

## 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 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 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 CONSOLIDATED OPERATING INCOME AND NET EARNINGS

The Corporation incurred the following specific items during the first halves of 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

In the second quarter, the Specialty Products 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 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 described in Note 4 of the 2017 second quarter unaudited condensed interim financial statements, expected future cash flows related to this asset will not materialize on a consolidated basis.

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

In the second quarter, 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. In the same quarter, 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.

In the second quarter, 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).

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

In the second quarter, the Tissue Papers segment incurred \$4 million of severances costs following the transfer of the converting operations of the Toronto plant to other Tissue segment sites. This transfer resulted in impairment charges of \$2 million due to the revaluation of the remaining useful life of some equipment not transferred.

## DERIVATIVE FINANCIAL INSTRUMENTS

In the first half of 2017, the Corporation recorded an unrealized gain of \$8 million (gain of \$4 million in the second quarter), compared to an unrealized gain of \$19 million (gain of \$5 million in the second quarter) in the same period of 2016, on certain derivative financial instruments not designated for hedge accounting. These unrealized gains are mainly attributable to foreign exchange contracts' fair value variation following the appreciation of the Canadian dollar during both periods.

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

In the first half of 2017, the Corporation recorded a gain of \$19 million (gain of \$11 million in the second quarter) on its US\$-denominated debt and related financial instruments, compared to a gain of \$42 million (gain of \$6 million in the second quarter) in 2016. This is composed of a gain of \$12 million in the first half of 2017 (gain of \$9 million in the second quarter), compared to a gain of \$32 million in the same period of 2016 (gain of \$3 million in the second quarter), 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 \$7 million in the first half of 2017 (gain of \$2 million in the second quarter), compared to a gain of \$10 million in the same period of 2016 (gain of \$3 million in the second quarter), 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

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 \$223 million in the second quarter. Please refer to note 4 of the "Notes to Consolidated Financial Statements" for more details. 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.

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 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 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 is recorded in accumulated other comprehensive income.

The Corporation also recorded its share of \$3 million on an unrealized gain (gain of \$2 million in the second quarter) on certain derivative financial instruments not designated for hedge accounting prior to the acquisition of Greenpac.

#### **2016**

On May 6, 2016, the Corporation announced that Greenpac, located in Niagara Falls, NY, successfully refinanced its debt. Our share of the fees related to this debt refinancing amounted to \$7 million. We also recorded an unrealized gain of \$1 million on certain derivative financial instruments not designated for hedge accounting.

### **PROVISION FOR INCOME TAXES**

#### **2017**

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 were no income tax provision recorded on the gain of \$223 million generated by the business combination of Greenpac since they are included in the fair value of assets and liabilities acquired as described in Note 4 of the 2017 second quarter unaudited condensed interim 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:

For the 3-month period ended June 30, 2017

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	30	13	14	17	(26)	48
Depreciation and amortization	21	8	6	16	5	56
<b>Operating income (loss) before depreciation and amortization</b>	51	21	20	33	(21)	104
Specific items:						
Gain on acquisitions, disposals and others	(7)	—	—	—	(1)	(8)
Inventory adjustment resulting from business combination	2	—	—	—	—	2
Impairment charges	11	—	—	—	—	11
Restructuring costs	—	—	—	2	—	2
Unrealized gain on derivative financial instruments	(1)	—	—	—	(3)	(4)
	5	—	—	2	(4)	3
<b>Adjusted operating income (loss) before depreciation and amortization</b>	56	21	20	35	(25)	107
<b>Adjusted operating income (loss)</b>	35	13	14	19	(30)	51

For the 3-month period ended June 30, 2016

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	46	7	16	18	(22)	65
Depreciation and amortization	14	8	4	15	6	47
<b>Operating income (loss) before depreciation and amortization</b>	60	15	20	33	(16)	112
Specific items:						
Gain on acquisitions, disposals and others	—	—	(4)	—	—	(4)
Impairment charges (reversals)	2	—	(1)	2	—	3
Restructuring costs (gain)	(1)	2	1	4	—	6
Unrealized gain on derivative financial instruments	(1)	—	—	—	(4)	(5)
	—	2	(4)	6	(4)	—
<b>Adjusted operating income (loss) before depreciation and amortization</b>	60	17	16	39	(20)	112
<b>Adjusted operating income (loss)</b>	46	9	12	24	(26)	65

