

DOMTAR CORPORATION

FIRST QUARTER 2015 EARNINGS CALL

April 30, 2015

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



Domtar

SAFE HARBOR

Forward-Looking Statements

All statements in this presentation that are not based on historical facts are “forward-looking statements.” While management has based any forward-looking statements on its current expectations, the information on which such expectations are based may change. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to materially differ from those projected in the forward-looking statements.

Risk Factors

For a summary of the risk factors, please refer to Domtar’s Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission.

Non-GAAP Financial Measures

This presentation refers to non-U.S. GAAP financial information. For a reconciliation to U.S. GAAP financial measures, please refer to the investors section of the company’s website at <http://www.domtar.com> (Refer to the Analyst Corner of the IR section of the website).

OVERVIEW

First Quarter 2015

- First quarter results impacted by anticipated price decreases in pulp and paper
- Strong productivity in pulp and paper mills helped offset weather related costs
- Paper volumes increased 2.3% quarter over quarter
- Same currency sales in Personal Care 3% higher year over year
- Adult incontinence volumes up mid-single digits year over year
- Announced increase to dividend and share buyback program

FINANCIAL HIGHLIGHTS

First Quarter 2015

- Net earnings of \$0.56 per diluted share; earnings before items* of \$0.75 per share
- EBITDA before items* of \$180 million
- Cash flow provided from operating activities of \$127 million
- Capital expenditures of \$70 million
- Free cash flow* of \$57 million

* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website).

EARNINGS STATEMENT

1Q'15 vs. 4Q'14 (in millions of dollars)

	4Q'14	1Q'15	
Sales	1,379	1,348	Lower paper and pulp prices and lower FX rate for Personal Care European sales
Cost of sales	1,080	1,062	
Depreciation and amortization	93	90	
SG&A	103	100	
Impairment & write-down of PP&E	4	19	Accelerated depreciation of Ashdown paper machine
Closure and restructuring costs	25	1	
Other operating loss (income), net	(12)	5	Bad debt provision in Q1'15
Operating income	86	71	
Interest expense, net	27	26	
Income tax expense (benefit)	(12)	9	Q1'15 tax rate impacted by impairment and write-down of PP&E charges occurring in a high-tax jurisdiction
Net earnings	71	36	

