understand our operating performance and benchmark with peers within the industry. The Company calculates the segmented “Operating income (loss) before items” by excluding the pre-tax effect of specified items. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

	Pulp and Paper					Personal Care					Corporate					Total					
	Q1'17	Q2'17	Q3'17	Q4'17	Year	Q1'17	Q2'17	Q3'17	Q4'17	Year	Q1'17	Q2'17	Q3'17	Q4'17	Year	Q1'17	Q2'17	Q3'17	Q4'17	Year	
<b>Reconciliation of Operating income (loss) to "Operating income (loss) before items"</b>																					
Operating income (loss)	(\$)	34	65	93	58	<b>250</b>	16	13	8	(564)	<b>(527)</b>	(8)	(14)	(12)	(6)	<b>(40)</b>	42	64	89	(512)	<b>(317)</b>
(+) Impairment of goodwill	(\$)	—	—	—	—	—	—	—	—	578	<b>578</b>	—	—	—	—	—	—	—	—	578	<b>578</b>
(-) Net gains on disposals of property, plant and equipment	(\$)	—	—	(4)	—	<b>(4)</b>	—	—	—	—	—	—	—	—	(9)	<b>(9)</b>	—	—	(4)	(9)	<b>(13)</b>
(-) Reversal of contingent consideration	(\$)	—	—	—	—	—	—	—	—	—	—	—	(2)	—	<b>(2)</b>	—	—	(2)	—	<b>(2)</b>	
(+) Closure and restructuring costs	(\$)	—	—	—	—	—	—	—	—	2	<b>2</b>	—	—	—	—	—	—	—	—	2	<b>2</b>
<b>(=) Operating income (loss) before items</b>	(\$)	34	65	89	58	<b>246</b>	16	13	8	16	<b>53</b>	(8)	(14)	(14)	(15)	<b>(51)</b>	42	64	83	59	<b>248</b>
<b>Reconciliation of "Operating income (loss) before items" to "EBITDA before items"</b>																					
Operating income (loss) before items	(\$)	34	65	89	58	<b>246</b>	16	13	8	16	<b>53</b>	(8)	(14)	(14)	(15)	<b>(51)</b>	42	64	83	59	<b>248</b>
(+) Depreciation and amortization	(\$)	64	63	63	64	<b>254</b>	16	16	17	18	<b>67</b>	—	—	—	—	—	80	79	80	82	<b>321</b>
<b>(=) EBITDA before items</b>	(\$)	98	128	152	122	<b>500</b>	32	29	25	34	<b>120</b>	(8)	(14)	(14)	(15)	<b>(51)</b>	122	143	163	141	<b>569</b>
(/) Sales	(\$)	1,073	999	1,054	1,090	<b>4,216</b>	249	241	253	262	<b>1,005</b>	—	—	—	—	—	1,322	1,240	1,307	1,352	<b>5,221</b>
<b>(=) EBITDA margin before items</b>	(%)	9%	13%	14%	11%	<b>12%</b>	13%	12%	10%	13%	<b>12%</b>	—	—	—	—	—	9%	12%	12%	10%	<b>11%</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.

## Domtar Corporation

### Quarterly Reconciliation of Non-GAAP Financial Measures – By Segment 2016

(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 are useful to understand our operating performance and benchmark with peers within the industry. The Company calculates the segmented “Operating income (loss) before items” by excluding the pre-tax effect of specified items. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

