

## **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 nine months of 2021 and 2020:

#### **GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS**

##### **2021**

In the third quarter, the Boxboard Europe segment recorded a \$18 million gain from a business acquisition. This amount is included in discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

In the third quarter, the Tissue Papers segment recorded a \$39 million gain from the sale of buildings related to closed plants in the USA and in Canada.

In the second quarter, the Boxboard Europe segment recorded a \$2 million loss from the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. This amount is included in discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

##### **2020**

In the third quarter, the Containerboard Packaging segment recorded a \$5 million gain following the release of the escrow amount pertaining to the sale of a building in 2018 located in Maspeth, New York, USA.

In the third quarter, the Tissue Papers segment recorded a \$2 million gain from the sale of assets related to a closed plant in the USA.

In the second quarter, the Specialty Products segment recorded a \$4 million environmental provision related to plants in Canada that were closed in previous years. The segment also recorded a \$3 million gain on the sale of a non-significant associate investment.

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

#### **IMPAIRMENT CHARGES**

##### **2021**

In the second quarter, the Tissue Papers segment recorded an impairment charge of \$1 million on spare parts related to the closure of plants in Pittston and Ransom, Pennsylvania, USA and Waterford, New York, USA and in Laval, Québec, Canada.

## **2020**

In the third quarter, the Tissue Papers segment recorded an impairment charge of \$13 million on the assets of certain plants as their recoverable amount was lower than their carrying amount due to the lower demand in the Away-from-Home market due to the COVID-19 pandemic.

In the second quarter, the Containerboard Packaging segment recorded an impairment charge of \$8 million on some equipment as part of the network optimization and profitability improvement initiatives.

In the second quarter, the Tissue Papers segment recorded an impairment charge of \$5 million on some assets as part of the network optimization and profitability improvement initiatives.

## **RESTRUCTURING COSTS**

### **2021**

In the third quarter, the Containerboard Packaging segment recorded closure costs totaling \$1 million related to the closure of plants in Ontario, Canada.

In the third quarter, the Tissue Papers segment recorded additional restructuring charges and closure costs totaling \$4 million related to closed plants.

In the second quarter, the Tissue Papers segment recorded additional restructuring charges and closure costs totaling \$5 million related to closed plants.

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 restructuring charges and closure costs totaling \$2 million related to closed plants.

### **2020**

In the third quarter, the Containerboard Packaging segment recorded restructuring charges totaling \$3 million following the announcement of the closure of its Etobicoke, Ontario, Canada converting facility, which was permanently closed in mid September 2021.

In the second quarter, the Containerboard Packaging and Tissue Papers segments recorded restructuring charges totaling \$2 million as part of the network optimization and profitability improvement initiatives.

## **LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS**

In the first nine months of 2021, the Corporation recorded an unrealized loss of \$18 million (unrealized loss of \$5 million in the third quarter), compared to an unrealized loss of \$1 million in the same period of 2020 (unrealized loss of \$1 million in the third quarter), on certain derivative financial instruments not designated for hedge accounting.

## **LOSS ON REPURCHASE OF LONG-TERM DEBT**

In the third quarter of 2020, the Corporation redeemed US\$200 million of its unsecured senior notes and recorded an early repurchase premium of \$4 million and wrote off \$2 million related unamortized financing costs.

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

In the first nine months of 2021, the Corporation recorded a gain of \$3 million (loss of \$3 million in the third quarter) on its US\$ denominated debt and related financial instruments, compared to a gain of \$3 million in the same period of 2020 (gain of \$11 million in the third quarter). This is composed of a gain of \$3 million in the first nine months of 2021 (loss of \$2 million in the third quarter), compared to a gain of \$4 million in the same period of 2020 (gain of \$9 million in the third quarter), on foreign exchange forward contracts not designated for hedge accounting. It also includes a nil result for the first nine months of 2021 (loss of \$1 million in the third quarter) and is compared to a loss of \$1 million in the same period of 2020 (gain of \$2 million in the third quarter), 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.

## **PROVISION FOR (RECOVERY OF) INCOME TAXES**

In the third quarter of 2020, the Corporation reassessed the probability of recovering unrealized capital losses following the redemption of its US\$ denominated debts, which resulted in the recognition of tax assets totaling \$3 million, of which \$2 million was recorded in results.

