

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.

		2019			2018				
		Q1	Q2	YTD	Q1	Q2	Q3	Q4	Year
Reconciliation of "Earnings before items" to Net earnings									
Net earnings	(\$)	80	18	98	54	43	99	87	283
(+) Impairment of long-lived assets	(\$)	8	12	20	—	—	—	5	5
(+) Closure and restructuring costs	(\$)	3	6	9	—	—	—	6	6
(+) Litigation settlement	(\$)	—	—	—	2	—	—	—	2
(-) Net gains on disposals of property, plant and equipment	(\$)	—	—	—	(1)	(2)	—	—	(3)
(-) U.S. Tax Reform	(\$)	—	—	—	—	—	(7)	5	(2)
(=) Earnings before items	(\$)	91	36	127	55	41	92	103	291
(/) Weighted avg. number of common shares outstanding (diluted)	(millions)	63.2	63.3	63.3	62.9	63.2	63.2	63.0	63.1
(=) Earnings before items per diluted share	(\$)	1.44	0.57	2.01	0.87	0.65	1.46	1.63	4.61
Reconciliation of "EBITDA" and "EBITDA before items" to Net earnings									
Net earnings	(\$)	80	18	98	54	43	99	87	283
(+) Equity loss, net of taxes	(\$)	1	—	1	—	—	1	1	2
(+) Income tax expense	(\$)	24	5	29	11	8	3	35	57
(+) Interest expense, net	(\$)	13	13	26	16	16	15	15	62
(+) Depreciation and amortization	(\$)	73	74	147	79	79	75	75	308
(+) Impairment of long-lived assets	(\$)	10	15	25	—	—	—	7	7
(-) Net gains on disposals of property, plant and equipment	(\$)	—	—	—	(1)	(3)	—	—	(4)
(=) EBITDA	(\$)	201	125	326	159	143	193	220	715
(/) Sales	(\$)	1,376	1,317	2,693	1,345	1,353	1,367	1,390	5,455
(=) EBITDA margin	(%)	15%	9%	12%	12%	11%	14%	16%	13%
EBITDA	(\$)	201	125	326	159	143	193	220	715
(+) Closure and restructuring costs	(\$)	4	8	12	—	—	—	8	8
(+) Litigation settlement	(\$)	—	—	—	2	—	—	—	2
(=) EBITDA before items	(\$)	205	133	338	161	143	193	228	725
(/) Sales	(\$)	1,376	1,317	2,693	1,345	1,353	1,367	1,390	5,455
(=) EBITDA margin before items	(%)	15%	10%	13%	12%	11%	14%	16%	13%

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	2019			2018					
	Q1	Q2	YTD	Q1	Q2	Q3	Q4	Year	
Reconciliation of "Free cash flow" to Cash flows from operating activities									
Cash flows from operating activities	(\$)	55	119	174	90	177	70	217	554
(-) Additions to property, plant and equipment	(\$)	(46)	(55)	(101)	(25)	(37)	(49)	(84)	(195)
(=) Free cash flow	(\$)	9	64	73	65	140	21	133	359
"Net debt-to-total capitalization" computation									
Bank indebtedness	(\$)	3	3	—	1	—	—	—	
(+) Long-term debt due within one year	(\$)	1	1	1	1	1	1	1	
(+) Long-term debt	(\$)	853	824	1,103	1,103	1,103	853		
(=) Debt	(\$)	857	828	1,104	1,105	1,104	854		
(-) Cash and cash equivalents	(\$)	(94)	(93)	(152)	(264)	(256)	(111)		
(=) Net debt	(\$)	763	735	952	841	848	743		
(+) Shareholders' equity	(\$)	2,608	2,619	2,493	2,458	2,553	2,538		
(=) Total capitalization	(\$)	3,371	3,354	3,445	3,299	3,401	3,281		
Net debt	(\$)	763	735	952	841	848	743		
(/) Total capitalization	(\$)	3,371	3,354	3,445	3,299	3,401	3,281		
(=) Net debt-to-total capitalization	(%)	23%	22%	28%	25%	25%	23%		

“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 or any other earnings statement, cash flow statement or balance sheet financial information prepared in accordance with GAAP. It is important for readers to understand that certain items may be presented in different lines by different companies on their financial statements, thereby leading to different measures for different companies.

