

## 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 halves of 2019 and 2018:

#### GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

##### 2019

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, the Corporate Activities incurred \$4 million of transaction fees related to the Orchids' acquisition (please refer to "Business Highlights" section for more details and Note 11 of the unaudited condensed interim financial statements of the second quarter for more details).

In the second quarter of 2019, 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 a favourable lease 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 generated 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 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 another \$1 million of restructuring costs related to the paper machines closure.

## **DERIVATIVE FINANCIAL INSTRUMENTS**

In the first half of 2019, the Corporation recorded an unrealized gain of \$5 million (gain of \$2 million in the second quarter), compared to an unrealized loss of \$7 million (loss of \$3 million in the second 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 half of 2019, the Corporation recorded in line item "Interest expense on employee future benefits and other liabilities" an unrealized gain of \$6 million (\$6 million in the second 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 half of 2018, the Corporation recorded an unrealized gain on interest rate swaps of \$1 million (gain of \$1 million in the second quarter), which are included in financing expense.

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

In the first half of 2019, the Corporation recorded a gain of \$7 million (gain of \$1 million in the second quarter) on its US\$-denominated debt and related financial instruments, compared to a gain of \$1 million (nil in the second quarter) in 2018. This is composed of a gain of \$3 million in the first half of 2019 (nil in the second quarter), compared to a gain of \$2 million in the same period of 2018 (gain of \$2 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 \$4 million in the first half of 2019 (gain of \$1 million in the second quarter), compared to a loss of \$1 million in the same period of 2018 (loss of \$2 million in the second 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.

## **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 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 June 30, 2019

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	84	19	6	1	(28)	82
Depreciation and amortization	30	11	7	16	8	72
<b>Operating income (loss) before depreciation and amortization</b>	114	30	13	17	(20)	154
Specific items:						
Loss on acquisitions, disposals and others	—	—	—	—	3	3
Restructuring costs	—	—	—	1	—	1
Unrealized gain on derivative financial instruments	(1)	—	—	—	(1)	(2)
	(1)	—	—	1	2	2
<b>Adjusted operating income (loss) before depreciation and amortization</b>	113	30	13	18	(18)	156
<b>Adjusted operating income (loss)</b>	83	19	6	2	(26)	84

For the 3-month period ended June 30, 2018

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	82	22	4	(9)	(26)	73
Depreciation and amortization	20	8	5	16	9	58
<b>Operating income (loss) before depreciation and amortization</b>	102	30	9	7	(17)	131
Specific items:						
Unrealized loss on derivative financial instruments	3	—	—	—	—	3
	3	—	—	—	—	3
<b>Adjusted operating income (loss) before depreciation and amortization</b>	105	30	9	7	(17)	134
<b>Adjusted operating income (loss)</b>	85	22	4	(9)	(26)	76

For the 6-month period ended June 30, 2019

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	168	37	9	(7)	(53)	154
Depreciation and amortization	57	22	15	28	17	139
<b>Operating income (loss) before depreciation and amortization</b>	225	59	24	21	(36)	293
Specific items:						
Loss (gain) on acquisitions, disposals and others	(10)	—	—	—	3	(7)
Impairment charges	3	—	—	1	—	4
Restructuring costs	—	—	1	5	—	6
Unrealized gain on derivative financial instruments	(1)	—	—	—	(4)	(5)
	(8)	—	1	6	(1)	(2)
<b>Adjusted operating income (loss) before depreciation and amortization</b>	217	59	25	27	(37)	291
<b>Adjusted operating income (loss)</b>	160	37	10	(1)	(54)	152

For the 6-month period ended June 30, 2018

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	203	41	6	(11)	(54)	185
Depreciation and amortization	40	17	10	31	15	113
<b>Operating income (loss) before depreciation and amortization</b>	243	58	16	20	(39)	298
Specific items:						
Gain on acquisitions, disposals and others	(66)	—	—	—	—	(66)
Unrealized loss on derivative financial instruments	5	—	—	—	2	7
	(61)	—	—	—	2	(59)
<b>Adjusted operating income (loss) before depreciation and amortization</b>	182	58	16	20	(37)	239
<b>Adjusted operating income (loss)</b>	142	41	6	(11)	(52)	126

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,	
	2019	2018	2019	2018
<b>Net earnings attributable to Shareholders for the period</b>	31	27	55	88
Net earnings attributable to non-controlling interests	9	10	18	21
Provision for income taxes	10	16	18	40
Fair value revaluation gain on investments	—	—	—	(5)
Share of results of associates and joint ventures	(2)	(3)	(4)	(4)
Foreign exchange gain on long-term debt and financial instruments	(1)	—	(7)	(1)
Financing expense and interest expense on employee future benefits and other liabilities	35	23	74	46
<b>Operating income</b>	82	73	154	185
Specific items:				
Loss (gain) on acquisitions, disposals and others	3	—	(7)	(66)
Impairment charges	—	—	4	—
Restructuring costs	1	—	6	—
Unrealized loss (gain) on derivative financial instruments	(2)	3	(5)	7
	2	3	(2)	(59)
<b>Adjusted operating income</b>	84	76	152	126
Depreciation and amortization	72	58	139	113
<b>Adjusted operating income before depreciation and amortization</b>	156	134	291	239

