

DOMTAR CORPORATION

SECOND QUARTER 2017 EARNINGS CALL

July 28, 2017

(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, 2016 filed with the Securities and Exchange Commission and as updated by subsequently filed Form 10-Q’s.

Non-GAAP Financial Measures

This presentation refers to non-GAAP financial information. For a reconciliation to 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

Second Quarter 2017

- Strong productivity, resulting in a good cost performance across mill network
- Maintenance costs under budget with relatively few discoveries or delays
- Significant improvement in Pulp business following the implementation of price increases
- Year-to-date pulp shipments 15% higher
- Year-over-year volume growth across most Personal Care channels; cost savings and efficiency improvement projects partially offset price erosion
- Strong free cash flow

FINANCIAL HIGHLIGHTS

Second Quarter 2017

- Net earnings of \$0.61 per share
- EBITDA* of \$143 million
- Cash flow provided from operating activities of \$121 million
- Capital expenditures of \$37 million
- Dividend payout of \$26 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

2Q'17 vs. 1Q'17 *(in millions of dollars)*

	1Q'17	2Q'17
Sales	1,304	1,224
Cost of sales	1,075	968
Depreciation and amortization	80	79
SG&A	108	111
Other operating (income) loss, net	(1)	2
Operating income	42	64
Interest expense, net	17	17
Income tax expense	5	9
Net earnings	20	38

Lower Pulp and Paper volume

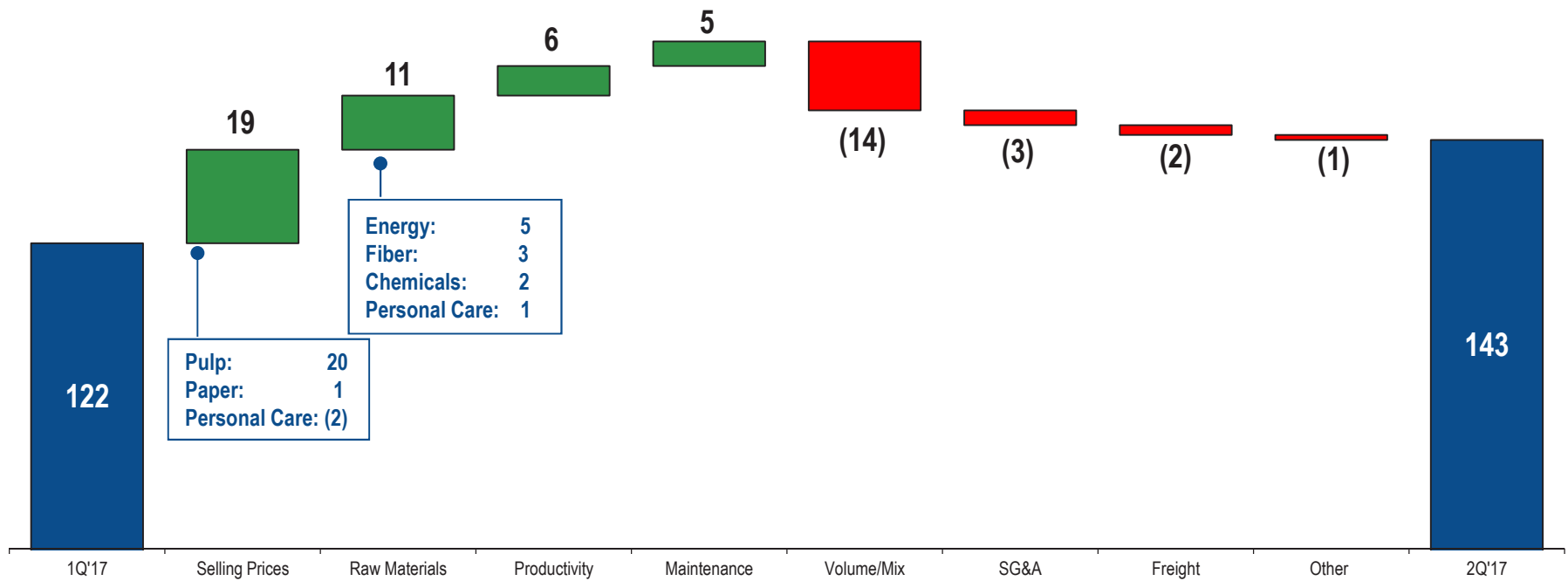
CASH FLOW STATEMENT

2Q'17 vs. 2Q'16 *(in millions of dollars)*

	2Q'16	2Q'17
Net earnings	18	38
Depreciation and amortization	87	79
Deferred income taxes and tax uncertainties	(2)	(8)
Impairment of PP&E	3	-
Changes in assets and liabilities		
Changes in working capital	21	8
Pension contribution over expense	(2)	-
Other	(7)	4
Cash flows from operating activities	118	121
Additions to PP&E	(119)	(37)
Other	(1)	-
Cash flows used for investing activities	(120)	(37)
Dividend payments	(25)	(26)
Changes in borrowings	44	(49)
Other	(1)	(1)
Cash flows provided from (used for) financing activities	18	(76)

