SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

SPECIFIC ITEMS

The Corporation incurs some specific items that adversely or positively affected its operating results. We believe it is useful for readers to be aware of these items, as they provide additional information to measure the performance, compare the Corporation's results between periods and to assess operating results and liquidity, notwithstanding these specific items. Management believes these specific items are not necessarily reflective of the Corporation 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 cash available to us.

They include, but are not limited to, charges for (reversals of) impairment of assets, restructuring gains or costs, loss on refinancing of long-term debt, some deferred tax assets 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 2017 and 2016:

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 2017, the Corporation recorded an unrealized gain of $4 million, compared to an unrealized gain of $14 million in the same period of 2016, on certain derivative financial instruments not designated for hedge accounting. The 2016 unrealized gain is mainly attributable to the reclassification of 2015 unrealized loss on foreign exchange hedging contracts in 2016 unadjusted results as they were realized during the period.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

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 is no longer classified as an associate and is now considered an available-for-sale financial asset which is 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 is 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.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first quarter of 2017, the Corporation recorded a gain of $8 million on its US$-denominated debt and related financial instruments, compared to a gain of $36 million in 2016. This is composed of a gain of $3 million in the first quarter of 2017, compared to a gain of $29 million in 2016, on our US$-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. It also includes a gain of $5 million in the first quarter of 2017, compared to a gain of $7 million in 2016, on foreign exchange forward contracts not designated for hedge accounting.

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 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 Corporations' 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.

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, 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**

	For the 3-month period ended March 31, 2016					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	40	8	9	19	(3)	73
Depreciation and amortization	15	8	5	15	4	47
Operating income before depreciation and amortization	55	16	14	34	1	120
Specific items :						
Unrealized gain on derivative financial instruments	—	—	—	—	(14)	(14)
	—	—	—	—	(14)	(14)
Adjusted operating income (loss) before depreciation and amortization	55	16	14	34	(13)	106
Adjusted operating income (loss)	40	8	9	19	(17)	59

Net earnings, a performance measure defined by IFRS, is reconciled below with operating income, adjusted operating income and adjusted operating income before depreciation and amortization:

(in millions of Canadian dollars)	For the 3-month periods ended March 31, 2017	2016
Net earnings attributable to Shareholders for the period	**161**	75
Net earnings attributable to non-controlling interests	**2**	2
Provision for income taxes	**27**	21
Fair value revaluation of investment	**(145)**	—
Share of results of associates and joint ventures	**(28)**	(14)
Foreign exchange gain on long-term debt and financial instruments	**(8)**	(36)
Financing expense and interest expense on employee future benefits	**22**	25
Operating income	**31**	73
Specific items:		
Restructuring costs	**1**	—
Unrealized gain on derivative financial instruments	**(4)**	(14)
	(3)	(14)
Adjusted operating income	**28**	59
Depreciation and amortization	**47**	47
Adjusted operating income before depreciation and amortization	**75**	106

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]	
	For the 3-month periods ended March 31,		For the 3-month periods ended March 31,	
(in millions of Canadian dollars, except amount per common share)	**2017**	2016	**2017**	2016
As per IFRS	**161**	75	**$ 1.70**	$ 0.79
Specific items:				
Restructuring costs	**1**	—	**$ 0.01**	—
Unrealized gain on derivative financial instruments	**(4)**	(14)	**$ (0.03)**	$ (0.11)
Foreign exchange gain on long-term debt and financial instruments	**(8)**	(36)	**$ (0.08)**	$ (0.33)
Fair value revaluation of investment	**(145)**	—	**$ (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 interests[1]	**23**	9	**—**	—
	(149)	(41)	**$ (1.57)**	$ (0.44)
Adjusted	**12**	34	**$ 0.13**	$ 0.35

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 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:

(in millions of Canadian dollars)	For the 3-month periods ended March 31, 2017	2016
Cash flow from operating activities	**(6)**	23
Changes in non-cash working capital components	**39**	33
Depreciation and amortization	**(47)**	(47)
Net income taxes paid (received)	**5**	(1)
Net financing expense paid	**38**	44
Unrealized gain on derivative financial instruments	**4**	14
Dividend received, employee future benefits and others	**(2)**	7
Operating income	**31**	73
Depreciation and amortization	**47**	47
Operating income before depreciation and amortization	**78**	120

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 common share or otherwise mentioned)	For the 3-month periods ended March 31, 2017	2016
Cash flow from operating activities	**(6)**	23
Changes in non-cash working capital components	**39**	33
Cash flow from operating activities (excluding changes in non-cash working capital components)	**33**	56
Specific items, net of current income taxes if applicable:		
Restructuring costs	**1**	—
Adjusted cash flow from operating activities	**34**	56
Capital expenditures & other assets[1] and capital lease payments, net of disposals	**(64)**	(57)
Dividends	**(4)**	(4)
Adjusted free cash flow	**(34)**	(5)
Adjusted free cash flow per share	**$ (0.36)**	$ (0.05)
Weighted average basic number of common shares outstanding	**94,554,104**	95,342,378

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, 2017	December 31, 2016
Long-term debt	**1,625**	1,530
Current portion of long-term debt	**36**	36
Bank loans and advances	**24**	28
Total debt	**1,685**	1,594
Less: Cash and cash equivalents	**68**	62
Net debt	**1,617**	1,532
Adjusted OIBD (last twelve months)	**372**	403
Net debt / Adjusted OIBD ratio	**4.3**	3.8