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 and financial instruments, 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 during the first nine months of 2019 and 2018:

LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

2019
In the third quarter, the Containerboard packaging segment recorded a $2 million gain from the sale of a building and piece of land of a closed plant.

In the third quarter, the Specialty Products segment concluded the sale of its France plant which converts cardboard into packaging for the paper industry and recorded a loss of $1 million.

In the third quarter, the Tissue Papers segment recorded a $52 million gain following the acquisition of Orchids Paper Products Company activities ("Orchids") (please refer to "Business Highlights" section). The Corporation also incurred, in Corporate Activities, transaction fees totaling $8 million ($4 million in the third quarter) related to the acquisition.

In the second quarter, a $4 million increase in an environmental provision was recorded in Corporate Activities related to a plant closed in a previous year.

In the second quarter, a $5 million gain was recorded in Corporate Activities related to a litigation settlement from a prior-year event.

In the first quarter, the lease on our Bear Island facility in Virginia was terminated by the lessee. As such, the Containerboard segment recorded a gain of $10 million following the reversal of liabilities related to lease incentives to the lessee and to accrued carrying costs.

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

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

2019
As a result of the lease termination on our Bear Island facility in the first quarter, as described above, the Containerboard segment recorded a $3 million impairment charge on some assets that will not be used in the future.

In the first quarter, the Specialty products segment recorded $1 million of restructuring costs and $1 million of impairment charge in the third quarter stemming from the closure of its Trois-Rivières, Québec, plant manufacturing felt backing for flooring.

In the first quarter, the Tissue Papers segment recorded a $1 million impairment charge on some equipment, in addition to $4 million of restructuring costs related to the forthcoming closure of two tissue paper machines in Ontario and changes in the segment's senior management. In the second quarter, the segment added $1 million of restructuring costs related to the closure.

2018

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.

DERIVATIVE FINANCIAL INSTRUMENTS

In the first nine months of 2019, the Corporation recorded an unrealized gain of $4 million (loss of $1 million in the third quarter), compared to an unrealized loss of $5 million (gain of $2 million in the third quarter) in the same period of 2018, on certain derivative financial instruments not designated for hedge accounting.

INTEREST RATE SWAPS AND OPTION FAIR VALUE REVALUATION

In the first nine months of 2019, the Corporation recorded in line item "Interest expense on employee future benefits and other liabilities" an unrealized loss of $1 million (loss of $7 million in the third quarter) on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project.

In the first nine months of 2018, the Corporation recorded an unrealized gain on interest rate swaps of $1 million (nil in the third quarter), which is included in financing expense.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first nine months of 2019, the Corporation recorded a gain of $7 million (nil in the third quarter) on its US$-denominated debt and related financial instruments, compared to a gain of $4 million (gain of $3 million in the third quarter) in 2018. This is composed of a gain of $4 million in the first nine months of 2019 (gain of $1 million in the third quarter), compared to a gain of $4 million in the same period of 2018 (gain of $1 million in the third quarter), on our US$-denominated long-term debt, net of our net investment hedges in the US and Europe as well as forward exchange contracts designated as hedging instruments, if any. It also includes a gain of $3 million in the first nine months of 2019 (loss of $1 million in the third quarter), compared to nil in the same period of 2018 (gain of $2 million in the third quarter), on foreign exchange forward contracts not designated for hedge accounting.

FAIR VALUE REVALUATION GAIN ON INVESTMENTS

2018

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

PROVISION FOR INCOME TAXES

2018

In the third quarter, the Corporation reassessed the probability of recovering unrealized capital losses which resulted in the derecognition of tax assets totalling $6 million.

