

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	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	
Reconciliation of "Earnings before items" to Net earnings (loss)											
Net earnings (loss)	(\$)	80	18	20	(34)	84	54	43	99	87	283
(+) Pension settlement loss	(\$)	—	—	—	22	22	—	—	—	—	—
(+) Impairment of long-lived assets	(\$)	8	12	26	—	46	—	—	—	5	5
(+) Closure and restructuring costs	(\$)	3	6	9	14	32	—	—	—	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	55	2	184	55	41	92	103	291
(/) Weighted avg. number of common shares outstanding (diluted)	(millions)	63.2	63.3	61.7	57.5	61.4	62.9	63.2	63.2	63.0	63.1
(=) Earnings before items per diluted share	(\$)	1.44	0.57	0.89	0.03	3.00	0.87	0.65	1.46	1.63	4.61
Reconciliation of "EBITDA" and "EBITDA before items" to Net earnings (loss)											
Net earnings (loss)	(\$)	80	18	20	(34)	84	54	43	99	87	283
(+) Equity loss, net of taxes	(\$)	1	—	—	1	2	—	—	1	1	2
(+) Income tax expense (benefit)	(\$)	24	5	(1)	(26)	2	11	8	3	35	57
(+) Interest expense, net	(\$)	13	13	12	14	52	16	16	15	15	62
(+) Depreciation and amortization	(\$)	73	74	72	74	293	79	79	75	75	308
(+) Impairment of long-lived assets	(\$)	10	15	33	—	58	—	—	—	7	7
(-) Net gains on disposals of property, plant and equipment	(\$)	—	—	—	—	—	(1)	(3)	—	—	(4)
(=) EBITDA	(\$)	201	125	136	29	491	159	143	193	220	715
(/) Sales	(\$)	1,376	1,317	1,283	1,244	5,220	1,345	1,353	1,367	1,390	5,455
(=) EBITDA margin	(%)	15%	9%	11%	2%	9%	12%	11%	14%	16%	13%
EBITDA	(\$)	201	125	136	29	491	159	143	193	220	715
(+) Pension settlement loss	(\$)	—	—	—	30	30	—	—	—	—	—
(+) Closure and restructuring costs	(\$)	4	8	11	19	42	—	—	—	8	8
(+) Litigation settlement	(\$)	—	—	—	—	—	2	—	—	—	2
(=) EBITDA before items	(\$)	205	133	147	78	563	161	143	193	228	725
(/) Sales	(\$)	1,376	1,317	1,283	1,244	5,220	1,345	1,353	1,367	1,390	5,455
(=) EBITDA margin before items	(%)	15%	10%	11%	6%	11%	12%	11%	14%	16%	13%

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	2019					2018					
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	
Reconciliation of "Free cash flow" to Cash flows from operating activities											
Cash flows from operating activities	(\$)	55	119	108	160	442	90	177	70	217	554
(-) Additions to property, plant and equipment	(\$)	(46)	(55)	(56)	(98)	(255)	(25)	(37)	(49)	(84)	(195)
(=) Free cash flow	(\$)	9	64	52	62	187	65	140	21	133	359
"Net debt-to-total capitalization" computation											
Bank indebtedness	(\$)	3	3	1	9	—	1	—	—	—	—
(+) Long-term debt due within one year	(\$)	1	1	1	1	—	1	1	1	1	1
(+) Long-term debt	(\$)	853	824	938	938	1,103	1,103	1,103	853	—	—
(=) Debt	(\$)	857	828	940	948	1,104	1,105	1,104	854	—	—
(-) Cash and cash equivalents	(\$)	(94)	(93)	(98)	(61)	(152)	(264)	(256)	(111)	—	—
(=) Net debt	(\$)	763	735	842	887	952	841	848	743	—	—
(+) Shareholders' equity	(\$)	2,608	2,619	2,439	2,376	2,493	2,458	2,553	2,538	—	—
(=) Total capitalization	(\$)	3,371	3,354	3,281	3,263	3,445	3,299	3,401	3,281	—	—
Net debt	(\$)	763	735	842	887	952	841	848	743	—	—
(/) Total capitalization	(\$)	3,371	3,354	3,281	3,263	3,445	3,299	3,401	3,281	—	—
(=) Net debt-to-total capitalization	(%)	23%	22%	26%	27%	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 (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 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	Year	Q1'19	Q2'19	Q3'19	Q4'19	Year	Q1'19	Q2'19	Q3'19	Q4'19	Year	Q1'19	Q2'19	Q3'19	Q4'19	Year	
Reconciliation of Operating income (loss) to "Operating income (loss) before items"																					
Operating income (loss)	(\$)	144	62	31	(12)	225	(8)	(18)	2	9	(15)	(21)	(10)	(4)	(12)	(47)	115	34	29	(15)	163
(+) Impairment of long-lived assets	(\$)	—	—	32	—	32	10	15	1	—	26	—	—	—	—	—	10	15	33	—	58
(+) Closure and restructuring costs	(\$)	—	—	5	17	22	4	8	6	2	20	—	—	—	—	—	4	8	11	19	42
(=) Operating income (loss) before items	(\$)	144	62	68	5	279	6	5	9	11	31	(21)	(10)	(4)	(12)	(47)	129	57	73	4	263
Reconciliation of "Operating income (loss) before items" to "EBITDA before items"																					
Operating income (loss) before items	(\$)	144	62	68	5	279	6	5	9	11	31	(21)	(10)	(4)	(12)	(47)	129	57	73	4	263
(+) Pension settlement loss	(\$)	—	—	—	30	30	—	—	—	—	—	—	—	—	—	—	—	—	—	30	30
(+) Non-service components of net periodic benefit cost	(\$)	3	3	2	(28)	(20)	—	—	—	—	—	(1)	—	(2)	(3)	3	2	2	(30)	(23)	
(+) Depreciation and amortization	(\$)	57	58	56	57	228	16	16	16	17	65	—	—	—	—	—	73	74	72	74	293
(=) EBITDA before items	(\$)	204	123	126	64	517	22	21	25	28	96	(21)	(11)	(4)	(14)	(50)	205	133	147	78	563
(/) Sales	(\$)	1,147	1,096	1,071	1,018	4,332	247	237	227	242	953	—	—	—	—	—	1,394	1,333	1,298	1,260	5,285
(=) EBITDA margin before items	(%)	18%	11%	12%	6%	12%	9%	9%	11%	12%	10%	—	—	—	—	—	15%	10%	11%	6%	11%

“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.