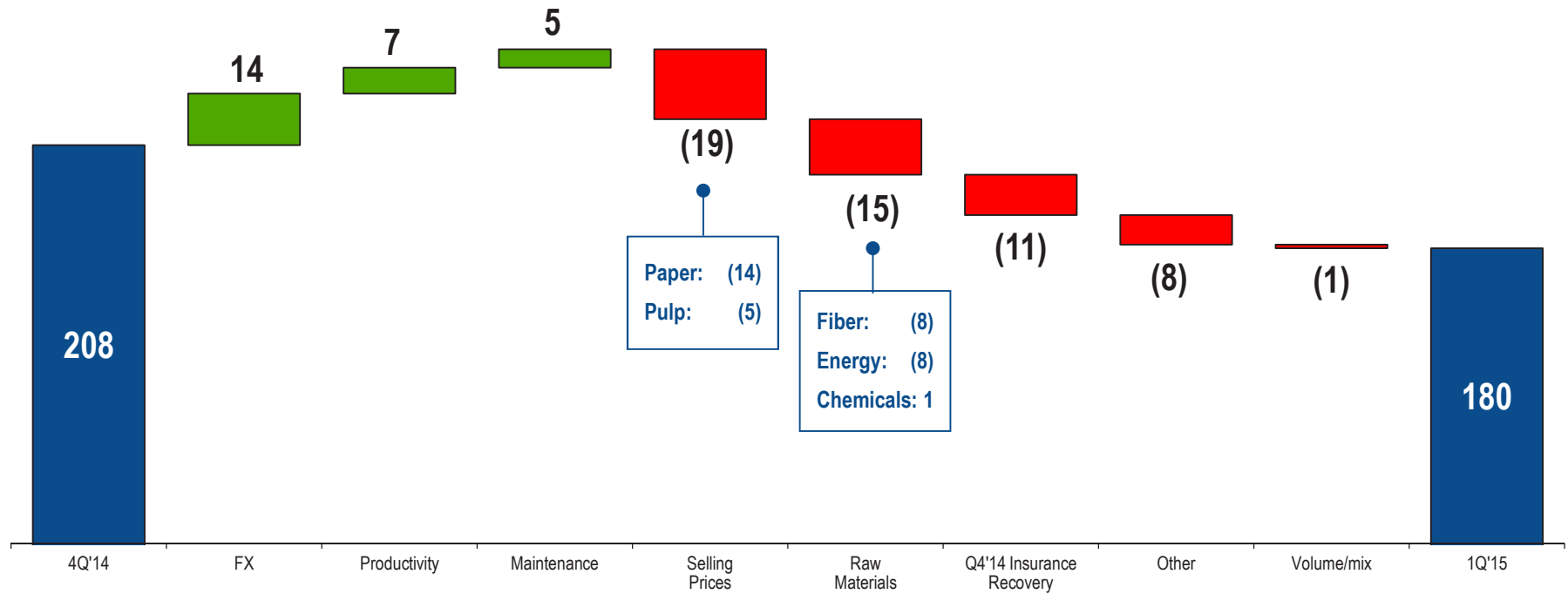
CASH FLOW STATEMENT

1Q'15 vs. 1Q'14 *(in millions of dollars)*

	1Q'14	1Q'15
Net earnings	39	36
Depreciation & amortization	99	90
Deferred income taxes and tax uncertainties	-	(15)
Net gain on disposals of PP&E and sale of business	-	(1)
Impairment and write-down of PP&E	-	19
Changes in assets and liabilities		
Changes in working capital	(5)	(9)
Pension expense over contribution	(2)	2
Other	10	5
Cash flows provided from operating activities	141	127
Additions to PP&E	(45)	(70)
Acquisition of business, net of cash acquired	(546)	-
Other	-	1
Cash flows used for investing activities	(591)	(69)
Dividend payments and stock repurchases	(18)	(37)
Changes in borrowings	(56)	(5)
Other	1	1
Cash flows used for financing activities	(73)	(41)

EBITDA BEFORE ITEMS*

1Q'15 vs. 4Q'14 (in millions of dollars)



* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website).

PULP AND PAPER SEGMENT

(in millions of dollars)









	1Q'15	vs. 4Q'14	vs. 1Q'14
Sales	\$1,146	↓ 1%	↓ 2%
EBITDA before items *	\$168	↓ \$27	↓ \$4

- Strong productivity helped offset weather related costs
- Paper shipments increased 2.3% vs Q4 2014
- Specialty paper volumes up 8% vs Q4 2014
- Began initial work for fluff pulp conversion project at Ashdown mill

* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website).

PULP AND PAPER SEGMENT

PAPER *(in millions of dollars)*

	1Q'15	vs. 4Q'14	vs. 1Q'14
Sales	\$889		
EBITDA before items *	\$132		
	1Q'15	vs. 4Q'14	vs. 1Q'14
Shipments <i>(manufactured, in tons)</i>	804		
Transaction prices <i>(US\$ / ton – net, all regions)</i>			

* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website).