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 and 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 obligations 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 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 September 30, 2019					
(in millions of Canadian dollars)	**Containerboard**	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**91**	**14**	**4**	**61**	**(35)**	**135**
Depreciation and amortization	**29**	**11**	**8**	**15**	**10**	**73**
Operating income (loss) before depreciation and amortization	**120**	**25**	**12**	**76**	**(25)**	**208**
Specific items:						
Loss (gain) on acquisitions, disposals and others	**(2)**	**—**	**1**	**(52)**	**4**	**(49)**
Impairment charges	**—**	**—**	**1**	**—**	**—**	**1**
Unrealized loss on derivative financial instruments	**—**	**—**	**—**	**—**	**1**	**1**
	(2)	**—**	**2**	**(52)**	**5**	**(47)**
Adjusted operating income (loss) before depreciation and amortization	**118**	**25**	**14**	**24**	**(20)**	**161**
Adjusted operating income (loss)	**89**	**14**	**6**	**9**	**(30)**	**88**

	For the 3-month period ended September 30, 2018					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	94	10	9	(11)	(24)	78
Depreciation and amortization	22	9	6	16	8	61
Operating income (loss) before depreciation and amortization	116	19	15	5	(16)	139
Specific items:						
Restructuring costs (gain)	1	—	(1)	—	—	—
Unrealized gain on derivative financial instruments	—	—	—	—	(2)	(2)
	1	—	(1)	—	(2)	(2)
Adjusted operating income (loss) before depreciation and amortization	117	19	14	5	(18)	137
Adjusted operating income (loss)	95	10	8	(11)	(26)	76

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
	For the 9-month period ended September 30, 2019					
Operating income (loss)	**259**	**51**	**13**	**54**	**(88)**	**289**
Depreciation and amortization	**86**	**33**	**23**	**43**	**27**	**212**
Operating income (loss) before depreciation and amortization	**345**	**84**	**36**	**97**	**(61)**	**501**
Specific items:						
Loss (gain) on acquisitions, disposals and others	**(12)**	**—**	**1**	**(52)**	**7**	**(56)**
Impairment charges	**3**	**—**	**1**	**1**	**—**	**5**
Restructuring costs	**—**	**—**	**1**	**5**	**—**	**6**
Unrealized gain on derivative financial instruments	**(1)**	**—**	**—**	**—**	**(3)**	**(4)**
	(10)	**—**	**3**	**(46)**	**4**	**(49)**
Adjusted operating income (loss) before depreciation and amortization	**335**	**84**	**39**	**51**	**(57)**	**452**
Adjusted operating income (loss)	**249**	**51**	**16**	**8**	**(84)**	**240**

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
	For the 9-month period ended September 30, 2018					
Operating income (loss)	297	51	15	(22)	(78)	263
Depreciation and amortization	62	26	16	47	23	174
Operating income (loss) before depreciation and amortization	359	77	31	25	(55)	437
Specific items:						
Gain on acquisitions, disposals and others	(66)	—	—	—	—	(66)
Restructuring costs (gain)	1	—	(1)	—	—	—
Unrealized loss on derivative financial instruments	5	—	—	—	—	5
	(60)	—	(1)	—	—	(61)
Adjusted operating income (loss) before depreciation and amortization	299	77	30	25	(55)	376
Adjusted operating income (loss)	237	51	14	(22)	(78)	202

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

	For the 3-month periods ended September 30,		**For the 9-month periods ended September 30,**	
(in millions of Canadian dollars)	**2019**	2018	**2019**	2018
Net earnings attributable to Shareholders for the period	**70**	36	**125**	124
Net earnings attributable to non-controlling interests	**7**	7	**25**	28
Provision for income taxes	**12**	17	**30**	57
Fair value revaluation gain on investments	**—**	—	**—**	(5)
Share of results of associates and joint ventures	**(2)**	(3)	**(6)**	(7)
Foreign exchange gain on long-term debt and financial instruments	**—**	(3)	**(7)**	(4)
Financing expense and interest expense on employee future benefits and other liabilities	**48**	24	**122**	70
Operating income	**135**	78	**289**	263
Specific items:				
Gain on acquisitions, disposals and others	**(49)**	—	**(56)**	(66)
Impairment charges	**1**	—	**5**	—
Restructuring costs	**—**	—	**6**	—
Unrealized loss (gain) on derivative financial instruments	**1**	(2)	**(4)**	5
	(47)	(2)	**(49)**	(61)
Adjusted operating income	**88**	76	**240**	202
Depreciation and amortization	**73**	61	**212**	174
Adjusted operating income before depreciation and amortization	**161**	137	**452**	376