	Pulp and Paper					Personal Care <sup>(1)</sup>					Corporate					Total					
	Q1'16	Q2'16	Q3'16	Q4'16	Year	Q1'16	Q2'16	Q3'16	Q4'16	Year	Q1'16	Q2'16	Q3'16	Q4'16	Year	Q1'16	Q2'16	Q3'16	Q4'16	Year	
<b>Reconciliation of Operating income (loss) to "Operating income (loss) before items"</b>																					
Operating income (loss)	(\$)	19	35	89	74	<b>217</b>	14	15	15	13	<b>57</b>	(15)	(11)	(12)	(13)	<b>(51)</b>	18	39	92	74	<b>223</b>
(+) Impairment of property, plant and equipment	(\$)	21	3	5	—	<b>29</b>	—	—	—	—	<b>—</b>	—	—	—	—	<b>—</b>	21	3	5	—	<b>29</b>
(+) Impact of purchase accounting	(\$)	—	—	—	—	<b>—</b>	—	—	—	1	<b>1</b>	—	—	—	—	<b>—</b>	—	—	—	1	<b>1</b>
(+) Closure and restructuring costs	(\$)	2	21	10	(2)	<b>31</b>	—	—	—	1	<b>1</b>	—	—	—	—	<b>—</b>	2	21	10	(1)	<b>32</b>
(+) Litigation settlement	(\$)	—	—	—	—	<b>—</b>	—	—	—	—	<b>—</b>	—	2	—	—	<b>2</b>	—	2	—	—	<b>2</b>
<b>(=) Operating income (loss) before items</b>	(\$)	42	59	104	72	<b>277</b>	14	15	15	15	<b>59</b>	(15)	(9)	(12)	(13)	<b>(49)</b>	41	65	107	74	<b>287</b>
<b>Reconciliation of "Operating income (loss) before items" to "EBITDA before items"</b>																					
Operating income (loss) before items	(\$)	42	59	104	72	<b>277</b>	14	15	15	15	<b>59</b>	(15)	(9)	(12)	(13)	<b>(49)</b>	41	65	107	74	<b>287</b>
(+) Depreciation and amortization	(\$)	73	72	71	68	<b>284</b>	16	15	16	17	<b>64</b>	—	—	—	—	<b>—</b>	89	87	87	85	<b>348</b>
<b>(=) EBITDA before items</b>	(\$)	115	131	175	140	<b>561</b>	30	30	31	32	<b>123</b>	(15)	(9)	(12)	(13)	<b>(49)</b>	130	152	194	159	<b>635</b>
(/) Sales	(\$)	1,085	1,054	1,054	1,046	<b>4,239</b>	216	228	231	242	<b>917</b>	—	—	—	—	<b>—</b>	1,301	1,282	1,285	1,288	<b>5,156</b>
<b>(=) EBITDA margin before items</b>	(%)	11%	12%	17%	13%	<b>13%</b>	14%	13%	13%	13%	<b>13%</b>	—	—	—	—	<b>—</b>	10%	12%	15%	12%	<b>12%</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 October 1, 2016, the Company acquired 100% of the shares of Home Delivery Incontinent Supplies Co. in the United States.

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

			2017				2016				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	
<b>Pulp and Paper Segment</b>											
Sales	(\$)	1,073	999	1,054	1,090	<b>4,216</b>	1,085	1,054	1,054	1,046	<b>4,239</b>
Operating income	(\$)	34	65	93	58	<b>250</b>	19	35	89	74	<b>217</b>
Depreciation and amortization	(\$)	64	63	63	64	<b>254</b>	73	72	71	68	<b>284</b>
Impairment of property, plant and equipment	(\$)	—	—	—	—	—	21	3	5	—	<b>29</b>
<b>Paper</b>											
Paper Production	('000 ST)	709	715	745	724	<b>2,893</b>	785	715	726	714	<b>2,940</b>
Paper Shipments - Manufactured	('000 ST)	745	698	722	726	<b>2,891</b>	786	752	744	739	<b>3,021</b>
Communication Papers	('000 ST)	622	582	597	600	<b>2,401</b>	657	627	620	618	<b>2,522</b>
Specialty and Packaging Papers	('000 ST)	123	116	125	126	<b>490</b>	129	125	124	121	<b>499</b>
Paper Shipments - Sourced from 3rd parties	('000 ST)	29	26	29	25	<b>109</b>	32	29	35	27	<b>123</b>
Paper Shipments - Total	('000 ST)	774	724	751	751	<b>3,000</b>	818	781	779	766	<b>3,144</b>
<b>Pulp</b>											
Pulp Shipments <sup>(a)</sup>	('000 ADMT)	453	383	424	462	<b>1,722</b>	369	360	369	415	<b>1,513</b>
Pulp Shipments mix <sup>(b)</sup> :											
Hardwood Kraft Pulp	(%)	4%	3%	7%	5%	<b>5%</b>	5%	4%	4%	8%	<b>5%</b>
Softwood Kraft Pulp	(%)	67%	62%	61%	54%	<b>61%</b>	66%	61%	63%	63%	<b>63%</b>
Fluff Pulp	(%)	29%	35%	32%	41%	<b>34%</b>	29%	35%	33%	29%	<b>32%</b>
<b>Personal Care Segment</b>											
Sales	(\$)	249	241	253	262	<b>1,005</b>	216	228	231	242	<b>917</b>
Operating income (loss)	(\$)	16	13	8	(564)	<b>(527)</b>	14	15	15	13	<b>57</b>
Depreciation and amortization	(\$)	16	16	17	18	<b>67</b>	16	15	16	17	<b>64</b>
Impairment of goodwill	(\$)	—	—	—	578	<b>578</b>	—	—	—	—	<b>—</b>
<b>Average Exchange Rates</b>											
	\$US / \$CAN	1.323	1.344	1.253	1.272	<b>1.297</b>	1.375	1.289	1.305	1.333	<b>1.325</b>
	\$CAN / \$US	0.756	0.744	0.798	0.786	<b>0.771</b>	0.727	0.776	0.766	0.750	<b>0.755</b>
	€ / \$US	1.066	1.100	1.175	1.178	<b>1.130</b>	1.103	1.130	1.116	1.078	<b>1.107</b>

<sup>(a)</sup> Figures represent Pulp Shipments to third parties.

<sup>(b)</sup> Percentages include Pulp Shipments to our Personal Care segment.

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