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 earnings before interest, taxes, depreciation and amortization or EBITDA (A): represents the operating income before depreciation and amortization excluding specific items. Used to assess recurring operating performance and the contribution of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Adjusted cash flow: Used to assess the Corporation's capacity to generate cash flows to meet financial obligations and/or discretionary items such as share repurchases, dividend increases and strategic investments.
- Free cash flow: Used to measure the excess cash the Corporation generates by subtracting capital expenditures (excluding strategic projects) from the EBITDA (A).
- 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 EBITDA (A) to calculate net debt to EBITDA (A) ratio.

Non-IFRS ratios

- Net debt to EBITDA (A) ratio: Ratio used to assess the Corporation's ability to pay its debt and evaluate financial leverage.
- EBITDA (A) margin: Ratio used to assess operating performance and the contribution of each segment on a comparable basis calculated as a percentage of sales.
- Adjusted net earnings per common share: Ratio used to assess the Corporation's consolidated financial performance on a comparable basis.
- Net debt / Net debt + Shareholders' equity: Ratio used to evaluate the Corporation's financial leverage and thus the risk to Shareholders.
- Working capital as a percentage of sales: Ratio used to assess the Corporation's operating liquidity performance.
- Adjusted cash flow per common share: Ratio used to assess the Corporation's financial flexibility.
- Free cash flow ratio: Ratio used to measure the liquidity and efficiency of how much more cash the Corporation generates than it uses to run the business by subtracting capital expenditures (excluding strategic projects) from the EBITDA (A) calculated as a percentage of sales.

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 chief operating decision-maker (CODM) assesses the performance of each reportable segment based on sales and earnings before interest, taxes, depreciation and amortization, adjusted to exclude specific items (EBITDA (A)). The CODM considers EBITDA (A) to be the best performance measure of the Corporation's activities.

EBITDA (A) by business segment is reconciled to IFRS measure, namely operating income (loss), and is presented in the following table:

	For the 3-month period ended June 30, 2023				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate, Recovery and Recycling activities**	**Consolidated**
Operating income (loss)	**62**	**19**	**18**	**(35)**	**64**
Depreciation and amortization	**34**	**5**	**18**	**11**	**68**
Impairment charges	**—**	**—**	**2**	**—**	**2**
Restructuring costs	**—**	**—**	**6**	**—**	**6**
Unrealized loss on derivative financial instruments	**—**	**—**	**—**	**1**	**1**
EBITDA (A)	**96**	**24**	**44**	**(23)**	**141**

	For the 3-month period ended June 30, 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	69	20	(23)	(34)	32
Depreciation and amortization	29	5	19	10	63
Gain on acquisitions, disposals and others	—	—	(4)	—	(4)
Unrealized loss (gain) on derivative financial instruments	1	—	—	(1)	—
EBITDA (A)	99	25	(8)	(25)	91

	For the 6-month period ended June 30, 2023				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate, Recovery and Recycling activities**	**Consolidated**
Operating income (loss)	**100**	**40**	**(74)**	**(82)**	**(16)**
Depreciation and amortization	**64**	**10**	**35**	**21**	**130**
Impairment charges	**59**	**1**	**94**	**—**	**154**
Gain on acquisitions, disposals and others	**—**	**—**	**(2)**	**—**	**(2)**
Restructuring costs	**—**	**—**	**7**	**—**	**7**
Unrealized loss (gain) on derivative financial instruments	**(1)**	**—**	**—**	**3**	**2**
EBITDA (A)	**222**	**51**	**60**	**(58)**	**275**

	For the 6-month period ended June 30, 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	113	44	(58)	(71)	28
Depreciation and amortization	57	9	36	21	123
Gain on acquisitions, disposals and others	—	(6)	(4)	—	(10)
Restructuring costs	—	—	1	—	1
Unrealized loss (gain) on derivative financial instruments	9	—	—	(2)	7
EBITDA (A)	179	47	(25)	(52)	149