## 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 September 30, 2021							
	Including Discontinued Operations					Exclusion of Discontinued Operations <sup>1</sup>	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
(in millions of Canadian dollars) (unaudited)							
<b>Operating income (loss)</b>	58	24	13	29	(27)	(24)	73
Depreciation and amortization	30	15	4	18	11	(15)	63
<b>Operating income (loss) before depreciation and amortization</b>	88	39	17	47	(16)	(39)	136
Specific items:							
Gain on acquisitions, disposals and others	—	(18)	—	(39)	—	18	(39)
Restructuring costs	1	—	—	4	—	—	5
Unrealized loss (gain) on derivative financial instruments	5	(4)	—	—	—	4	5
	6	(22)	—	(35)	—	22	(29)
<b>Adjusted operating income (loss) before depreciation and amortization</b>	94	17	17	12	(16)	(17)	107
<b>Adjusted operating income (loss)</b>	64	2	13	(6)	(27)	(2)	44

<sup>1</sup> 2021 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 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

For the 3-month period ended September 30, 2020

(in millions of Canadian dollars) (unaudited)	As reported in 2020					Exclusion of Discontinued Operations <sup>1</sup>	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
<b>Operating income (loss)</b>	71	19	11	3	(31)	(19)	54
Depreciation and amortization	30	12	5	22	12	(12)	69
<b>Operating income (loss) before depreciation and amortization</b>	101	31	16	25	(19)	(31)	123
Specific items:							
Gain on acquisitions, disposals and others	(5)	—	—	(2)	—	—	(7)
Impairment charges	—	—	—	13	—	—	13
Restructuring costs	3	—	—	—	—	—	3
Unrealized loss (gain) on derivative financial instruments	1	(2)	—	—	—	2	1
	(1)	(2)	—	11	—	2	10
<b>Adjusted operating income (loss) before depreciation and amortization</b>	100	29	16	36	(19)	(29)	133
<b>Adjusted operating income (loss)</b>	70	17	11	14	(31)	(17)	64

For the 9-month period ended September 30, 2021

(in millions of Canadian dollars) (unaudited)	Including Discontinued Operations					Exclusion of Discontinued Operations <sup>1</sup>	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
<b>Operating income (loss)</b>	187	35	42	7	(96)	(35)	140
Depreciation and amortization	92	38	11	53	36	(38)	192
<b>Operating income (loss) before depreciation and amortization</b>	279	73	53	60	(60)	(73)	332
Specific items:							
Gain on acquisitions, disposals and others	—	(16)	—	(39)	—	16	(39)
Impairment charges	—	—	—	1	—	—	1
Restructuring costs	4	—	—	11	—	—	15
Unrealized loss (gain) on derivative financial instruments	19	(6)	—	—	(1)	6	18
	23	(22)	—	(27)	(1)	22	(5)
<b>Adjusted operating income (loss) before depreciation and amortization</b>	302	51	53	33	(61)	(51)	327
<b>Adjusted operating income (loss)</b>	210	13	42	(20)	(97)	(13)	135

<sup>1</sup> 2021 and 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 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

For the 9-month period ended September 30, 2020

(in millions of Canadian dollars) (unaudited)	As reported in 2020					Exclusion of Discontinued Operations <sup>1</sup>	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
<b>Operating income (loss)</b>	199	69	30	62	(103)	(69)	188
Depreciation and amortization	87	35	13	56	36	(35)	192
<b>Operating income (loss) before depreciation and amortization</b>	286	104	43	118	(67)	(104)	380
Specific items:							
Loss (gain) on acquisitions, disposals and others	(5)	—	2	(2)	—	—	(5)
Impairment charges	8	—	—	18	—	—	26
Restructuring costs	4	—	—	1	—	—	5
Unrealized loss (gain) on derivative financial instruments	—	(2)	—	—	1	2	1
	7	(2)	2	17	1	2	27
<b>Adjusted operating income (loss) before depreciation and amortization</b>	293	102	45	135	(66)	(102)	407
<b>Adjusted operating income (loss)</b>	206	67	32	79	(102)	(67)	215

