SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

SPECIFIC ITEMS

The Corporation incurs some specific items that adversely or positively affect its operating results. We believe it is useful for readers to be aware of these items, as they provide additional information to measure performance, compare the Corporation's results between periods and assess operating results and liquidity, notwithstanding these specific items. Management believes these specific items are not necessarily reflective of the Corporation's underlying business operations in measuring and comparing its performance and analyzing future trends. Our definition of specific items may differ from those of other corporations, and some of them may arise in the future and may reduce the Corporation's available cash.

They include, but are not limited to, charges for (reversals of) impairment of assets, restructuring gains or costs, loss on refinancing and repurchase of long-term debt, some deferred tax asset provisions or reversals, premiums paid on long-term debt refinancing, gains or losses on the acquisition or sale of a business unit, gains or losses on the share of results of associates and joint ventures, unrealized gains or losses on derivative financial instruments that do not qualify for hedge accounting, unrealized gains or losses on interest rate swaps, foreign exchange gains or losses on long-term debt, specific items of discontinued operations and other significant items of an unusual, non-cash or non-recurring nature.

SPECIFIC ITEMS INCLUDED IN OPERATING INCOME AND NET EARNINGS

The Corporation incurred the following specific items in 2017 and 2016:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2017
In the second quarter, the Containerboard Packaging segment sold a piece of land in Ontario, Canada, and recorded a gain of $7 million.

In the second quarter, the Corporate Activities realized a $1 million gain from the sale of some assets.

2016
The Specialty Products segment recorded a $3 million gain on the sale of pieces of land of its former fine paper plant located in St-Jérôme, Québec. This segment also recorded a $3 million environmental provision related to plants in Québec closed in previous years. Finally, the segment recorded a $4 million gain on the sale of assets following the closure of its de-inked pulp mill located in Auburn, Maine.

INVENTORY ADJUSTMENT RESULTING FROM BUSINESS COMBINATION

2017
In the second quarter, operating results of the Containerboard Packaging segment were negatively impacted by $2 million relating to the inventory acquired at the time of the Greenpac consolidation which was recognized at fair value and no profit was recorded on its subsequent sale.

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

2017
In the fourth quarter, the Corporate Activities recorded a $2 million reversal of impairment following the collection of a note receivable that had been written off in previous years. As well, the Corporative Activities recorded severance cost of $1 million following the merge of our sales activities outside North America with those of the Boxboard Europe segment.

In the third quarter, the Tissue Papers segment incurred a $2 million impairment charge from the reevaluation of some unused assets.

In the third quarter, the Containerboard Packaging segment announced the forthcoming closure of its New York converting plant and recorded severance expenses totaling $2 million (please refer to the “Significant Facts and Developments” section for more details).

In the second quarter, the Containerboard Packaging segment recorded an impairment charge of $11 million on deferred revenues related to the Greenpac management agreement that has been in place since the beginning of the mill's construction and recorded in “Other assets.” Following the acquisition and consolidation of Greenpac described in Note 5 of the 2017 audited consolidated financial statements, expected future cash flows related to this asset will not materialize on a consolidated basis.

In the second quarter, the Tissue Papers segment incurred $2 million of restructuring costs following the review of provisions related to the transfer of the converting operations of the Toronto plant to other Tissue segment sites announced in 2016.

In the first quarter, the Boxboard Europe segment recorded severances costs of $1 million following the restructuring of its sales activities.

2016

The Containerboard Packaging segment recorded a $1 million gain on the reversal of a provision for an onerous lease contract in relation to the restructuring of its Ontario converting activities in 2012. As well, the segment recorded a $2 million impairment charge on assets of our converting plant in Connecticut which were not part of the disposal in relation to the Rand-Whitney - Newtown plant acquisition.

The Boxboard Europe segment recorded restructuring costs of $2 million in relation to the reorganization of its activities following the transfer of the virgin fibre boxboard mill located in La Rochette, France, to our Reno de Medici subsidiary (please refer to the “Significant Facts and Developments” section for more details).

The Specialty Products segment recorded restructuring costs of $1 million following the closure of its de-inked pulp mill located in Auburn, Maine. The building of the mill was subsequently sold and a $2 million reversal of impairment was recorded. The segment also sold a piece of land related to a another closed plant and recorded a $1 million reversal of impairment.

The Tissue Papers segment recorded a $3 million provision for an onerous lease as a consequence of the closure of its Toronto converting plant in the second quarter. This segment also incurred $4 million of severance costs and recorded an impairment charge of $4 million.