The following table reconciles net earnings (loss) and net earnings (loss) per common share, as reported, 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[1]			
	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,	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
As reported	**22**	10	**(53)**	(5)	**$0.22**	$0.10	**($0.53)**	($0.05)
Specific items:								
Impairment charges	**2**	—	**154**	—	**$0.02**	—	**$1.16**	—
Gain on acquisitions, disposals and others	**—**	(4)	**(2)**	(10)	**—**	($0.03)	**($0.01)**	($0.08)
Restructuring costs	**6**	—	**7**	1	**$0.04**	—	**$0.05**	$0.01
Unrealized loss on derivative financial instruments	**1**	—	**2**	7	**$0.01**	—	**$0.01**	$0.05
Foreign exchange loss (gain) on long-term debt and financial instruments	**(3)**	3	**(3)**	2	**($0.02)**	$0.03	**($0.02)**	$0.02
Share of results of associates and joint ventures	**—**	—	**(9)**	—	**—**	—	**($0.07)**	—
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(2)**	1	**(37)**	—	**—**	—	**—**	—
	4	—	**112**	—	**$0.05**	—	**$1.12**	—
Adjusted	**26**	10	**59**	(5)	**$0.27**	$0.10	**$0.59**	($0.05)
Weighted average basic number of common shares outstanding					**100,447,357**	100,588,470	**100,404,729**	100,705,048

The following table reconciles cash flow from (used by) operating activities with EBITDA (A):

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2023	2022	**2023**	2022
Cash flow from (used by) operating activities	**87**	22	**130**	(51)
Changes in non-cash working capital components	**30**	59	**76**	151
Net income taxes paid	**5**	3	**7**	4
Net financing expense paid	**18**	4	**62**	34
Provisions for contingencies and charges and other liabilities, net of dividends received	**1**	3	**—**	11
EBITDA (A)	**141**	91	**275**	149

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.*

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

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	**2023**	2022	**2023**	2022
Cash flow from (used by) operating activities	**87**	22	**130**	(51)
Changes in non-cash working capital components	**30**	59	**76**	151
Cash flow from operating activities (excluding changes in non-cash working capital components)	**117**	81	**206**	100
Restructuring costs paid	**5**	—	**6**	7
Adjusted cash flow from operating activities	**122**	81	**212**	107
Payments for property, plant and equipment	**(104)**	(117)	**(244)**	(219)
Change in intangible and other assets	**1**	(2)	**(1)**	(3)
Lease obligation payments	**(15)**	(13)	**(29)**	(26)
Proceeds from disposals of property, plant and equipment	**—**	1	**3**	7
	4	(50)	**(59)**	(134)
Dividends paid to non-controlling interests	**(6)**	(2)	**(9)**	(6)
Dividends paid to the Corporation's Shareholders	**(12)**	(12)	**(24)**	(24)
Adjusted cash flow used	**(14)**	(64)	**(92)**	(164)
Adjusted cash flow used per common share (in Canadian dollars)	**($0.14)**	($0.64)	**($0.92)**	($1.63)
Weighted average basic number of common shares outstanding	**100,447,357**	100,588,470	**100,404,729**	100,705,048

The following table reconciles payments for property, plant and equipment, excluding strategic projects and free cash flow. It also provides these two metrics as a percentage of sales:

(in millions of Canadian dollars) (unaudited)	**June 30, 2023 (LTM)[3]**	December 31, 2022	June 30, 2022 (LTM)[3]
Sales[1]	**4,611**	4,466	4,215
EBITDA (A)[1]	**502**	376	318
Payments for property, plant and equipment[1]	**526**	501	368
Less: strategic projects included above[2]	**(357)**	(335)	(203)
Payments for property, plant and equipment, excluding strategic projects	**169**	166	165
Free cash flow: EBITDA (A) less payments for property plant and equipment, excluding strategic projects	**333**	210	153
Free cash flow / Sales	**7.2%**	4.7%	3.6%
Payments for property, plant and equipment, excluding strategic projects / Sales	**3.7%**	3.7%	3.9%

The following table reconciles working capital as reported:

(in millions of Canadian dollars) (unaudited)	**June 30, 2023**	December 31, 2022	December 31, 2021
Accounts receivable	**537**	556	510
Inventories	**611**	587	494
Trade and other payables	**(634)**	(746)	(707)
Working capital	**514**	397	297

