

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, 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 the first nine months of 2018 and 2017:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2018

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

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, a \$1 million gain from the sale of some assets was realized in Corporate Activities.

INVENTORY ADJUSTMENT RESULTING FROM BUSINESS COMBINATION

2017

In the second quarter, operating results in the Containerboard Packaging segment were negatively impacted by \$2 million. This was the result of the inventory acquired at the time of the Greenpac consolidation being recognized at fair value, with no profit recorded on its subsequent sale.

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

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.

2017

In the third quarter, the Containerboard Packaging segment had announced the 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 third quarter, the Tissue Papers segment incurred a \$2 million impairment charge from the reevaluation of some unused assets.

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, expected future cash flows related to this asset will not materialize on a consolidated basis.

Also 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 severance costs of \$1 million following the restructuring of its sales activities.

DERIVATIVE FINANCIAL INSTRUMENTS

In the first nine months of 2018, the Corporation recorded an unrealized loss of \$5 million (gain of \$2 million in the third quarter), compared to an unrealized gain of \$10 million (gain of \$2 million in the third quarter) in the same period of 2017, on certain derivative financial instruments not designated for hedge accounting.

INTEREST RATE SWAPS

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), compared to nil in the same periods of 2017, which are included in financing expense.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first nine months of 2018, the Corporation recorded a gain of \$4 million (gain of \$3 million in the third quarter) on its US\$-denominated debt and related financial instruments, compared to a gain of \$27 million (gain of \$8 million in the third quarter) in 2017. In 2017, it included a gain of \$16 million for the first nine months (gain of \$4 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. In 2018, it includes a \$4 million gain in the first nine months (gain of \$3 million in the third quarter), compared to a gain of \$11 million in the same period of 2017 (gain of \$4 million 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

2018

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

2017

Containerboard

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 since April 4, 2017. The Corporation recorded a revaluation gain on previously held interest of \$156 million in the second quarter¹. 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.

In the first nine months of 2017, 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.

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).

Boralex

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 was no longer classified as an associate and 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.

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.

2017

Consequently, with the sale of its participation in Boralex in July 2017, the Corporation 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 were 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 5 of the 2017 audited consolidated financial statements.

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, 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

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 9-month period ended September 30, 2018

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
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

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

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,		For the 9-month periods ended September 30,	
	2018	2017	2018	2017
Net earnings attributable to Shareholders for the period	36	33	124	450
Net earnings attributable to non-controlling interests	7	2	28	9
Provision for (recovery of) income taxes	17	19	57	(24)
Fair value revaluation gain on investments	—	(18)	(5)	(315)
Share of results of associates and joint ventures	(3)	(3)	(7)	(36)
Foreign exchange gain on long-term debt and financial instruments	(3)	(8)	(4)	(27)
Financing expense and interest expense on employee future benefits	24	26	70	73
Operating income	78	51	263	130
Specific items:				
Gain on acquisitions, disposals and others	—	—	(66)	(8)
Inventory adjustment resulting from business combination	—	—	—	2
Impairment charges	—	2	—	13
Restructuring costs	—	2	—	5
Unrealized loss (gain) on derivative financial instruments	(2)	(2)	5	(10)
	(2)	2	(61)	2
Adjusted operating income	76	53	202	132
Depreciation and amortization	61	53	174	156
Adjusted operating income before depreciation and amortization	137	106	376	288

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 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,	
	2018	2017	2018	2017	2018	2017	2018	2017
As per IFRS	36	33	124	450	\$ 0.38	\$ 0.35	\$ 1.31	\$ 4.75
Specific items:								
Gain on acquisitions, disposals and others	—	—	(66)	(8)	—	—	\$ (0.51)	\$ (0.06)
Inventory adjustment resulting from business combination	—	—	—	2	—	—	—	\$ 0.01
Impairment charges	—	2	—	13	—	\$ 0.02	—	\$ 0.09
Restructuring costs	—	2	—	5	—	\$ 0.01	—	\$ 0.04
Unrealized loss (gain) on derivative financial instruments	(2)	(2)	5	(10)	\$ (0.02)	\$ (0.01)	\$ 0.04	\$ (0.08)
Unrealized gain on interest rate swaps	—	—	(1)	—	—	—	\$ (0.01)	—
Foreign exchange gain on long-term debt and financial instruments	(3)	(8)	(4)	(27)	\$ (0.02)	\$ (0.08)	\$ (0.03)	\$ (0.25)
Fair value revaluation gain on investments	—	(18)	(5)	(315)	—	\$ (0.17)	\$ (0.03)	\$ (3.85)
Share of results of associates and joint ventures	—	—	—	(18)	—	—	—	\$ (0.15)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests ¹	7	10	26	(37)	\$ 0.06	\$ 0.08	\$ 0.06	\$ 0.08
	2	(14)	(45)	(395)	\$ 0.02	\$ (0.15)	\$ (0.48)	\$ (4.17)
Adjusted	38	19	79	55	\$ 0.40	\$ 0.20	\$ 0.83	\$ 0.58

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,	
	2018	2017	2018	2017
Cash flow from operating activities	134	18	288	78
Changes in non-cash working capital components	(42)	43	(16)	105
Depreciation and amortization	(61)	(53)	(174)	(156)
Net income taxes paid	6	—	4	6
Net financing expense paid	39	40	94	88
Gain on acquisitions, disposals and others	—	—	66	8
Impairment charges and restructuring costs	—	(2)	—	(13)
Unrealized gain (loss) on derivative financial instruments	2	2	(5)	10
Dividend received, employee future benefits and others	—	3	6	4
Operating income	78	51	263	130
Depreciation and amortization	61	53	174	156
Operating income before depreciation and amortization	139	104	437	286

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,	
	2018	2017	2018	2017
Cash flow from operating activities	134	18	288	78
Changes in non-cash working capital components	(42)	43	(16)	105
Cash flow from operating activities (excluding changes in non-cash working capital components)	92	61	272	183
Specific items, net of current income taxes if applicable:				
Restructuring costs	—	2	—	5
Adjusted cash flow from operating activities	92	63	272	188
Capital expenditures, other assets ¹ and capital lease payments, net of disposals of \$82 million in the first nine months of 2018	(129)	(46)	(210)	(142)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(5)	(5)	(23)	(16)
Adjusted free cash flow	(42)	12	39	30
Adjusted free cash flow per share	\$ (0.44)	\$ 0.13	\$ 0.41	\$ 0.32
Weighted average basic number of common shares outstanding	94,469,465	94,718,891	94,704,999	94,658,949

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, 2018	December 31, 2017
Long-term debt	1,648	1,517
Current portion of long-term debt	44	59
Bank loans and advances	20	35
Total debt	1,712	1,611
Less: Cash and cash equivalents	139	89
Net debt	1,573	1,522
Adjusted OIBD (last twelve months)	481	393
Net debt / Adjusted OIBD ratio	3.3	3.9
Net debt / Adjusted OIBD ratio on a pro-forma basis¹	3.2	3.6

¹ Pro-forma to include adjusted OIBD of 2017 and 2018 business acquisitions on a last twelve months basis.