DERIVATIVE FINANCIAL INSTRUMENTS

In 2017, the Corporation recorded an unrealized gain of $8 million, compared to an unrealized gain of $18 million in 2016, on certain derivative financial instruments not designated for hedge accounting. Both the 2017 and 2016 unrealized gains reflect the appreciation of the Canadian dollar during their respective period. The 2016 unrealized gain also reflects the reversal of the previous year unrealized loss which was realized and included in recurring results.

LOSS ON REPURCHASE OF LONG TERM DEBT

The Corporation purchased US$200 million of its unsecured senior notes and recorded early repurchase premiums of $11 million and wrote off $3 million of unamortized financing costs related to these notes.

INTEREST RATE SWAPS

In 2017 and 2016, the Corporation recorded an unrealized gain of $2 million in 2017, compared to an unrealized gain of $1 million in 2016 on interest rate swaps, and are included in financing expense.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2017, the Corporation recorded a gain of $23 million on its US$-denominated debt and related financial instruments, compared to a gain of $22 million during 2016. This is composed of a gain of $11 million in 2017, compared to a gain of $13 million in 2016, on our US$-denominated long-term debt, net of our net investment hedges in the U.S. and Europe and forward exchange contracts designated as hedging instruments, if any. It also includes a gain of $12 million during the year, compared to a gain of $9 million in 2016, on foreign exchange forward contracts not designated for hedge accounting.

FAIR VALUE REVALUATION GAIN ON INVESTMENTS AND SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

2017

Containerboard

On April 4, 2017, Cascades and its partners in Greenpac Holding LLC (Greenpac) agreed to modify the equity holders' agreement. These modifications enable Cascades to direct decisions about relevant activities. Therefore, from an accounting standpoint, Cascades now has control over Greenpac, which triggers its deemed acquisition and thus fully consolidates Greenpac starting April 4, 2017. The Corporation recorded a revaluation gain on previously held interest of $156 million in the second quarter. As a consequence of the acquisition, accumulated other comprehensive loss components of Greenpac totaling $4 million and included in our consolidated balance sheet prior to the acquisition were reclassified to net earnings. These two items are presented in line item "Fair value revaluation gain on investments" in the consolidated statement of earnings.

The Corporation also recorded its share of $3 million on an unrealized gain on certain derivative financial instruments not designated for hedge accounting prior to the acquisition of Greenpac.

Boralex

On January 18, 2017, Boralex issued common shares to partly finance the acquisition of the interest of Enercon Canada Inc. in the Niagara Region Wind Farm. As a result, the Corporations' participation in Boralex decreased to 17.37%, which resulted in a dilution gain of $15 million that is included in line item "Share of results of associates and joint ventures" in the consolidated statement of earnings.

On March 10, 2017, Boralex announced the appointment of a new Chairman of the Board. This change in Board composition combined with the decrease of our participation discussed above triggered the loss of significant influence of the Corporation over Boralex. Therefore, our investment in Boralex was no longer classified as an associate and considered an available-for-sale financial asset, which is classified in "Other assets." Consequently, our investment in Boralex was re-evaluated at fair value on March 10, 2017, and we recorded a gain of $155 million. At the same time, accumulated other comprehensive loss components of Boralex totaling $10 million and included in our consolidated balance sheet were released to net earnings. These two items are presented in line item "Fair value revaluation gain on investments" in the consolidated statement of earnings. Subsequent fair value revaluation of this investment was recorded in accumulated other comprehensive income.

On July 27, 2017, Cascades announced the sale of all of its shares in Boralex to the Caisse de Dépôt et Placement du Québec for an amount of $288 million. The increase in fair value of $18 million from March 10 to July 27, 2017, recorded in accumulated other comprehensive income materialized and the Corporation recorded a gain of $18 million in the third quarter in line item "Fair value revaluation gain on investments" in the consolidated statement of earnings.

2016

On May 6, 2016, the Corporation announced that its then associate company Greenpac, located in Niagara Falls, NY, successfully refinanced its debt. The Corporations' share of the cost related to this debt refinancing amounted to $7 million.

PROVISION FOR INCOME TAXES

2017

Following the US tax reform adopted in December 2017, the Corporation revalued the net deferred tax liability of its entities in the USA and recorded a gain of $57 million.

The income tax provision on Boralex revaluation gain was calculated at the rate of capital gains. Also, consequently with the sale of its participation in Boralex in July 2017, the Corporation has reassessed the probability of recovering unrealized capital losses on long-term debt due to foreign exchange fluctuations. As a result, $6 million of tax assets was derecognized and recorded in the statement of earnings.

