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 nine months 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 third quarter, the Tissue Papers segment incurred a $2 million impairment charge from the reevaluation of some unused assets.

In the third quarter, the Containerboard Packaging segment announced the forthcoming closure of its New York converting plant and recorded severance expenses totaling $2 million (please refer to the “Significant Facts and Developments” section for more details).

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 third quarter unaudited condensed interim consolidated financial statements, expected future cash flows related to this asset will not materialize on a consolidated basis.

In the second quarter, 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 third quarter, the Tissue Papers segment incurred impairment charges of $2 million related to the revaluation of some equipment following the closure of its Toronto converting plant in the second quarter. The segment also recorded a $3 million provision for an onerous lease as a consequence of the closure.

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 nine months of 2017, the Corporation recorded an unrealized gain of $10 million (gain of $2 million in the third quarter), compared to an unrealized gain of $19 million (nil in the third 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 fluctuation of the Canadian dollar during both periods.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first nine months of 2017, the Corporation recorded a gain of $27 million (gain of $8 million in the third quarter) on its US$-denominated debt and related financial instruments, compared to a gain of $35 million in 2016 (loss of $7 million in the third quarter). This is composed of a gain of $16 million in the first nine months of 2017 (gain of $4 million in the third quarter), compared to a gain of $25 million in the same period of 2016 (loss of $7 million in the third quarter), on our US$-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 $11 million in the first nine months of 2017 (gain of $4 million in the third quarter), compared to a gain of $10 million in the same period of 2016 (nil in the third 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 $156 million in the second quarter[1]. 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.

1 The purchase price allocation of Greenpac was finalized during the third quarter of 2017. The preliminary estimated deemed consideration of $371 million was revised to $304 million. This change impacted the calculation of the gain on the deemed disposal of the previously held interest and goodwill allocated in the purchase price determination for an amount of $67 million. Adjustments to the preliminary purchase price allocation were recorded retrospectively to the acquisition date as required by IFRS 3. Net earnings per common share disclosed in the second quarter were consequently adjusted to $2.70 per common share from $3.41 per common share (please refer to Note 4 of the 2017 third quarter unaudited condensed interim consolidated financial statements for more details).

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

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 was recorded in accumulated other comprehensive income.

On July 27, 2017, Cascades announced the sale of all of its shares in Boralex to the Caisse de Dépôt et Placement du Québec for an amount of $288 million. The increase in fair value of $18 million from March 10 to July 27, 2017, recorded in accumulated other comprehensive income materialized and the Corporation recorded a gain of $18 million in the third quarter in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings.

2016

On May 6, 2016, the Corporation announced that its associate company Greenpac, located in Niagara Falls, NY, successfully refinanced its debt. The Corporations' share of the fees related to this debt refinancing amounted to $7 million. The Corporation also recorded an unrealized gain of $1 million on certain derivative financial instruments not designated for hedge accounting (nil for the third quarter).

PROVISION FOR INCOME TAXES

2017

Consequently, with the sale of its participation in Boralex in July 2017, the Corporation has reassessed the probability of recovering unrealized capital losses on long-term debt due to foreign exchange fluctuations. As a result, $8 million of tax assets was derecognized in the third quarter and recorded in the statement of earnings.

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 was no income tax provision recorded on the gain of $156 million generated by the business combination of Greenpac, since it is included in the fair value of assets and liabilities acquired as described in Note 4 of the 2017 third quarter unaudited condensed interim consolidated financial statements.

2016

In the second quarter, 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 September 30, 2017					
(in millions of Canadian dollars)	**Containerboard**	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**50**	**5**	**10**	**9**	**(23)**	**51**
Depreciation and amortization	**19**	**9**	**5**	**13**	**7**	**53**
Operating income (loss) before depreciation and amortization	**69**	**14**	**15**	**22**	**(16)**	**104**
Specific items:						
Impairment charges	**—**	**—**	**—**	**2**	**—**	**2**
Restructuring costs	**2**	**—**	**—**	**—**	**—**	**2**
Unrealized loss (gain) on derivative financial instruments	**1**	**—**	**—**	**—**	**(3)**	**(2)**
	3	**—**	**—**	**2**	**(3)**	**2**
Adjusted operating income (loss) before depreciation and amortization	**72**	**14**	**15**	**24**	**(19)**	**106**
Adjusted operating income (loss)	**53**	**5**	**10**	**11**	**(26)**	**53**

