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 during first quarters of 2018 and 2017:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

In the first quarter of 2018, the Containerboard segment completed the sale of the building and land of its Maspeth plant, NY, and generated a gain of $66 million, net of asset retirement obligations of $2 million.

RESTRUCTURING COSTS

In the first quarter of 2017, the Boxboard Europe segment recorded severances of $1 million following the restructuring of its sales activities.

DERIVATIVE FINANCIAL INSTRUMENTS

In the first quarter of 2018, the Corporation recorded an unrealized loss of $4 million, compared to an unrealized gain of $4 million in the same period of 2017, on certain derivative financial instruments not designated for hedge accounting.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first quarter of 2018, the Corporation recorded a gain of $1 million on its US$-denominated debt and related financial instruments, compared to a gain of $8 million in the same period of 2017. This includes a gain of $1 million in the first quarter of 2018, compared to a gain of $5 million in the same period of 2017, on foreign exchange forward contracts not designated for hedge accounting. This also included a gain of $3 million in the same period of 2017, on our US$-denominated long-term debt, net of our net investment hedges in the U.S. and Europe as well as forward exchange contracts designated as hedging instruments, if any.

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

2018

In the first quarter of 2018, 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

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 the 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 was considered an available-for-sale financial asset which was classified in “Other assets”. Consequently, our investment in Boralex was reevaluated 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 of investment” in the consolidated statement of earnings. Subsequent fair value revaluation of this investment was recorded in accumulated other comprehensive income.

The Corporation also recorded its share of $1 million on an unrealized gain on certain derivative financial instruments not designated for hedge accounting related to its associate Greenpac.

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:

						For the 3-month period ended March 31, 2018
(in millions of Canadian dollars)	**Containerboard**	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**121**	**19**	**2**	**(2)**	**(28)**	**112**
Depreciation and amortization	**20**	**9**	**5**	**15**	**6**	**55**
Operating income (loss) before depreciation and amortization	**141**	**28**	**7**	**13**	**(22)**	**167**
Specific items:						
Gain on acquisitions, disposals and others	**(66)**	**—**	**—**	**—**	**—**	**(66)**
Unrealized loss on derivative financial instruments	**2**	**—**	**—**	**—**	**2**	**4**
	(64)	**—**	**—**	**—**	**2**	**(62)**
Adjusted operating income (loss) before depreciation and amortization	**77**	**28**	**7**	**13**	**(20)**	**105**
Adjusted operating income (loss)	**57**	**19**	**2**	**(2)**	**(26)**	**50**

						For the 3-month period ended March 31, 2017
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	33	5	13	8	(28)	31
Depreciation and amortization	12	8	5	15	7	47
Operating income (loss) before depreciation and amortization	45	13	18	23	(21)	78
Specific items :						
Restructuring costs	—	1	—	—	—	1
Unrealized gain on derivative financial instruments	—	—	—	—	(4)	(4)
	—	1	—	—	(4)	(3)
Adjusted operating income (loss) before depreciation and amortization	45	14	18	23	(25)	75
Adjusted operating income (loss)	33	6	13	8	(32)	28

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

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars)	**2018**	2017
Net earnings attributable to Shareholders for the period	**61**	161
Net earnings attributable to non-controlling interests	**11**	2
Provision for income taxes	**24**	27
Fair value revaluation gain on investments	**(5)**	(145)
Share of results of associates and joint ventures	**(1)**	(28)
Foreign exchange gain on long-term debt and financial instruments	**(1)**	(8)
Financing expense and interest expense on employee future benefits	**23**	22
Operating income	**112**	31
Specific items:		
Gain on acquisitions, disposals and others	**(66)**	—
Restructuring costs	**—**	1
Unrealized loss (gain) on derivative financial instruments	**4**	(4)
	(62)	(3)
Adjusted operating income	**50**	28
Depreciation and amortization	**55**	47
Adjusted operating income before depreciation and amortization	**105**	75

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:

(in millions of Canadian dollars, except amount per common share)	NET EARNINGS For the 3-month periods ended March 31, 2018	 2017	NET EARNINGS PER COMMON SHARE[1] For the 3-month periods ended March 31, 2018	 2017
As per IFRS	**61**	161	**$ 0.65**	$ 1.70
Specific items:				
Gain on acquisitions, disposals and others	**(66)**	—	**$ (0.51)**	—
Restructuring costs	**—**	1	**—**	$ 0.01
Unrealized loss (gain) on derivative financial instruments	**4**	(4)	**$ 0.03**	$ (0.03)
Foreign exchange gain on long-term debt and financial instruments	**(1)**	(8)	**$ (0.01)**	$ (0.08)
Fair value revaluation gain on investments	**(5)**	(145)	**$ (0.03)**	$ (1.33)
Share of results of associates and joint ventures	**—**	(16)	**—**	$ (0.14)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest[1]	**19**	23	**—**	—
	(49)	(149)	**$ (0.52)**	$ (1.57)
Adjusted	**12**	12	**$ 0.13**	$ 0.13

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.

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

(in millions of Canadian dollars)	For the 3-month periods ended March 31, 2018	 2017
Cash flow from (used for) operating activities	**38**	(6)
Changes in non-cash working capital components	**31**	39
Depreciation and amortization	**(55)**	(47)
Net income taxes paid (received)	**(3)**	5
Net financing expense paid	**37**	38
Gain on acquisitions, disposals and others	**66**	—
Unrealized gain (loss) on derivative financial instruments	**(4)**	4
Dividend received, employee future benefits and others	**2**	(2)
Operating income	**112**	31
Depreciation and amortization	**55**	47
Operating income before depreciation and amortization	**167**	78

The following table reconciles cash flow from (used for) 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 common share basis:

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars, except amount per share or otherwise mentioned)	**2018**	2017
Cash flow from (used for) operating activities	**38**	(6)
Changes in non-cash working capital components	**31**	39
Cash flow from operating activities (excluding changes in non-cash working capital components)	**69**	33
Specific items, net of current income taxes if applicable:		
Restructuring costs	**—**	1
Adjusted cash flow from operating activities	**69**	34
Capital expenditures, other assets[1] and capital lease payments, net of disposals of $81 million in Q1 2018	**(9)**	(64)
Dividends paid to the Corporation's Shareholders	**(4)**	(4)
Adjusted free cash flow	**56**	(34)
Adjusted free cash flow per common share	**$ 0.59**	$ (0.36)
Weighted average basic number of common shares outstanding	**95,013,041**	94,554,104

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)	**March 31, 2018**	December 31, 2017
Long-term debt	**1,582**	1,517
Current portion of long-term debt	**66**	59
Bank loans and advances	**23**	35
Total debt	**1,671**	1,611
Less: Cash and cash equivalents (including $25 million of restricted cash in 2018)	**137**	89
Net debt	**1,534**	1,522
Adjusted OIBD (last twelve months)	**423**	393
Net debt / Adjusted OIBD ratio	**3.6**	3.9
Net debt / Adjusted OIBD ratio on a pro forma basis[1]	**3.6**	3.6

1 Pro-forma to include adjusted OIBD of 2017 and 2018 business acquisitions on a last twelve months basis.