

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES AND OTHER FINANCIAL 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 that of other corporations and some of these items 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 gains or losses on investments, specific items of discontinued operations and other significant items of an unusual, non-cash or non-recurring nature.

RECONCILIATION AND USES OF NON-IFRS AND OTHER FINANCIAL 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 and capital measures as well as 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 and other financial measures are used in our financial disclosures:

Non-IFRS measures

- 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.
- Working capital: Used to assess the short-term liquidity of the Corporation.

Other financial measures

- Total debt: Used to calculate all the Corporation's debt, including long-term debt and bank loans. Often put in relation to equity to calculate the debt-to-equity ratio.
- Net debt: Used to calculate the Corporation's total debt less cash and cash equivalents. Often put in relation to adjusted OIBD to calculate net debt to adjusted OIBD ratio.

Non-IFRS ratios

- Net debt to adjusted OIBD ratio: Used to assess the Corporation's ability to pay its debt 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.
- Adjusted OIBD margin : Used to assess operating performance and the contribution of each segment on a comparable basis.
- Adjusted net earnings per common share: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Net debt / Net debt + Shareholders' equity: Used to evaluate the Corporation's financial leverage and thus the risk to Shareholders.
- Working capital as a percentage of sales: Used to assess the Corporation's operating liquidity performance.
- Adjusted free cash flow per common share: Used to assess the Corporation's financial flexibility.

Non-IFRS and other financial 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 and other financial 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, 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	44	24	(35)	(37)	(4)
Depreciation and amortization	28	4	17	11	60
Operating income (loss) before depreciation and amortization	72	28	(18)	(26)	56
Specific items:					
Gain on acquisitions, disposals and others	—	(6)	—	—	(6)
Restructuring costs	—	—	1	—	1
Unrealized loss (gain) on derivative financial instruments	8	—	—	(1)	7
	8	(6)	1	(1)	2
Adjusted operating income (loss) before depreciation and amortization	80	22	(17)	(27)	58
Adjusted operating income (loss)	52	18	(34)	(38)	(2)

	For the 3-month period ended March 31, 2021 ¹				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	65	15	—	(36)	44
Depreciation and amortization	31	3	18	13	65
Operating income (loss) before depreciation and amortization	96	18	18	(23)	109
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	18	20	(24)	122
Adjusted operating income (loss)	77	15	2	(37)	57

¹ 2021 first quarter 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 5 of the 2021 Audited Consolidated Financial Statements for more details.

Net earnings (loss), as per IFRS, are reconciled below with operating income (loss), adjusted operating income (loss) and adjusted operating income before depreciation and amortization:

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended March 31,	
	2022	2021 ¹
Net earnings (loss) attributable to Shareholders for the period	(15)	22
Net earnings attributable to non-controlling interests	4	6
Results from discontinued operations	—	(8)
Provision for (recovery of) income taxes	(4)	6
Share of results of associates and joint ventures	(4)	(2)
Foreign exchange gain on long-term debt and financial instruments	(1)	(3)
Financing expense and interest expense on employee future benefits and other liabilities	16	23
Operating income (loss)	(4)	44
Specific items:		
Gain on acquisitions, disposals and others	(6)	—
Restructuring costs	1	5
Unrealized loss on derivative financial instruments	7	8
	2	13
Adjusted operating income (loss)	(2)	57
Depreciation and amortization	60	65
Adjusted operating income before depreciation and amortization	58	122

The following table reconciles net earnings (loss) and net earnings (loss) per common share, as per IFRS, with adjusted net earnings (loss) and adjusted net earnings (loss) per common share:

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	NET EARNINGS (LOSS)		NET EARNINGS (LOSS) PER COMMON SHARE ²	
	For the 3-month periods ended March 31,		For the 3-month periods ended March 31,	
	2022	2021	2022	2021
As per IFRS	(15)	22	(\$0.15)	\$0.22
Specific items:				
Gain on acquisitions, disposals and others	(6)	—	(\$0.05)	—
Restructuring costs	1	5	\$0.01	\$0.03
Unrealized loss on derivative financial instruments	7	8	\$0.05	\$0.06
Foreign exchange gain on long-term debt and financial instruments	(1)	(3)	(\$0.01)	(\$0.02)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests ²	(1)	(3)	—	—
	—	7	—	\$0.07
Adjusted	(15)	29	(\$0.15)	\$0.29
Weighted average basic number of common shares outstanding			100,822,921	102,279,404

¹ 2021 first quarter 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 5 of the 2021 Audited Consolidated Financial Statements for more details.

