# 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 BEFORE DEPRECIATION AND AMORTIZATION AND NET EARNINGS

The Corporation incurred the following specific items in 2018 and 2017:

### GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

**2018**
In the first quarter, the Containerboard Packaging segment completed the sale of the building and land of its Maspeth plant in NY, USA, and generated a gain of $66 million, net of asset retirement obligations of $2 million. The closure was completed in the fourth quarter and the segment recorded a $1 million gain following the sale of some equipment.

In the fourth quarter, the Specialty Product segment recorded a gain of $4 million on the acquisition of two moulded pulp plants and a packaging distributor.

**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, a $1 million gain from the sale of some assets was realized in Corporate Activities.

### INVENTORY ADJUSTMENT RESULTING FROM BUSINESS COMBINATION

**2017**
In the second quarter, operating results in the Containerboard Packaging segment were negatively impacted by $2 million. This was the result of the inventory acquired at the time of the Greenpac consolidation being recognized at fair value, with no profit recorded on its subsequent sale.

### IMPAIRMENT CHARGES (REVERSALS) AND RESTRUCTURING COSTS (GAINS)

**2018**
In the fourth quarter, the Tissue Papers segment reviewed the recoverable value of a few plants and recorded impairment charges of $75 million on fixed assets following sustained production inefficiencies.

In the fourth quarter, related to the closure of the Maspeth plant in NY, USA, stated above, the Containerboard Packaging segment recorded a $3 million charge related to closure provisions and severances.

In the third quarter, the Containerboard Packaging segment incurred a $1 million charge related to severances for the forthcoming closure of two sheets plants in Ontario announced during the quarter.

In the third quarter, the Specialty Products segment recorded a gain of $1 million from the dismantling of a building of a plant closed in the previous years. In the fourth quarter, the segment recorded another gain of $1 million related to that same plant.

**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 Corporate Activities recorded a severance cost of $1 million following the closure of a sales division.

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

In the second quarter, the Containerboard Packaging segment recorded an impairment charge of $11 million on deferred revenues related to a management agreement of Greenpac since the beginning of the mill construction and recorded in “Other assets”. Following the acquisition and consolidation of Greenpac, expected future cash flows related to this asset did not materialize on a consolidated basis.

Also 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 severance costs of $1 million following the restructuring of its sales activities.

### DERIVATIVE FINANCIAL INSTRUMENTS

In 2018, the Corporation recorded an unrealized loss of $9 million, compared to an unrealized gain of $8 million in 2017, on certain derivative financial instruments not designated for hedge accounting.

### LOSS ON REPURCHASE OF LONG TERM DEBT

In 2017, 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 2018, the Corporation recorded an unrealized gain of $1 million, compared to an unrealized gain of $2 million in 2017 on interest rate swaps, and are included in financing expense.

### FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2018, the Corporation recorded a loss of $4 million on its US$-denominated debt and related financial instruments, compared to a gain of $23 million in 2017. This is composed of a gain of $1 million in 2018, compared to a gain of $11 million in 2017, on our US$-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 loss of $5 million during the year, compared to a gain of $12 million in 2017, 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

**2018**

In the first quarter, our Boxboard Europe segment completed the acquisition of PAC Service S.p.A. and recorded a revaluation gain of $5 million on its previously held interest. This item is presented in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings.

**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 since April 4, 2017. The Corporation recorded a revaluation gain on previously held interest of $156 million in the second quarter. Consequently to 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 and 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.

## PROVISION FOR INCOME TAXES

### 2018

During the year, the Corporation reassessed the probability of recovering unrealized capital losses which resulted in the derecognition of tax assets totalling $8 million.

### 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 2018 audited consolidated financial statements.

## 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:

| | | | | | | **2018** |
|---|---|---|---|---|---|---|
| (in millions of Canadian dollars) | **Containerboard** | **Boxboard Europe** | **Specialty Products** | **Tissue Papers** | **Corporate Activities** | **Consolidated** |
| **Operating income (loss)** | **381** | **60** | **24** | **(122)** | **(113)** | **230** |
| Depreciation and amortization | **89** | **37** | **22** | **64** | **32** | **244** |
| **Operating income (loss) before depreciation and amortization** | **470** | **97** | **46** | **(58)** | **(81)** | **474** |
| Specific items: | | | | | | |
| Gain on acquisitions, disposals and others | **(67)** | **—** | **(4)** | **—** | **—** | **(71)** |
| Impairment charges | **—** | **—** | **—** | **75** | **—** | **75** |
| Restructuring costs (gain) | **4** | **—** | **(2)** | **—** | **—** | **2** |
| Unrealized loss on derivative financial instruments | **3** | **—** | **—** | **—** | **6** | **9** |
| | **(60)** | **—** | **(6)** | **75** | **6** | **15** |
| **Adjusted operating income (loss) before depreciation and amortization** | **410** | **97** | **40** | **17** | **(75)** | **489** |
| **Adjusted operating income (loss)** | **321** | **60** | **18** | **(47)** | **(107)** | **245** |

| | | | | | | 2017 |
|---|---|---|---|---|---|---|
| (in millions of Canadian dollars) | Containerboard | Boxboard Europe | Specialty Products | Tissue Papers | Corporate Activities | Consolidated |
| **Operating income (loss)** | 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 combination | 2 | — | — | — | — | 2 |
| Impairment charges (reversals) | 11 | — | — | 2 | (2) | 11 |
| Restructuring costs | 2 | 1 | — | 2 | 1 | 6 |
| Unrealized loss (gain) on derivative 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 |