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 <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,	
	2019	2018	2019	2018	2019	2018	2019	2018
(in millions of Canadian dollars, except amount per share)								
<b>As per IFRS</b>	<b>31</b>	27	<b>55</b>	88	<b>\$ 0.33</b>	\$ 0.28	<b>\$ 0.59</b>	\$ 0.93
Specific items:								
Loss (gain) on acquisitions, disposals and others	3	—	(7)	(66)	\$ 0.03	—	\$ (0.08)	\$ (0.51)
Impairment charges	—	—	4	—	—	—	\$ 0.03	—
Restructuring costs	1	—	6	—	\$ 0.01	—	\$ 0.05	—
Unrealized loss (gain) on derivative financial instruments	(2)	3	(5)	7	\$ (0.02)	\$ 0.03	\$ (0.04)	\$ 0.06
Unrealized gain on interest rate swaps and option fair value	(6)	(1)	(6)	(1)	\$ (0.06)	\$ (0.01)	\$ (0.06)	\$ (0.01)
Foreign exchange gain on long-term debt and financial instruments	(1)	—	(7)	(1)	\$ (0.01)	—	\$ (0.07)	\$ (0.01)
Fair value revaluation gain on investments	—	—	—	(5)	—	—	—	\$ (0.03)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests <sup>1</sup>	—	—	(1)	19	—	—	—	—
	(5)	2	(16)	(47)	\$ (0.05)	\$ 0.02	\$ (0.17)	\$ (0.50)
<b>Adjusted</b>	<b>26</b>	29	<b>39</b>	41	<b>\$ 0.28</b>	\$ 0.30	<b>\$ 0.42</b>	\$ 0.43

<sup>1</sup> 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 June 30,		For the 6-month periods ended June 30,	
	2019	2018	2019	2018
(in millions of Canadian dollars)				
<b>Cash flow from operating activities</b>	<b>88</b>	116	<b>140</b>	154
Changes in non-cash working capital components	36	(5)	66	26
Depreciation and amortization	(72)	(58)	(139)	(113)
Net income taxes paid (received)	2	1	2	(2)
Net financing expense paid	16	18	59	55
Gain (loss) on acquisitions, disposals and others	(3)	—	6	66
Impairment charges and restructuring costs	—	—	(5)	—
Unrealized gain (loss) on derivative financial instruments	2	(3)	5	(7)
Dividend received, employee future benefits and others	13	4	20	6
<b>Operating income</b>	<b>82</b>	73	<b>154</b>	185
Depreciation and amortization	72	58	139	113
<b>Operating income before depreciation and amortization</b>	<b>154</b>	131	<b>293</b>	298

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:

(in millions of Canadian dollars, except amount per share or as otherwise mentioned)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2019	2018	2019	2018
<b>Cash flow from operating activities</b>	88	116	140	154
Changes in non-cash working capital components	36	(5)	66	26
<b>Cash flow from operating activities (excluding changes in non-cash working capital components)</b>	124	111	206	180
Specific items, net of current income taxes if applicable:				
Restructuring costs	1	—	4	—
<b>Adjusted cash flow from operating activities</b>	125	111	210	180
Capital expenditures, other assets <sup>1</sup> and capital lease payments, net of disposals of \$81 million in Q1 2018	(64)	(72)	(140)	(81)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(9)	(12)	(17)	(18)
<b>Adjusted free cash flow</b>	52	27	53	81
<b>Adjusted free cash flow per share</b>	\$ 0.55	\$ 0.29	\$ 0.56	\$ 0.85
<b>Weighted average basic number of shares outstanding</b>	93,636,771	94,638,464	93,900,400	94,824,718

<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, 2019	December 31, 2018
Long-term debt	1,866	1,821
Current portion of long-term debt	77	55
Bank loans and advances	16	16
<b>Total debt</b>	1,959	1,892
Less: Cash and cash equivalents	98	123
<b>Net debt</b>	1,861	1,769
Adjusted OIBD (last twelve months)	541	489
<b>Net debt / Adjusted OIBD ratio</b>	3.4	3.6
<b>Net debt / Adjusted OIBD ratio on a pro-forma basis<sup>1</sup></b>	3.3	3.5

<sup>1</sup> Pro-forma adjusted OIBD of \$562 million for the second quarter of 2019 and \$505 million in 2018 to include business acquisitions on a last twelve months basis and the impact of the adoption of IFRS 16 on an annualized basis for 2019 period.

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).