² 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.

The following table reconciles cash flow from (used by) operating activities from continuing operations with operating income (loss) and operating income before depreciation and amortization:

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended March 31,	
	2022	2021 ¹
Cash flow from (used by) operating activities from continuing operations	(73)	57
Changes in non-cash working capital components	94	25
Depreciation and amortization	(60)	(65)
Net income taxes paid (received)	1	(2)
Net financing expense paid	30	40
Gain on acquisitions, disposals and others	6	—
Restructuring costs	(1)	(5)
Unrealized loss on derivative financial instruments	(7)	(8)
Provisions for contingencies and charges and other liabilities, net of dividends received	6	2
Operating income (loss)	(4)	44
Depreciation and amortization	60	65
Operating income before depreciation and amortization	56	109

The following table reconciles cash flow from (used by) 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 used, which is also calculated on a per common share basis:

(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	For the 3-month periods ended March 31,	
	2022	2021 ¹
Cash flow from (used by) operating activities from continuing operations	(73)	57
Changes in non-cash working capital components	94	25
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	21	82
Restructuring costs paid	7	4
Adjusted cash flow from operating activities from continuing operations	28	86
Capex expenditures	(102)	(71)
Change in intangible and other assets	(1)	(4)
Lease obligation payments	(13)	(12)
Proceeds from disposals of property, plant and equipment	6	—
	(82)	(1)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(16)	(12)
Adjusted free cash flow used	(98)	(13)
Adjusted free cash flow used per common share (in Canadian dollars)	(\$0.97)	(\$0.13)
Weighted average basic number of common shares outstanding	100,822,921	102,279,404

The following table reconciles working capital as reported:

(in millions of Canadian dollars, except ratios) (unaudited)	March 31, 2022	December 31, 2021	December 31, 2020
Accounts receivables	551	510	659
Inventories	536	494	569
Trade and other payable	(663)	(707)	(861)
Working capital	424	297	367

¹ 2021 first quarter 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 5 of the 2021 Audited Consolidated Financial Statements for more details.

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, except ratios) (unaudited)	March 31, 2022	December 31, 2021	December 31, 2020
Long-term debt	1,510	1,450	1,949
Current portion of long-term debt	69	74	102
Bank loans and advances	7	1	12
Total debt	1,586	1,525	2,063
Less: Cash and cash equivalents	37	174	384
Net debt as reported	1,549	1,351	1,679
Last twelve months adjusted OIBD (before discontinued operations for the year ended December 31, 2020)	325	389	675
Net debt / Adjusted OIBD ratio	4.8x	3.5x	2.5x

SPECIFIC ITEMS INCLUDED IN OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND NET EARNINGS (LOSS)

The Corporation incurred the following specific items in the first quarters of 2022 and 2021:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2022

In the first quarter, the Specialty Products segment recorded a \$6 million gain from the sale of land and a building related to a closed plant in Canada.

RESTRUCTURING COSTS

2022

In the first quarter, the Tissue Papers segment recorded additional costs totaling \$1 million related to asset relocation and severances.

2021

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

In the first quarter, the Tissue Papers segment recorded additional costs totaling \$2 million related to asset relocation and severances.

LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

In the first quarter of 2022, the Corporation recorded an unrealized loss of \$7 million, compared to an unrealized loss of \$8 million in the same period of 2021, on certain derivative financial instruments not designated for hedge accounting. The unrealized loss for the first quarter of 2022 is due to a steam contract embedded derivatives related to our Niagara Falls containerboard complex.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first quarter of 2022, the Corporation recorded a gain of \$1 million on its US\$ denominated debt and related financial instruments, compared to a gain of \$3 million in the same period of 2021. This is composed of a gain of \$1 million in the first quarter of 2022, compared to a gain of \$3 million in the same period of 2021, on foreign exchange forward contracts not designated for hedge accounting.