1 *Please refer to the "Historical Financial Information" section for a complete reconciliation.*

2 *Strategic projects include the investment for the Bear Island construction project.*

3 *LTM (last twelve months)*

The following table reconciles total debt and net debt with the ratio of net debt to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA (A)):

(in millions of Canadian dollars, except ratios) (unaudited)	**June 30, 2023**	December 31, 2022	December 31, 2021
Long-term debt	**2,038**	1,931	1,450
Current portion of long-term debt	**75**	134	74
Bank loans and advances	**4**	3	1
Total debt	**2,117**	2,068	1,525
Less: Cash and cash equivalents	**(41)**	(102)	(174)
Net debt as reported	**2,076**	1,966	1,351
Last twelve months EBITDA (A)	**502**	376	389
Net debt / EBITDA (A) ratio	**4.1x**	5.2x	3.5x

SPECIFIC ITEMS

The Corporation incurred the following specific items in the first halves of 2023 and 2022:

IMPAIRMENT CHARGES

2023

In the first quarter, the Containerboard Packaging segment recorded an impairment charge of $59 million on some land ($3 million), building ($22 million) and equipment ($34 million) of a CGU (cash generating unit) subsequent to the permanent closure of one paper machine in the USA. The decision was the result of the tightening market conditions, which makes the CGU less profitable. The recoverable amount of the assets in operation, totaling $39 million, was determined using fair value less the cost of disposal based on the market approach of comparable assets on the market.

In the first quarter, the Specialty Products segment recorded an impairment charge of $1 million on some equipment related to a closed plant in the USA. The recoverable amount was determined using fair value less the cost of disposal based on the market approach of comparable assets on the market.

In the first half, the Tissue Papers segment recorded an impairment charge of $14 million on spare parts ($2 million in the second quarter) and $80 million on some buildings ($19 million) and equipment ($61 million), consequent to the strategic repositioning of its operating platform. The decision includes the permanent closure of two plants in the USA and the wind down of one paper mill. The recoverable amount of $130 million was determined using fair value less cost of disposal based on the market approach of comparable assets on the market.

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2023

In the first quarter, the Tissue Papers segment recorded a $2 million gain from the sale of some machinery and equipment related to a previously closed plant in the USA.

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.

In the second quarter, the Tissue Papers segment recorded a $4 million gain from the settlement of a supply agreement.

RESTRUCTURING COSTS

2023

In the first half, the Tissue Papers segment recorded costs totaling $7 million ($6 million in the second quarter) related to closures and severances.

2022

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

UNREALIZED LOSS (GAIN) ON DERIVATIVE FINANCIAL INSTRUMENTS

In the first half of 2023, the Corporation recorded an unrealized loss of $2 million (unrealized loss of $1 million in the second quarter), compared to an unrealized loss of $7 million in the same period of 2022 (nil in the second quarter), on certain derivative financial instruments not designated for hedge accounting. The Containerboard Packaging segment recorded an unrealized gain of $1 million in the first half of 2023 (nil in the second quarter) and an unrealized loss of $9 million in the same period of 2022 (unrealized loss of $1 million in the second quarter), from a steam contract embedded derivatives related to our Niagara Falls containerboard complex. Corporate activities recorded an unrealized loss of $3 million in the first half of 2023 (unrealized loss of $1 million in the second quarter) and an unrealized gain of $2 million in the same period of 2022 (unrealized gain of $1 million in the second quarter) due to the financial hedging contracts for natural gas purchases.

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

In the first half of 2023, the Corporation recorded a gain of $3 million (gain of $3 million in the second quarter) on its US$ denominated debt and related financial instruments, compared to a loss of $2 million in the same period of 2022 (loss of $3 million in the second quarter). The foreign exchange loss (gain) on long-term debt and financial instruments is composed of foreign exchange forward contracts not designated for hedge accounting.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

2023

In the first quarter, the Tissue Papers segment recorded a gain in the consolidated statement of earnings in the line item “Share of results of associates and joint ventures” of $9 million from the sale of an investment in a non-significant joint venture.