	For the 3-month period ended September 30, 2016					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	44	1	12	26	(33)	50
Depreciation and amortization	13	8	6	16	5	48
Operating income (loss) before depreciation and amortization	57	9	18	42	(28)	98
Specific items:						
Impairment charges	—	—	—	2	—	2
Restructuring costs	—	—	—	3	—	3
Unrealized loss (gain) on derivative financial instruments	1	—	—	—	(1)	—
	1	—	—	5	(1)	5
Adjusted operating income (loss) before depreciation and amortization	58	9	18	47	(29)	103
Adjusted operating income (loss)	45	1	12	31	(34)	55

For the 9-month period ended September 30, 2017

(in millions of Canadian dollars)	**Containerboard**	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**113**	**23**	**37**	**34**	**(77)**	**130**
Depreciation and amortization	**52**	**25**	**16**	**44**	**19**	**156**
Operating income (loss) before depreciation and amortization	**165**	**48**	**53**	**78**	**(58)**	**286**
Specific items:						
Gain on acquisitions, disposals and others	**(7)**	**—**	**—**	**—**	**(1)**	**(8)**
Inventory adjustment resulting from business combination	**2**	**—**	**—**	**—**	**—**	**2**
Impairment charges	**11**	**—**	**—**	**2**	**—**	**13**
Restructuring costs	**2**	**1**	**—**	**2**	**—**	**5**
Unrealized gain on derivative financial instruments	**—**	**—**	**—**	**—**	**(10)**	**(10)**
	8	**1**	**—**	**4**	**(11)**	**2**
Adjusted operating income (loss) before depreciation and amortization	**173**	**49**	**53**	**82**	**(69)**	**288**
Adjusted operating income (loss)	**121**	**24**	**37**	**38**	**(88)**	**132**

For the 9-month period ended September 30, 2016

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	130	16	37	63	(58)	188
Depreciation and amortization	42	24	15	46	15	142
Operating income (loss) before depreciation and amortization	172	40	52	109	(43)	330
Specific items:						
Gain on acquisitions, disposals and others	—	—	(4)	—	—	(4)
Impairment charges (reversals)	2	—	(1)	4	—	5
Restructuring costs (gain)	(1)	2	1	7	—	9
Unrealized gain on derivative financial instruments	—	—	—	—	(19)	(19)
	1	2	(4)	11	(19)	(9)
Adjusted operating income (loss) before depreciation and amortization	173	42	48	120	(62)	321
Adjusted operating income (loss)	131	18	33	74	(77)	179

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 September 30, 2017	2016	For the 9-month periods ended September 30, 2017	2016
Net earnings attributable to Shareholders for the period	**33**	20	**450**	131
Net earnings attributable to non-controlling interests	**2**	—	**9**	3
Provision for (recovery of) income taxes	**19**	9	**(24)**	43
Fair value revaluation gain on investments	**(18)**	—	**(315)**	—
Share of results of associates and joint ventures	**(3)**	(10)	**(36)**	(25)
Foreign exchange loss (gain) on long-term debt and financial instruments	**(8)**	7	**(27)**	(35)
Financing expense and interest expense on employee future benefits	**26**	24	**73**	71
Operating income	**51**	50	**130**	188
Specific items:				
Gain on acquisitions, disposals and others	**—**	—	**(8)**	(4)
Inventory adjustment resulting from business combination	**—**	—	**2**	—
Impairment charges	**2**	2	**13**	5
Restructuring costs	**2**	3	**5**	9
Unrealized gain on derivative financial instruments	**(2)**	—	**(10)**	(19)
	2	5	**2**	(9)
Adjusted operating income	**53**	55	**132**	179
Depreciation and amortization	**53**	48	**156**	142
Adjusted operating income before depreciation and amortization	**106**	103	**288**	321