PULP AND PAPER SEGMENT

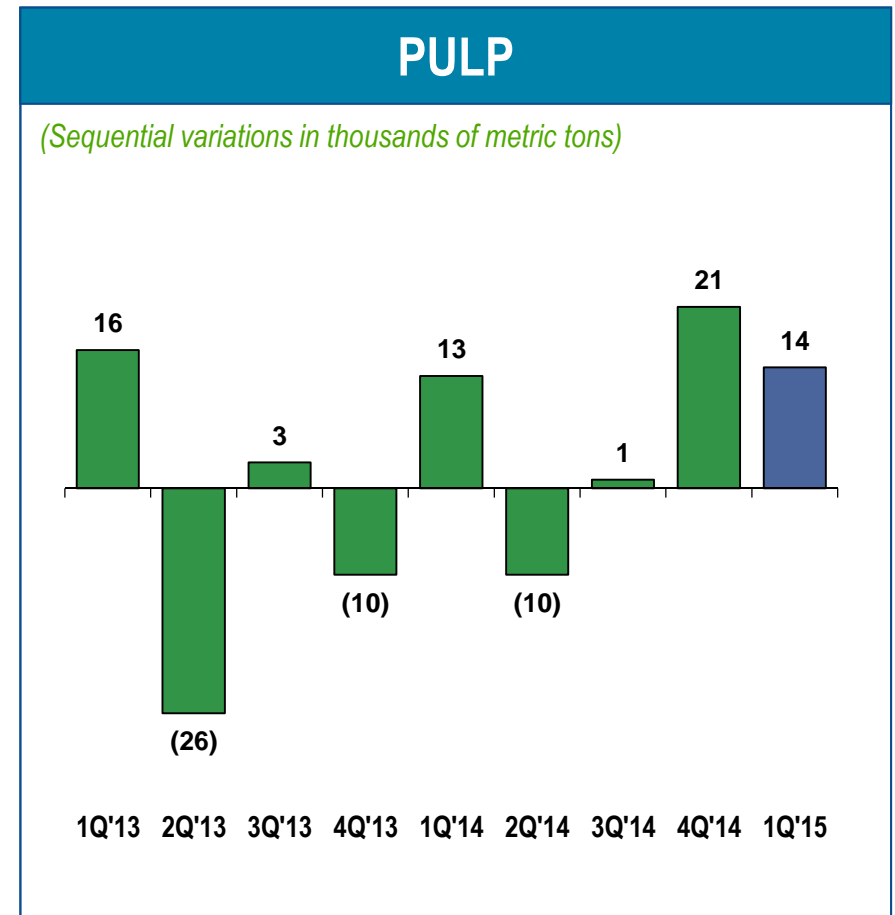
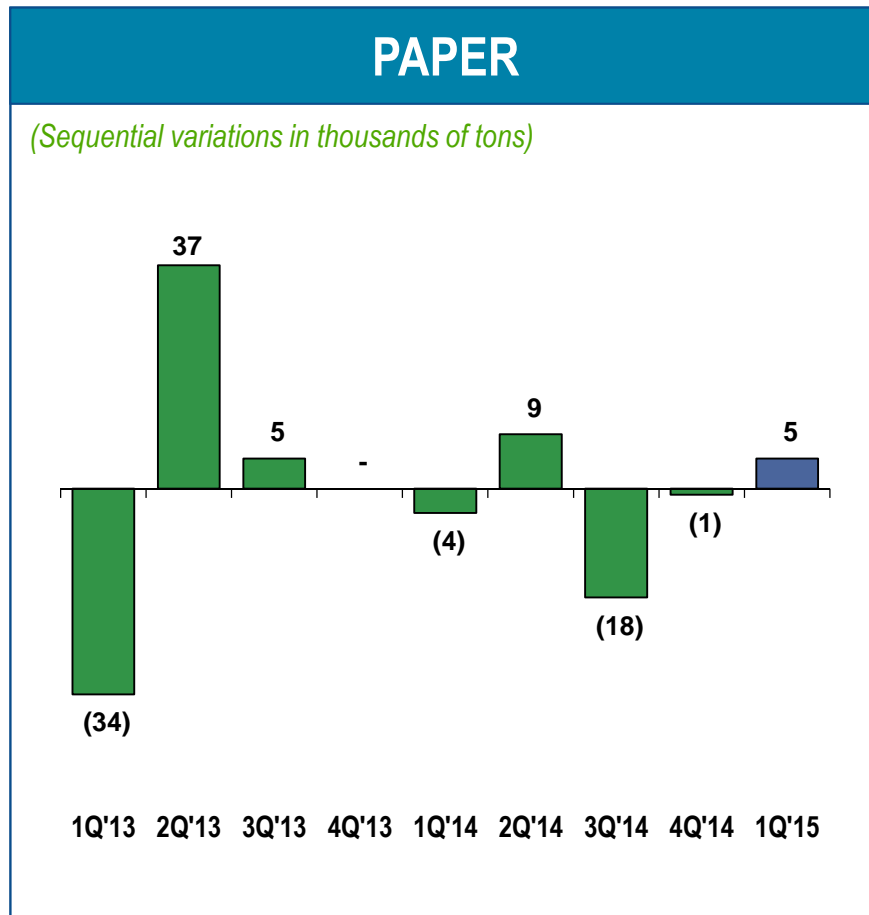
PULP *(in millions of dollars)*