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

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]			
	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,		For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars, except amount per share)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
As per IFRS	**70**	36	**125**	124	**$ 0.74**	$ 0.38	**$ 1.33**	$ 1.31
Specific items:								
Gain on acquisitions, disposals and others	**(49)**	—	**(56)**	(66)	**$ (0.53)**	—	**$ (0.61)**	$ (0.51)
Impairment charges	**1**	—	**5**	—	**$ 0.01**	—	**$ 0.04**	—
Restructuring costs	**—**	—	**6**	—	**—**	—	**$ 0.05**	—
Unrealized loss (gain) on derivative financial instruments	**1**	(2)	**(4)**	5	**$ 0.01**	$ (0.02)	**$ (0.03)**	$ 0.04
Unrealized loss (gain) on interest rate swaps and option fair value revaluation	**7**	—	**1**	(1)	**$ 0.07**	—	**$ 0.01**	$ (0.01)
Foreign exchange gain on long-term debt and financial instruments	**—**	(3)	**(7)**	(4)	**—**	$ (0.02)	**$ (0.07)**	$ (0.03)
Fair value revaluation gain on investments	**—**	—	**—**	(5)	**—**	—	**—**	$ (0.03)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(2)**	7	**(3)**	26	**—**	$ 0.06	**—**	$ 0.06
	(42)	2	**(58)**	(45)	**$ (0.44)**	$ 0.02	**$ (0.61)**	$ (0.48)
Adjusted	**28**	38	**67**	79	**$ 0.30**	$ 0.40	**$ 0.72**	$ 0.83

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.

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

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars)	**2019**	2018	**2019**	2018
Cash flow from operating activities	**157**	134	**297**	288
Changes in non-cash working capital components	**(53)**	(42)	**13**	(16)
Depreciation and amortization	**(73)**	(61)	**(212)**	(174)
Net income taxes paid	**12**	6	**14**	4
Net financing expense paid	**42**	39	**101**	94
Gain on acquisitions, disposals and others	**53**	—	**59**	66
Impairment charges and restructuring costs	**(1)**	—	**(6)**	—
Unrealized gain (loss) on derivative financial instruments	**(1)**	2	**4**	(5)
Dividend received, employee future benefits and others	**(1)**	—	**19**	6
Operating income	**135**	78	**289**	263
Depreciation and amortization	**73**	61	**212**	174
Operating income before depreciation and amortization	**208**	139	**501**	437

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

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:

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars, except amount per share or as otherwise mentioned)	**2019**	2018	**2019**	2018
Cash flow from operating activities	**157**	134	**297**	288
Changes in non-cash working capital components	**(53)**	(42)	**13**	(16)
Cash flow from operating activities (excluding changes in non-cash working capital components)	**104**	92	**310**	272
Specific items, net of current income taxes if applicable:	**4**	—	**8**	—
Adjusted cash flow from operating activities	**108**	92	**318**	272
Capital expenditures, other assets[1] and assets right-of-use payments, net of disposals of $81 million in Q1 2018	**(58)**	(129)	**(198)**	(210)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(12)**	(5)	**(29)**	(23)
Adjusted free cash flow	**38**	(42)	**91**	39
Adjusted free cash flow per share	**$ 0.40**	$ (0.44)	**$ 0.97**	$ 0.41
Weighted average basic number of shares outstanding	**93,860,367**	94,469,465	**93,886,909**	94,704,999

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)	**September 30, 2019**	December 31, 2018
Long-term debt	**2,114**	1,821
Current portion of long-term debt	**87**	55
Bank loans and advances	**14**	16
Total debt	**2,215**	1,892
Less: Cash and cash equivalents	**138**	123
Net debt	**2,077**	1,769
Adjusted OIBD (last twelve months)	**565**	489
Net debt / Adjusted OIBD ratio	**3.7**	3.6

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).