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 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 common share)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
As per IFRS	**33**	20	**450**	131	**$ 0.35**	$ 0.21	**$ 4.75**	$ 1.38
Specific items:								
Gain on acquisitions, disposals and others	**—**	—	**(8)**	(4)	**—**	—	**$ (0.06)**	$ (0.03)
Inventory adjustment resulting from business combination	**—**	—	**2**	—	**—**	—	**$ 0.01**	—
Impairment charges	**2**	2	**13**	5	**$ 0.02**	$ 0.02	**$ 0.09**	$ 0.04
Restructuring costs	**2**	3	**5**	9	**$ 0.01**	$ 0.02	**$ 0.04**	$ 0.06
Unrealized gain on derivative financial instruments	**(2)**	—	**(10)**	(19)	**$ (0.01)**	—	**$ (0.08)**	$ (0.15)
Foreign exchange loss (gain) on long-term debt and financial instruments	**(8)**	7	**(27)**	(35)	**$ (0.08)**	$ 0.07	**$ (0.25)**	$ (0.31)
Fair value revaluation gain on investments	**(18)**	—	**(315)**	—	**$ (0.17)**	—	**$ (3.85)**	—
Share of results of associates and joint ventures	**—**	—	**(18)**	6	**—**	—	**$ (0.15)**	$ 0.04
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**10**	(2)	**(37)**	6	**$ 0.08**	—	**$ 0.08**	$ 0.02
	(14)	10	**(395)**	(32)	**$ (0.15)**	$ 0.11	**$ (4.17)**	$ (0.33)
Adjusted	**19**	30	**55**	99	**$ 0.20**	$ 0.32	**$ 0.58**	$ 1.05

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. 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 September 30,		For the 9-month periods ended September 30,	
	2017	2016	**2017**	**2016**
Cash flow from operating activities	**18**	90	**78**	194
Changes in non-cash working capital components	**43**	(22)	**105**	37
Depreciation and amortization	**(53)**	(48)	**(156)**	(142)
Net income taxes paid (received)	**—**	(2)	**6**	(10)
Net financing expense paid	**40**	38	**88**	85
Gain on acquisitions, disposals and others	**—**	—	**8**	5
Impairment charges and restructuring costs	**(2)**	(5)	**(13)**	(6)
Unrealized gain on derivative financial instruments	**2**	—	**10**	19
Dividend received, employee future benefits and others	**3**	(1)	**4**	6
Operating income	**51**	50	**130**	188
Depreciation and amortization	**53**	48	**156**	142
Operating income before depreciation and amortization	**104**	98	**286**	330

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 common share basis:

(in millions of Canadian dollars, except amount per common share or otherwise mentioned)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2017	2016	**2017**	2016
Cash flow from operating activities	**18**	90	**78**	194
Changes in non-cash working capital components	**43**	(22)	**105**	37
Cash flow from operating activities (excluding changes in non-cash working capital components)	**61**	68	**183**	231
Specific items, net of current income taxes if applicable:				
Restructuring costs	**2**	—	**5**	9
Adjusted cash flow from operating activities	**63**	68	**188**	240
Capital expenditures, other assets[1] and capital lease payments, net of disposals	**(46)**	(27)	**(142)**	(137)
Dividends paid to the Corporation's Shareholders	**(3)**	(4)	**(11)**	(12)
Adjusted free cash flow	**14**	37	**35**	91
Adjusted free cash flow per common share	**$ 0.15**	$ 0.40	**$ 0.37**	$ 0.97
Weighted average basic number of common shares outstanding	**94,718,891**	94,415,335	**94,658,949**	94,783,533

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, 2017**	December 31, 2016
Long-term debt	**1,575**	1,530
Current portion of long-term debt	**53**	36
Bank loans and advances	**33**	28
Total debt	**1,661**	1,594
Less: Cash and cash equivalents	**192**	62
Net debt	**1,469**	1,532
Adjusted OIBD (last twelve months)	**370**	403
Net debt / Adjusted OIBD ratio	**4.0**	3.8
Net debt / Adjusted OIBD ratio on a pro forma basis[1]	**3.6**	N/A

1 Pro forma basis to add Greenpac adjusted OIBD from Q4 2016 to Q1 2017 for the LTM period ended September 30, 2017.