	1Q'15	vs. 4Q'14	vs. 1Q'14
Sales <i>(incl. intrasegment sales)</i>	\$301	↓ 5%	↑ 4%
EBITDA before items *	\$36	↓ \$11	↑ \$4
	1Q'15	vs. 4Q'14	vs. 1Q'14
Shipments <i>(in ADMT)</i>	350	↓ 5%	↑ 10%
Transaction prices <i>(US\$ / ADMT – net, all regions)</i>		↓ \$17	↓ \$20

* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website).

PULP AND PAPER SEGMENT

INVENTORIES



PERSONAL CARE SEGMENT

(in millions of dollars)

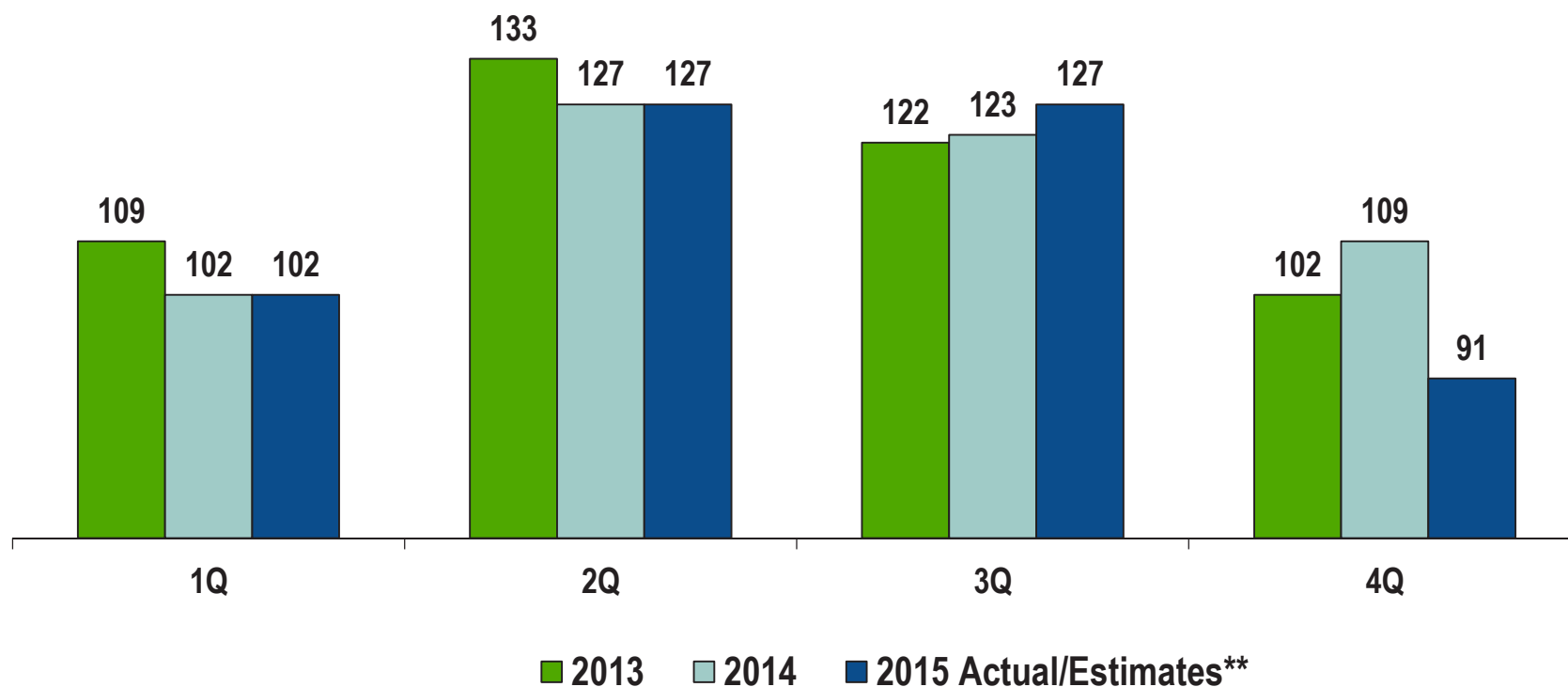
	1Q'15	vs. 4Q'14	vs. 1Q'14
Sales	\$218	5%	6%
EBITDA before items*	\$27	\$1	\$7
Same Currency Sales (@4Q'14 FX rate)	\$229		-
Same Currency Sales (@1Q'14 FX rate)	\$240	-	3%