EBITDA BEFORE ITEMS*

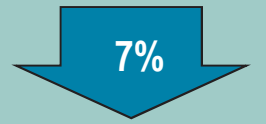



2Q'17 vs. 1Q'17 (in millions of dollars)



* 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)

	2Q'17	vs. 1Q'17	vs. 2Q'16
Sales	\$999	 7%	 5%
EBITDA before items *	\$128	 \$30	 \$3

- Strong productivity; maintenance costs under budget, with relatively few discoveries or delays
- Higher pulp prices following recently announced price increases
- Best performance to date on cost and production on Ashdown A1 fluff pulp line
- Took 12,000 tons of lack-of-order downtime in paper in order to balance our supply with customer demand

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PULP AND PAPER SEGMENT

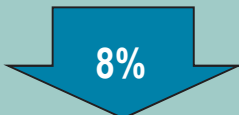
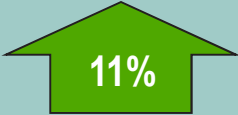



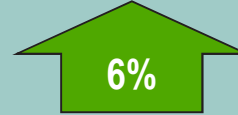


PAPER *(in millions of dollars)*

	2Q'17	vs. 1Q'17	vs. 2Q'16
Sales	\$734	7%	10%
EBITDA before items *	\$96	\$4	\$18
	2Q'17	vs. 1Q'17	vs. 2Q'16
Shipments <i>(manufactured, in thousands of short tons)</i>	698	6%	7%
Transaction prices <i>(US\$ / ton – net, all regions)</i>		\$2	\$26