In conjunction with the acquisition of Greenpac, the Corporation recorded an income tax recovery of $70 million representing deferred income taxes on its investment prior to the acquisition on April 4, 2017. Also, there was no income tax provision recorded on the gain of $156 million generated by the business combination of Greenpac, since it is included in the fair value of assets and liabilities acquired as described in Note 5 of the 2017 audited consolidated financial statements.

2016

The Corporation recorded a $2 million income tax provision adjustment related to the sale of one of its businesses over the past years.

RECONCILIATION OF NON-IFRS MEASURES

To provide more information for evaluating the Corporation's performance, the financial information included in this analysis contains certain data that are not performance measures under IFRS ("non-IFRS measures") which are also calculated on an adjusted basis to exclude specific items. We believe that providing certain key performance measures and non-IFRS measures is useful to both management and investors as they provide additional information to measure the performance and financial position of the Corporation. It also increases the transparency and clarity of the financial information. The following non-IFRS measures are used in our financial disclosures:

- Operating income before depreciation and amortization (OIBD): Used to assess operating performance and contribution of each segment when excluding depreciation & amortization. OIBD is widely used by investors as a measure of a corporation's ability to incur and service debt and as an evaluation metric.
- Adjusted OIBD: Used to assess operating performance and contribution of each segment on a comparable basis.
- Adjusted operating income: Used to assess operating performance of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Adjusted free cash flow: Used to assess the Corporation's capacity to generate cash flows to meet financial obligation and/or discretionary items such as share repurchase, dividend increase and strategic investments.
- Net debt to adjusted OIBD ratio: Used to measure the Corporation's credit performance and evaluate the financial leverage.
- Net debt to adjusted OIBD ratio on a pro forma basis: Used to measure the Corporation's credit performance and evaluate the financial leverage on a comparable basis including significant business acquisitions and excluding significant business disposals, if any.

Non-IFRS measures are mainly derived from the consolidated financial statements but do not have meanings prescribed by IFRS. These measures have limitations as an analytical tool, and should not be considered on their own or as a substitute for an analysis of our results as reported under IFRS. In addition, our definitions of non-IFRS measures may differ from those of other corporations. Any such modification or reformulation may be significant.

The reconciliation of operating income (loss) to OIBD, to adjusted operating income (loss) and to adjusted OIBD by business segment is as follows:

						2017
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income	164	34	46	28	(97)	175
Depreciation and amortization	74	33	21	62	25	215
Operating income (loss) before depreciation and amortization	238	67	67	90	(72)	390
Specific items:						
Gain on acquisitions, disposals and others	(7)	—	—	—	(1)	(8)
Inventory adjustment resulting from business acquisition	2	—	—	—	—	2
Impairment charges (reversals)	11	—	—	2	(2)	11
Restructuring costs	2	1	—	2	1	6
Unrealized loss (gain) on financial instruments	1	—	—	—	(9)	(8)
	9	1	—	4	(11)	3
Adjusted operating income (loss) before depreciation and amortization	247	68	67	94	(83)	393
Adjusted operating income (loss)	173	35	46	32	(108)	178

						2016
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income	158	19	51	75	(82)	221
Depreciation and amortization	56	32	20	64	20	192
Operating income (loss) before depreciation and amortization	214	51	71	139	(62)	413
Specific items:						
Gain on acquisitions, disposals and others	—	—	(4)	—	—	(4)
Impairment charges (reversals)	2	—	(3)	4	—	3
Restructuring costs (gains)	(1)	2	1	7	—	9
Unrealized loss (gain) on financial instruments	1	—	—	—	(19)	(18)
	2	2	(6)	11	(19)	(10)
Adjusted operating income (loss) before depreciation and amortization	216	53	65	150	(81)	403
Adjusted operating income (loss)	160	21	45	86	(101)	211

Net earnings, as per IFRS, is reconciled below with operating income, adjusted operating income and adjusted operating income before depreciation and amortization:

(in millions of Canadian dollars)	**2017**	2016
Net earnings attributable to Shareholders for the year	**507**	135
Net earnings attributable to non-controlling interests	**15**	2
Provision for (recovery of) income taxes	**(81)**	45
Fair value revaluation gain on investments	**(315)**	—
Share of results of associates and joint ventures	**(39)**	(32)
Foreign exchange gain on long-term debt and financial instruments	**(23)**	(22)
Financing expense, interest expense on employee future benefits and loss on repurchase of long-term debt	**111**	93
Operating income	**175**	221
Specific items:		
Gain on acquisitions, disposals and others	**(8)**	(4)
Inventory adjustment resulting from business acquisition	**2**	—
Impairment charges	**11**	3
Restructuring costs	**6**	9
Unrealized gain on derivative financial instruments	**(8)**	(18)
	3	(10)
Adjusted operating income	**178**	211
Depreciation and amortization	**215**	192
Adjusted operating income before depreciation and amortization	**393**	403