- Same currency sales increased 3% year over year
- Sales volumes in adult incontinence grew mid-single digits
- Completed the transition of several outsourced A.I. SKU's to Domtar manufactured product

*Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website).

MAINTENANCE COSTS*

(in millions of dollars)



* Total maintenance costs includes planned maintenance, maintenance over \$100k outside of planned shutdown period, and day-to-day maintenance expenses.

** Based on budgeted foreign exchange rates

SENSITIVITY ANALYSIS*

(in millions of dollars)

Papers *(Each \$10/ton change in the selling price of the following products)*

Business Papers

\$10

Converting & Publishing

\$7

Commercial Printing

\$6

Other

\$8

Pulp – net position *(Each \$10/tonne change in the selling price of the following products)*

Softwood

\$11

Fluff

\$5

Hardwood

\$1

Foreign exchange

US \$0.01 change in relative value to the Canadian dollar

\$9

Euro 0.01 change in relative value to the US dollar

\$2

Energy *(Natural gas: \$0.25/MMBtu change in price)*

\$5

* Before hedging

OUTLOOK

- Paper shipments are expected to trend with market demand but should benefit from lower import volumes in North America
- Pulp demand for the remainder of 2015 is likely to be dominated by consumer inventory changes
- The second quarter is expected to be affected by seasonally higher maintenance activity in our Pulp and Paper business
- Most input costs should return to more normal levels for the remainder of the year
- Personal Care results are expected to benefit from market growth, cost savings from the new manufacturing platform and favorable oil-based input costs



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Appendix

SUPPLEMENTAL SEGMENTED INFORMATION*

PULP & PAPER SEGMENT					
<i>(In millions of dollars)</i>	1Q'14	2Q'14	3Q'14	4Q'14	1Q'15
Paper	936	906	914	889	889
Pulp (incl. intrasegment sales)	289	309	322	316	301
Intrasegment sales – Pulp	(57)	(55)	(50)	(45)	(44)
Pulp	232	254	272	271	257
SALES*	1,168	1,160	1,186	1,160	1,146
Paper	140	142	139	148	132
Pulp	32	11	43	47	36
EBITDA before items**	172	153	182	195	168
Paper Shipments – Manufactured	804	779	776	786	804
Paper Shipments – Sourced from 3rd parties	50	42	47	34	35
PAPER SHIPMENTS	854	821	823	820	839
PULP SHIPMENTS	318	336	367	370	350
PERSONAL CARE SEGMENT					
<i>(In millions of dollars)</i>	1Q'14	2Q'14	3Q'14	4Q'14	1Q'15
SALES	233	234	231	230	218
EBITDA before items**	34	29	29	26	27
CORPORATE					
<i>(In millions of dollars)</i>	1Q'14	2Q'14	3Q'14	4Q'14	1Q'15
EBITDA before items**	(24)	(7)	(11)	(13)	(15)

* 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 in the Corporate line. As a result, we have revised our 2014 segment disclosures to conform to our 2015 presentation.

** Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website).

THE FIBER *of* Domtar

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