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) | **2018** | 2017 |
|---|---|---|
| **Net earnings attributable to Shareholders for the year** | **59** | 507 |
| Net earnings attributable to non-controlling interests | **35** | 15 |
| Provision for (recovery of) income taxes | **49** | (81) |
| Fair value revaluation gain on investments | **(5)** | (315) |
| Share of results of associates and joint ventures | **(11)** | (39) |
| Foreign exchange loss (gain) on long-term debt and financial instruments | **4** | (23) |
| Financing expense and interest expense on employee future benefits | **99** | 111 |
| **Operating income** | **230** | 175 |
| Specific items: | | |
| Gain on acquisitions, disposals and others | **(71)** | (8) |
| Inventory adjustment resulting from business combination | **—** | 2 |
| Impairment charges | **75** | 11 |
| Restructuring costs | **2** | 6 |
| Unrealized loss (gain) on derivative financial instruments | **9** | (8) |
| | **15** | 3 |
| **Adjusted operating income** | **245** | 178 |
| Depreciation and amortization | **244** | 215 |
| **Adjusted operating income before depreciation and amortization** | **489** | 393 |

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

| | **NET EARNINGS** | | **NET EARNINGS PER SHARE[1]** | |
|---|---|---|---|---|
| (in millions of Canadian dollars, except amount per share) | **2018** | 2017 | **2018** | 2017 |
| **As per IFRS** | **59** | 507 | **$ 0.62** | $ 5.35 |
| Specific items: | | | | |
| Gain on acquisitions, disposals and others | **(71)** | (8) | **$ (0.55)** | $ (0.06) |
| Inventory adjustment resulting from business combination | **—** | 2 | **—** | $ 0.01 |
| Impairment charges | **75** | 11 | **$ 0.60** | $ 0.08 |
| Restructuring costs | **2** | 6 | **$ 0.02** | $ 0.05 |
| Unrealized loss (gain) on derivative financial instruments | **9** | (8) | **$ 0.07** | $ (0.07) |
| Loss on refinancing of long-term debt | **—** | 14 | **—** | $ 0.10 |
| Unrealized gain on interest rate swaps | **(1)** | (2) | **$ (0.01)** | $ (0.01) |
| Foreign exchange loss (gain) on long-term debt and financial instruments | **4** | (23) | **$ 0.03** | $ (0.21) |
| Fair value revaluation gain on investments | **(5)** | (315) | **$ (0.03)** | $ (3.85) |
| Share of results of associates and joint ventures | **—** | (18) | **—** | $ (0.15) |
| Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1] | **7** | (98) | **$ 0.08** | $ (0.52) |
| | **20** | (439) | **$ 0.21** | $ (4.63) |
| **Adjusted** | **79** | 68 | **$ 0.83** | $ 0.72 |

*1 Specific amounts per share are calculated on an after-tax basis and are net of the portion attributable to non-controlling interests. Per 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) | 2018 | 2017 |
|---|---|---|
| **Cash flow from operating activities** | **373** | 173 |
| Changes in non-cash working capital components | **(12)** | 87 |
| Depreciation and amortization | **(244)** | (215) |
| Net income taxes paid | **11** | 10 |
| Net financing expense paid | **107** | 99 |
| Premium paid on long-term debt refinancing | **—** | 11 |
| Gain on acquisitions, disposals and others | **71** | 8 |
| Impairment charges and restructuring costs | **(77)** | (11) |
| Unrealized gain (loss) on derivative financial instruments | **(9)** | 8 |
| Dividend received, employee future benefits and others | **10** | 5 |
| **Operating income** | **230** | 175 |
| Depreciation and amortization | **244** | 215 |
| **Operating income before depreciation and amortization** | **474** | 390 |

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) | 2018 | 2017 |
|---|---|---|
| **Cash flow from operating activities** | **373** | 173 |
| Changes in non-cash working capital components | **(12)** | 87 |
| **Cash flow from operating activities (excluding changes in non-cash working capital components)** | **361** | 260 |
| Specific items, net of current income taxes if applicable: | | |
| Restructuring costs | **—** | 6 |
| Premium paid on long-term debt refinancing | **—** | 11 |
| **Adjusted cash flow from operating activities** | **361** | 277 |
| Capital expenditures, other assets[1] and capital lease payments, net of disposals of $85 million in 2018 | **(276)** | (205) |
| Dividends paid to the Corporation's Shareholders and to non-controlling interests | **(31)** | (20) |
| **Adjusted free cash flow** | **54** | 52 |
| **Adjusted free cash flow per share** | **$ 0.57** | $ 0.56 |
| **Weighted average basic number of shares outstanding** | **94,570,924** | 94,680,598 |

*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, 2018 | December 31, 2017 |
|---|---|---|
| Long-term debt | **1,821** | 1,517 |
| Current portion of long-term debt | **55** | 59 |
| Bank loans and advances | **16** | 35 |
| **Total debt** | **1,892** | 1,611 |
| Less: Cash and cash equivalents | **123** | 89 |
| **Net debt** | **1,769** | 1,522 |
| Adjusted OIBD (last twelve months) | **489** | 393 |
| **Net debt / Adjusted OIBD ratio** | **3.6** | 3.9 |
| **Net debt / Adjusted OIBD ratio on a pro-forma basis[1]** | **3.5** | 3.6 |

*1 Pro-forma adjusted OIBD of $505 million for 2018 and $422 million for 2017 to include business acquisitions on a last twelve months basis.*