The following table reconciles net earnings and net earnings per common share, as per IFRS, with adjusted net earnings and adjusted net earnings per common share:

	NET EARNINGS		NET EARNINGS PER COMMON SHARE[1]	
(in millions of Canadian dollars, except amount per common share)	**2017**	2016	**2017**	2016
As per IFRS	**507**	135	**$ 5.35**	$ 1.42
Specific items:				
Gain on acquisitions, disposals and others	**(8)**	(4)	**$ (0.06)**	$ (0.03)
Inventory adjustment resulting from business acquisition	**2**	—	**$ 0.01**	—
Impairment charges	**11**	3	**$ 0.08**	$ 0.03
Restructuring costs	**6**	9	**$ 0.05**	$ 0.06
Unrealized gain on derivative financial instruments	**(8)**	(18)	**$ (0.07)**	$ (0.14)
Loss on repurchase of long-term debt	**14**	—	**$ 0.10**	—
Unrealized gain on interest rate swaps	**(2)**	(1)	**$ (0.01)**	$ (0.01)
Foreign exchange gain on long-term debt and financial instruments	**(23)**	(22)	**$ (0.21)**	$ (0.19)
Fair value revaluation gain on investments	**(315)**	—	**$ (3.85)**	—
Share of results of associates and joint ventures	**(18)**	7	**$ (0.15)**	$ 0.05
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest[1]	**(98)**	5	**$ (0.52)**	$ 0.02
	(439)	(21)	**$ (4.63)**	$ (0.21)
Adjusted	**68**	114	**$ 0.72**	$ 1.21

1 Specific amounts per common share are calculated on an after-tax basis and are net of the portion attributable to non-controlling interests. Per common share amounts in line item "Tax effect on specific items, other tax adjustments and attributable to non-controlling interests" only include the effect of tax adjustments. Please refer to "Provision for income taxes" prior in this section for more details.

The following table reconciles cash flow from operating activities with operating income and operating income before depreciation and amortization:

(in millions of Canadian dollars)	2017	2016
Cash flow from operating activities	**173**	372
Changes in non-cash working capital components	**87**	(56)
Depreciation and amortization	**(215)**	(192)
Net income taxes paid (received)	**10**	(10)
Net financing expense paid	**99**	89
Premium paid on long-term debt repurchase	**11**	—
Gain on acquisitions, disposals and others	**8**	4
Impairment charges and restructuring costs	**(11)**	(4)
Unrealized gain on derivative financial instruments	**8**	18
Dividend received, employee future benefits and others	**5**	—
Operating income	**175**	221
Depreciation and amortization	**215**	192
Operating income before depreciation and amortization	**390**	413

The following table reconciles cash flow from operating activities with cash flow from operating activities (excluding changes in non-cash working capital components) and adjusted cash flow from operating activities. It also reconciles adjusted cash flow from operating activities to adjusted free cash flow which is also calculated on a per share basis:

(in millions of Canadian dollars, except amount per share or otherwise mentioned)	2017	2016
Cash flow from operating activities	**173**	372
Changes in non-cash working capital components	**87**	(56)
Cash flow from operating activities (excluding changes in non-cash working capital components)	**260**	316
Specific items, net of current income taxes if applicable:		
Restructuring costs	**6**	8
Premium paid on long-term debt repurchase	**11**	—
Adjusted cash flow from operating activities	**277**	324
Capital expenditures, other assets[1] and capital lease payments, net of disposals	**(205)**	(196)
Dividends paid	**(20)**	(16)
Adjusted free cash flow	**52**	112
Adjusted free cash flow per common share	**$ 0.55**	$ 1.18
Weighted average basic number of common shares outstanding	**94,680,598**	94,709,048

1 Excluding increase in investments

The following table reconciles total debt and net debt with the ratio of net debt to adjusted operating income before depreciation and amortization (adjusted OIBD):

(in millions of Canadian dollars)	December 31, 2017	December 31, 2016
Long-term debt	**1,517**	1,530
Current portion of long-term debt	**59**	36
Bank loans and advances	**35**	28
Total debt	**1,611**	1,594
Less: Cash and cash equivalents	**89**	62
Net debt	**1,522**	1,532
Adjusted OIBD (last twelve months)	**393**	403
Net debt / Adjusted OIBD ratio	**3.9**	3.8
Net debt / Adjusted OIBD ratio on a pro forma basis[1]	**3.6**	N/A

1 Pro forma basis to add Greenpac adjusted OIBD for Q1 2017 and other business combinations completed for the LTM period ended December 31, 2017.