For the 6-month period ended June 30, 2017

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	63	18	27	25	(54)	79
Depreciation and amortization	33	16	11	31	12	103
<b>Operating income (loss) before depreciation and amortization</b>	<b>96</b>	<b>34</b>	<b>38</b>	<b>56</b>	<b>(42)</b>	<b>182</b>
Specific items:						
Gain on acquisitions, disposals and others	(7)	—	—	—	(1)	(8)
Inventory adjustment resulting from business combination	2	—	—	—	—	2
Impairment charges	11	—	—	—	—	11
Restructuring costs	—	1	—	2	—	3
Unrealized gain on derivative financial instruments	(1)	—	—	—	(7)	(8)
	5	1	—	2	(8)	—
<b>Adjusted operating income (loss) before depreciation and amortization</b>	<b>101</b>	<b>35</b>	<b>38</b>	<b>58</b>	<b>(50)</b>	<b>182</b>
<b>Adjusted operating income (loss)</b>	<b>68</b>	<b>19</b>	<b>27</b>	<b>27</b>	<b>(62)</b>	<b>79</b>

For the 6-month period ended June 30, 2016

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	86	15	25	37	(25)	138
Depreciation and amortization	29	16	9	30	10	94
<b>Operating income (loss) before depreciation and amortization</b>	<b>115</b>	<b>31</b>	<b>34</b>	<b>67</b>	<b>(15)</b>	<b>232</b>
Specific items:						
Gain on acquisitions, disposals and others	—	—	(4)	—	—	(4)
Impairment charges (reversals)	2	—	(1)	2	—	3
Restructuring costs (gain)	(1)	2	1	4	—	6
Unrealized gain on derivative financial instruments	(1)	—	—	—	(18)	(19)
	—	2	(4)	6	(18)	(14)
<b>Adjusted operating income (loss) before depreciation and amortization</b>	<b>115</b>	<b>33</b>	<b>30</b>	<b>73</b>	<b>(33)</b>	<b>218</b>
<b>Adjusted operating income (loss)</b>	<b>86</b>	<b>17</b>	<b>21</b>	<b>43</b>	<b>(43)</b>	<b>124</b>

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)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2017	2016	2017	2016
<b>Net earnings attributable to Shareholders for the period</b>	<b>323</b>	<b>36</b>	<b>484</b>	<b>111</b>
Net earnings attributable to non-controlling interests	5	1	7	3
Provision for (recovery of) income taxes	(70)	13	(43)	34
Fair value revaluation gain on investments	(219)	—	(364)	—
Share of results of associates and joint ventures	(5)	(1)	(33)	(15)
Foreign exchange gain on long-term debt and financial instruments	(11)	(6)	(19)	(42)
Financing expense and interest expense on employee future benefits	25	22	47	47
<b>Operating income</b>	<b>48</b>	<b>65</b>	<b>79</b>	<b>138</b>
Specific items:				
Gain on acquisitions, disposals and others	(8)	(4)	(8)	(4)
Inventory adjustment resulting from business combination	2	—	2	—
Impairment charges	11	3	11	3
Restructuring costs	2	6	3	6
Unrealized gain on derivative financial instruments	(4)	(5)	(8)	(19)
	3	—	—	(14)
<b>Adjusted operating income</b>	<b>51</b>	<b>65</b>	<b>79</b>	<b>124</b>
Depreciation and amortization	56	47	103	94
<b>Adjusted operating income before depreciation and amortization</b>	<b>107</b>	<b>112</b>	<b>182</b>	<b>218</b>

