

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 repurchase of long-term debt, 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 and option fair value revaluation, foreign exchange gains or losses on long-term debt and financial instruments, fair value revaluation gain or losses on investments, 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 in the first quarters of 2021 and 2020:

LOSS ON ACQUISITIONS, DISPOSALS AND OTHERS

2020

In the first quarter, the Specialty Products segment recorded a \$1 million environmental provision related to a plant in Canada, that was closed in previous year.

RESTRUCTURING COSTS

2021

In the first quarter, the Containerboard Packaging segment recorded severance charges totaling \$3 million as part of margin improvement program.

In the first quarter, the Tissue Papers segment recorded additional restructuring charges and closure costs totaling \$2 million related to the closure of plants in Pittston and Ransom, Pennsylvania, and Waterford, New York, USA.

DERIVATIVE FINANCIAL INSTRUMENTS

In the first quarter of 2021, the Corporation recorded an unrealized loss of \$8 million, compared to an unrealized gain of \$1 million in the same period of 2020, on certain derivative financial instruments not designated for hedge accounting.

FOREIGN EXCHANGE LOSS (GAIN) ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first quarter of 2021, the Corporation recorded a gain of \$3 million on its US\$ denominated debt and related financial instruments, compared to a loss of \$17 million in the same period of 2020. It includes a gain of \$3 million in the first quarter of 2021, compared to a loss of \$11 million in the same period of 2020, on foreign exchange forward contracts not designated for hedge accounting. On the US\$ denominated long-term debt, net of our net investment hedges in the US, as well as forward exchange contracts designated as hedging instruments, there is a no impact in 2021 compared to a loss of \$6 million in 2020.

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. This 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 the contribution of each segment when excluding depreciation and 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 the 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 March 31, 2021						
	Including Discontinued Operations					Exclusion of Discontinued Operations ¹	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
(in millions of Canadian dollars)							
Operating income (loss)	65	12	15	—	(36)	(4)	52
Depreciation and amortization	31	11	3	18	13	—	76
Operating income (loss) before depreciation and amortization	96	23	18	18	(23)	(4)	128
Specific items:							
Restructuring costs	3	—	—	2	—	—	5
Unrealized loss (gain) on derivative financial instruments	9	—	—	—	(1)	—	8
	12	—	—	2	(1)	—	13
Adjusted operating income (loss) before depreciation and amortization	108	23	18	20	(24)	(4)	141
Adjusted operating income (loss)	77	12	15	2	(37)	(4)	65

¹ Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

For the 3-month period ended March 31, 2020

(in millions of Canadian dollars)	As reported in 2020					Exclusion of Discontinued Operations ¹	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
Operating income (loss)	74	20	8	28	(40)	(3)	87
Depreciation and amortization	28	11	3	17	12	(1)	70
Operating income (loss) before depreciation and amortization	102	31	11	45	(28)	(4)	157
Specific items:							
Loss on acquisitions, disposals and others	—	—	1	—	—	—	1
Unrealized loss (gain) on derivative financial instruments	(3)	(1)	—	—	3	—	(1)
	(3)	(1)	1	—	3	—	—
Adjusted operating income (loss) before depreciation and amortization	99	30	12	45	(25)	(4)	157
Adjusted operating income (loss)	71	19	9	28	(37)	(3)	87

¹ 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

Net earnings, as per IFRS, are 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,	
	2021	2020 ¹
Net earnings attributable to Shareholders for the period	22	22
Net earnings attributable to non-controlling interests	6	11
Results from discontinued operations	(3)	(3)
Provision for income taxes	8	15
Share of results of associates and joint ventures	(2)	(3)
Foreign exchange loss (gain) on long-term debt and financial instruments	(3)	17
Financing expense and interest expense on employee future benefits	24	28
Operating income	52	87
Specific items:		
Loss on acquisitions, disposals and others	—	1
Restructuring costs	5	—
Unrealized loss (gain) on derivative financial instruments	8	(1)
	13	—
Adjusted operating income	65	87
Depreciation and amortization	76	70
Adjusted operating income before depreciation and amortization	141	157

¹ 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter 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 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 share)	2021	2020	2021	2020
As per IFRS	22	22	\$0.22	\$0.24
Specific items:				
Loss on acquisitions, disposals and others	—	1	—	\$0.01
Restructuring costs	5	—	\$0.03	—
Unrealized loss (gain) on derivative financial instruments	8	(1)	\$0.06	(\$0.01)
Foreign exchange loss (gain) on long-term debt and financial instruments	(3)	17	(\$0.02)	\$0.18
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests ¹	(3)	—	—	—
	7	17	\$0.07	\$0.18
Adjusted	29	39	\$0.29	\$0.42

¹ 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 from continuing operations with operating income and operating income before depreciation and amortization:

	For the 3-month periods ended March 31,	
	2021	2020 ¹
(in millions of Canadian dollars)		
Cash flow from operating activities from continuing operations	84	117
Changes in non-cash working capital components	14	32
Depreciation and amortization	(76)	(70)
Net income taxes received	(1)	(9)
Net financing expense paid	41	17
Loss on acquisitions, disposals and others	—	(1)
Restructuring costs	(5)	—
Unrealized gain (loss) on derivative financial instruments	(8)	1
Provisions for contingencies and charges and other liabilities	3	—
Operating income	52	87
Depreciation and amortization	76	70
Operating income before depreciation and amortization	128	157

¹ 2020 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

The following table reconciles cash flow from operating activities from continuing operations with cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components) and adjusted cash flow from operating activities from continuing operations. It also reconciles adjusted cash flow from operating activities from continuing operations 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 March 31,	
	2021	2020 ¹
Cash flow from operating activities from continuing operations	84	117
Changes in non-cash working capital components	14	32
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	98	149
Specific items paid	4	—
Adjusted cash flow from operating activities from continuing operations	102	149
Capital expenditures, other assets ² and lease obligations payments, net of disposals of \$4 million (in the first quarter of 2020 - \$1 million)	(94)	(84)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(12)	(10)
Adjusted free cash flow	(4)	55
Adjusted free cash flow per share (in Canadian dollars)	(\$0.04)	\$0.58
Weighted average basic number of shares outstanding	102,279,404	94,248,804

¹ 2020 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

² 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, 2021	December 31, 2020
Long-term debt	1,889	1,949
Current portion of long-term debt	87	102
Bank loans and advances	6	12
Total debt	1,982	2,063
Less: Cash and cash equivalents	328	384
Net debt	1,654	1,679
Net debt of discontinued operations classified as Held for sale ¹	11	—
Net debt - before reclassification as Held for sale ¹	1,665	1,679
Adjusted OIBD including \$16 million from discontinued operations in both periods (last twelve months) ¹	659	675
Net debt / Adjusted OIBD¹ ratio	2.5x	2.5x

¹ Net debt / Adjusted OIBD before discontinued operations in the Boxboard Europe segment. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.