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Quarterly Reconciliation of Non-GAAP Financial Measures – By Segment 2019

(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					
	Q1'19	Q2'19	Q3'19	Q4'19	YTD	Q1'19	Q2'19	Q3'19	Q4'19	YTD	Q1'19	Q2'19	Q3'19	Q4'19	YTD	Q1'19	Q2'19	Q3'19	Q4'19	YTD	
Reconciliation of Operating income (loss) to "Operating income (loss) before items"																					
Operating income (loss)	(\$)	144	62	—	—	206	(8)	(18)	—	—	(26)	(21)	(10)	—	—	(31)	115	34	—	—	149
(+) Impairment of long-lived assets	(\$)	—	—	—	—	—	10	15	—	—	25	—	—	—	—	—	10	15	—	—	25
(+) Closure and restructuring costs	(\$)	—	—	—	—	—	4	8	—	—	12	—	—	—	—	—	4	8	—	—	12
(=) Operating income (loss) before items	(\$)	144	62	—	—	206	6	5	—	—	11	(21)	(10)	—	—	(31)	129	57	—	—	186
Reconciliation of "Operating income (loss) before items" to "EBITDA before items"																					
Operating income (loss) before items	(\$)	144	62	—	—	206	6	5	—	—	11	(21)	(10)	—	—	(31)	129	57	—	—	186
(+) Non-service components of net periodic benefit cost	(\$)	3	3	—	—	6	—	—	—	—	—	—	(1)	—	—	(1)	3	2	—	—	5
(+) Depreciation and amortization	(\$)	57	58	—	—	115	16	16	—	—	32	—	—	—	—	—	73	74	—	—	147
(=) EBITDA before items	(\$)	204	123	—	—	327	22	21	—	—	43	(21)	(11)	—	—	(32)	205	133	—	—	338
(/) Sales	(\$)	1,147	1,096	—	—	2,243	247	237	—	—	484	—	—	—	—	—	1,394	1,333	—	—	2,727
(=) EBITDA margin before items	(%)	18%	11%	—	—	15%	9%	9%	—	—	9%	—	—	—	—	—	15%	10%	—	—	12%

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

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Quarterly Reconciliation of Non-GAAP Financial Measures – By Segment 2018

(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					
	Q1'18	Q2'18	Q3'18	Q4'18	Year	Q1'18	Q2'18	Q3'18	Q4'18	Year	Q1'18	Q2'18	Q3'18	Q4'18	Year	Q1'18	Q2'18	Q3'18	Q4'18	Year	
Reconciliation of Operating income (loss) to "Operating income (loss) before items"																					
Operating income (loss)	(\$)	76	79	135	148	438	8	2	(3)	(12)	(5)	(7)	(19)	(18)	(3)	(47)	77	62	114	133	386
(+) Impairment of long-lived assets	(\$)	—	—	—	—	—	—	—	—	7	7	—	—	—	—	—	—	—	—	7	7
(-) Net gains on disposals of property, plant and equipment	(\$)	(1)	(3)	—	—	(4)	—	—	—	—	—	—	—	—	—	—	(1)	(3)	—	—	(4)
(+) Closure and restructuring costs	(\$)	—	—	—	—	—	—	—	8	8	—	—	—	—	—	—	—	—	—	8	8
(+) Litigation settlement	(\$)	—	—	—	—	—	—	—	—	—	2	—	—	—	2	2	—	—	—	—	2
(=) Operating income (loss) before items	(\$)	75	76	135	148	434	8	2	(3)	3	10	(5)	(19)	(18)	(3)	(45)	78	59	114	148	399
Reconciliation of "Operating income (loss) before items" to "EBITDA before items"																					
Operating income (loss) before items	(\$)	75	76	135	148	434	8	2	(3)	3	10	(5)	(19)	(18)	(3)	(45)	78	59	114	148	399
(+) Non-service components of net periodic benefit cost	(\$)	4	6	4	5	19	—	—	—	—	—	—	(1)	—	—	(1)	4	5	4	5	18
(+) Depreciation and amortization	(\$)	61	61	58	58	238	18	18	17	17	70	—	—	—	—	—	79	79	75	75	308
(=) EBITDA before items	(\$)	140	143	197	211	691	26	20	14	20	80	(5)	(20)	(18)	(3)	(46)	161	143	193	228	725
(/) Sales	(\$)	1,100	1,123	1,146	1,154	4,523	262	247	237	254	1,000	—	—	—	—	—	1,362	1,370	1,383	1,408	5,523
(=) EBITDA margin before items	(%)	13%	13%	17%	18%	15%	10%	8%	6%	8%	8%	—	—	—	—	—	12%	10%	14%	16%	13%

“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.