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PULP AND PAPER SEGMENT

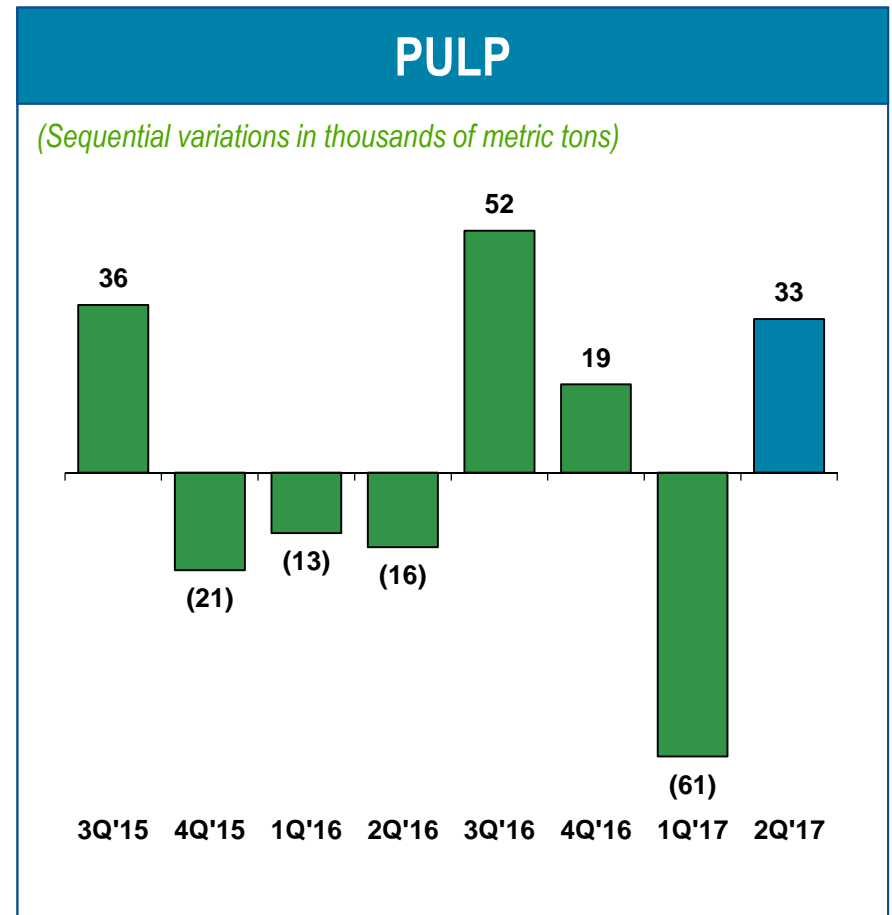
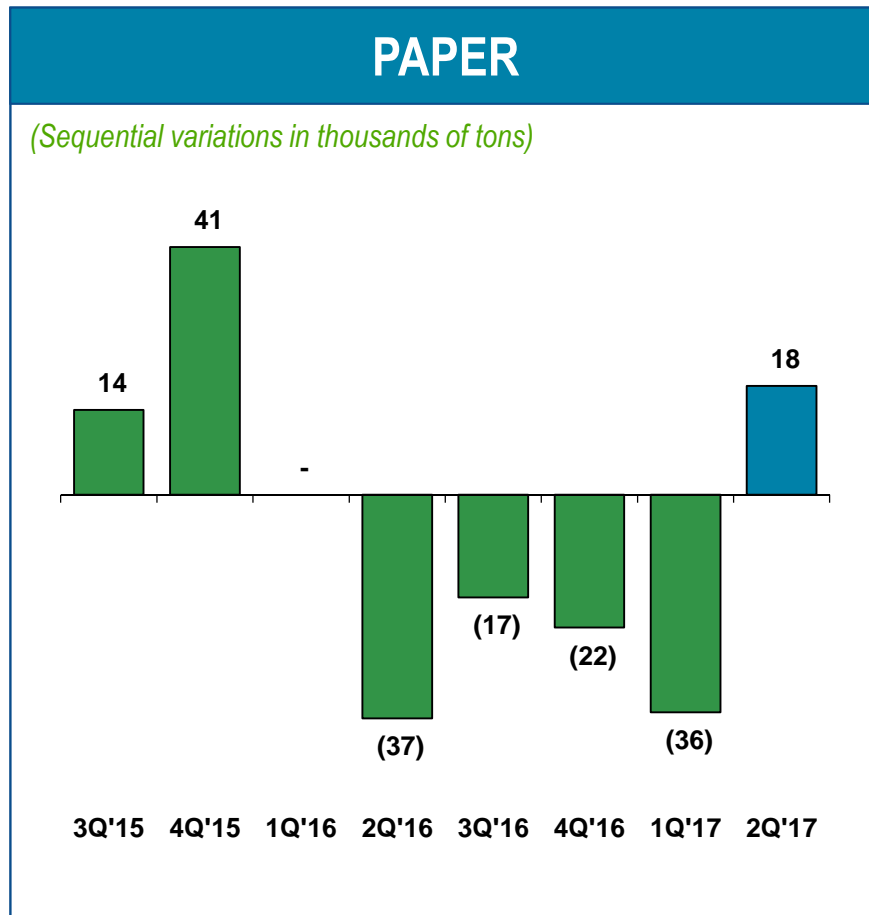
PULP *(in millions of dollars)*

	2Q'17	vs. 1Q'17	vs. 2Q'16
Sales <i>(incl. intersegment sales)</i>	\$265	 8%	 11%
EBITDA before items *	\$32	 \$34	 \$15
	2Q'17	vs. 1Q'17	vs. 2Q'16
Shipments <i>(in thousands of ADMT)</i>	383	 15%	 6%
Transaction prices <i>(US\$ / ADMT – net, all regions)</i>		 \$45	 \$22

* 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)