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				NET EARNINGS PER COMMON SHARE <sup>1</sup>			
	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,		For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>As per IFRS</b>	<b>323</b>	<b>36</b>	<b>484</b>	<b>111</b>	<b>\$ 3.41</b>	<b>\$ 0.38</b>	<b>\$ 5.11</b>	<b>\$ 1.17</b>
Specific items:								
Gain on acquisitions, disposals and others	(8)	(4)	(8)	(4)	\$ (0.06)	\$ (0.03)	\$ (0.06)	\$ (0.03)
Inventory adjustment resulting from business combination	2	—	2	—	\$ 0.01	—	\$ 0.01	—
Impairment charges	11	3	11	3	\$ 0.07	\$ 0.02	\$ 0.07	\$ 0.02
Restructuring costs	2	6	3	6	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.04
Unrealized gain on derivative financial instruments	(4)	(5)	(8)	(19)	\$ (0.04)	\$ (0.04)	\$ (0.07)	\$ (0.15)
Foreign exchange gain on long-term debt and financial instruments	(11)	(6)	(19)	(42)	\$ (0.09)	\$ (0.05)	\$ (0.17)	\$ (0.38)
Fair value revaluation gain on investments	(219)	—	(364)	—	\$ (3.06)	—	\$ (4.39)	—
Share of results of associates and joint ventures	(2)	6	(18)	6	\$ (0.01)	\$ 0.04	\$ (0.15)	\$ 0.04
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests <sup>1</sup>	(70)	(1)	(47)	8	—	\$ 0.02	—	\$ 0.02
	(299)	(1)	(448)	(42)	\$ (3.16)	—	\$ (4.73)	\$ (0.44)
<b>Adjusted</b>	<b>24</b>	<b>35</b>	<b>36</b>	<b>69</b>	<b>\$ 0.25</b>	<b>\$ 0.38</b>	<b>\$ 0.38</b>	<b>\$ 0.73</b>

<sup>1</sup> 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. 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)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2017	2016	2017	2016
<b>Cash flow from operating activities</b>	66	81	60	104
Changes in non-cash working capital components	23	26	62	59
Depreciation and amortization	(56)	(47)	(103)	(94)
Net income taxes paid (received)	1	(7)	6	(8)
Net financing expense paid	10	3	48	47
Gain on acquisitions, disposals and others	8	5	8	5
Impairment charges and restructuring costs	(11)	(1)	(11)	(1)
Unrealized gain on derivative financial instruments	4	5	8	19
Dividend received, employee future benefits and others	3	—	1	7
<b>Operating income</b>	48	65	79	138
Depreciation and amortization	56	47	103	94
<b>Operating income before depreciation and amortization</b>	104	112	182	232

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 June 30,		For the 6-month periods ended June 30,	
	2017	2016	2017	2016
<b>Cash flow from operating activities</b>	66	81	60	104
Changes in non-cash working capital components	23	26	62	59
<b>Cash flow from operating activities (excluding changes in non-cash working capital components)</b>	89	107	122	163
Specific items, net of current income taxes if applicable:				
Restructuring costs	2	9	3	9
<b>Adjusted cash flow from operating activities</b>	91	116	125	172
Capital expenditures, other assets <sup>1</sup> and capital lease payments, net of disposals	(32)	(53)	(96)	(110)
Dividends paid to the Corporation's Shareholders	(4)	(4)	(8)	(8)
<b>Adjusted free cash flow</b>	55	59	21	54
<b>Adjusted free cash flow per share</b>	\$ 0.58	\$ 0.62	\$ 0.22	\$ 0.57
<b>Weighted average basic number of common shares outstanding</b>	94,702,041	94,596,934	94,628,481	94,969,656

<sup>1</sup> 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)	June 30, 2017	December 31, 2016
Long-term debt	1,769	1,530
Current portion of long-term debt	52	36
Bank loans and advances	26	28
<b>Total debt</b>	1,847	1,594
Less: Cash and cash equivalents	67	62
<b>Net debt</b>	1,780	1,532
Adjusted OIBD (last twelve months)	367	403
<b>Net debt / Adjusted OIBD ratio</b>	4.9	3.8
<b>Net debt / Adjusted OIBD ratio on a pro forma basis<sup>1</sup></b>	4.2	N/A

<sup>1</sup> Pro forma basis to add Greenpac adjusted OIBD from Q3-2016 to Q1-2017 for the LTM period ended June 30, 2017.