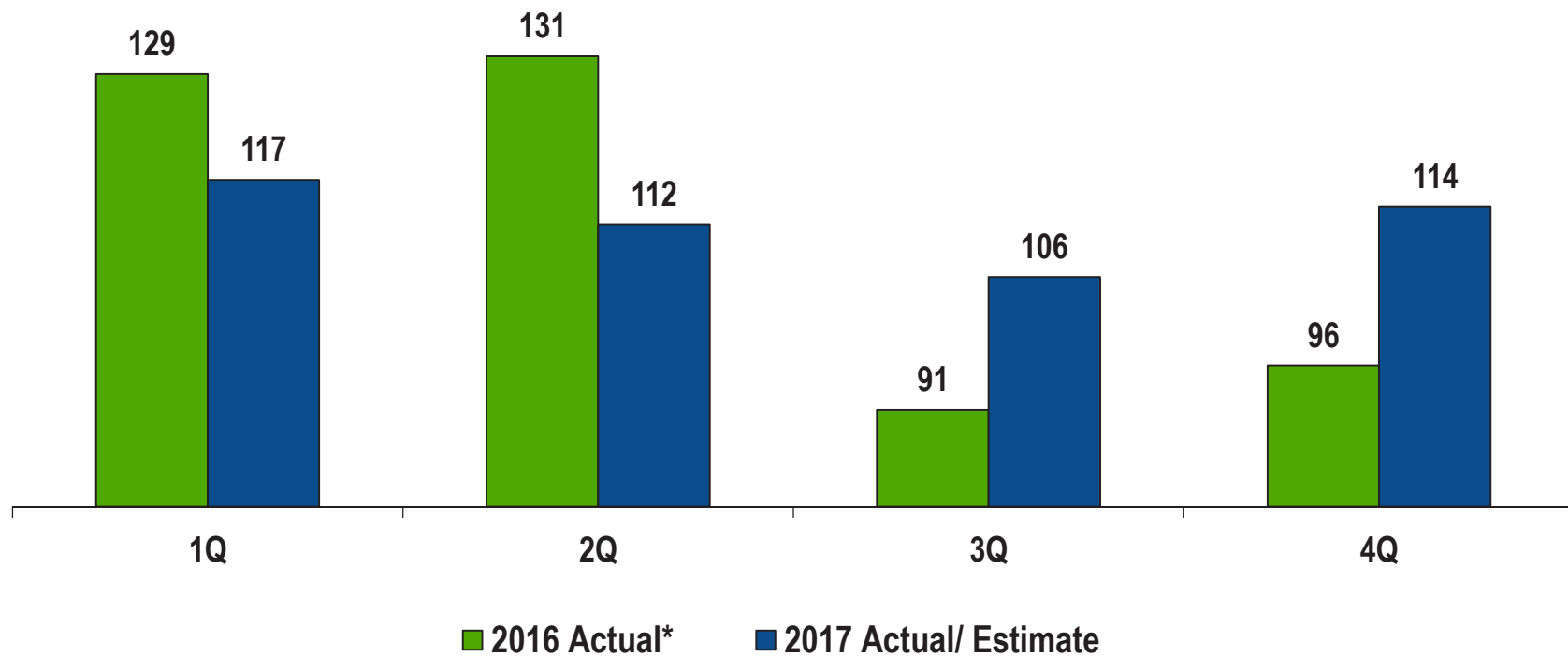
	2Q'17	vs. 1Q'17	vs. 2Q'16
Sales	\$241	↓ 3%	↑ 6%
EBITDA before items*	\$29	↓ \$3	↓ \$1
Same Currency Sales (@1Q'17 FX rate)	\$238	↓ 4%	-
Same Currency Sales (@2Q'16 FX rate)	\$244	-	↑ 7%

- Year-over-year sales growth of 6%
- Sales impacted by less shipping days and destocking at distributors
- Several key customers further grew their store brand programs; gained distribution at additional points of sale
- North American infant diaper volumes increased 8% year-over-year

*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)



*2016 maintenance costs have been restated to include approximately \$4 million per quarter of labor costs previously presented outside of maintenance costs to conform with 2017 presentation

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

2017 OUTLOOK

- Paper shipments are expected to be in-line with market demand
- Pulp shipments should be higher due to the ramp-up of the Ashdown fluff pulp line
- Pulp mix should continue to improve due to the qualification of more customers to fluff pulp
- Investments in advertising and promotion in addition to new customer wins will drive higher sales in Personal Care; raw material costs are expected to increase marginally



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Appendix

SUPPLEMENTAL SEGMENTED INFORMATION

PULP & PAPER SEGMENT									
<i>(In millions of dollars)</i>	2Q'15	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
Paper	860	855	850	844	816	810	781	786	734
Pulp (incl. intrasegment sales)	298	277	301	284	275	277	295	316	296
Intrasegment sales – Pulp	(48)	(40)	(41)	(43)	(37)	(33)	(30)	(29)	(31)
Pulp	250	237	260	241	238	244	265	287	265
SALES	1,110	1,092	1,110	1,085	1,054	1,054	1,046	1,073	999
Paper	123	103	135	109	114	140	117	100	96
Pulp	12	47	45	6	17	35	23	(2)	32
EBITDA before items*	135	150	180	115	131	175	140	98	128
Paper Shipments – Manufactured	783	779	797	786	752	744	739	745	698
Paper Shipments – Sourced from 3rd parties	29	35	28	32	29	35	27	29	26
Paper Shipments	812	814	825	818	781	779	766	774	724
Pulp Shipments	345	333	386	369	360	369	415	453	383
PERSONAL CARE SEGMENT									
<i>(In millions of dollars)</i>	2Q'15	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
SALES	216	214	221	216	228	231	242	249	241
EBITDA before items*	33	32	32	30	30	31	32	32	29
CORPORATE									
<i>(In millions of dollars)</i>	2Q'15	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17
EBITDA before items*	(10)	(11)	(8)	(15)	(9)	(12)	(13)	(8)	(14)

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