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) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2021 <sup>1</sup>	2020 <sup>1</sup>	2021 <sup>1</sup>	2020 <sup>1</sup>
<b>Net earnings attributable to Shareholders for the period</b>	32	49	57	125
Net earnings attributable to non-controlling interests	14	9	22	32
Results from discontinued operations	(25)	(14)	(30)	(52)
Provision for (recovery of) income taxes	30	(7)	38	10
Share of results of associates and joint ventures	(4)	(3)	(11)	(9)
Foreign exchange loss (gain) on long-term debt and financial instruments	3	(11)	(3)	(3)
Financing expense and interest expense on employee future benefits and loss on repurchase of long-term debt	23	31	67	85
<b>Operating income</b>	73	54	140	188
Specific items:				
Gain on acquisitions, disposals and others	(39)	(7)	(39)	(5)
Impairment charges	—	13	1	26
Restructuring costs	5	3	15	5
Unrealized loss on derivative financial instruments	5	1	18	1
	(29)	10	(5)	27
<b>Adjusted operating income</b>	44	64	135	215
Depreciation and amortization	63	69	192	192
<b>Adjusted operating income before depreciation and amortization</b>	107	133	327	407

<sup>1</sup> 2021 and 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 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

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

	NET EARNINGS (LOSS)				NET EARNINGS (LOSS) PER COMMON SHARE <sup>1</sup>			
	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,	
	2021	2020	2021	2020	2021	2020	2021	2020
(in millions of Canadian dollars, except per common share amounts) (unaudited)								
<b>As per IFRS</b>	<b>32</b>	<b>49</b>	<b>57</b>	<b>125</b>	<b>\$0.32</b>	<b>\$0.51</b>	<b>\$0.56</b>	<b>\$1.32</b>
Specific items:								
Gain on acquisitions, disposals and others	(39)	(7)	(39)	(5)	(\$0.31)	(\$0.05)	(\$0.31)	(\$0.04)
Impairment charges	—	13	1	26	—	\$0.10	\$0.01	\$0.20
Restructuring costs	5	3	15	5	\$0.04	\$0.03	\$0.11	\$0.05
Unrealized loss on derivative financial instruments	5	1	18	1	\$0.03	\$0.01	\$0.12	\$0.01
Loss on repurchase of long-term debt	—	6	—	6	—	\$0.05	—	\$0.05
Foreign exchange loss (gain) on long-term debt and financial instruments	3	(11)	(3)	(3)	\$0.03	(\$0.12)	(\$0.02)	(\$0.03)
Included in discontinued operations, net of tax	(20)	(2)	(20)	(2)	(\$0.12)	(\$0.01)	(\$0.12)	(\$0.01)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests <sup>1</sup>	13	(4)	7	(8)	—	(\$0.02)	—	(\$0.02)
	(33)	(1)	(21)	20	(\$0.33)	(\$0.01)	(\$0.21)	\$0.21
<b>Adjusted</b>	<b>(1)</b>	<b>48</b>	<b>36</b>	<b>145</b>	<b>(\$0.01)</b>	<b>\$0.50</b>	<b>\$0.35</b>	<b>\$1.53</b>

<sup>1</sup> Specific amounts per common 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. Please refer to "Provision for (recovery of) income taxes" above section for more details.

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 September 30,		For the 9-month periods ended September 30,	
	2021 <sup>1</sup>	2020 <sup>1</sup>	2021 <sup>1</sup>	2020 <sup>1</sup>
(in millions of Canadian dollars) (unaudited)				
<b>Cash flow from operating activities from continuing operations</b>	<b>45</b>	<b>113</b>	<b>142</b>	<b>319</b>
Changes in non-cash working capital components	13	(35)	85	8
Depreciation and amortization	(63)	(69)	(192)	(192)
Net income taxes paid (received)	(1)	1	(2)	(8)
Net financing expense paid	41	48	85	71
Premium paid on repurchase of long-term debt	—	4	—	4
Gain on acquisitions, disposals and others	39	7	39	5
Impairment charges and restructuring costs	(5)	(16)	(16)	(31)
Unrealized loss on derivative financial instruments	(5)	(1)	(18)	(1)
Provisions for contingencies and charges and other liabilities	9	2	17	13
<b>Operating income</b>	<b>73</b>	<b>54</b>	<b>140</b>	<b>188</b>
Depreciation and amortization	63	69	192	192
<b>Operating income before depreciation and amortization</b>	<b>136</b>	<b>123</b>	<b>332</b>	<b>380</b>

<sup>1</sup> 2021 and 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 third 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 common share basis:

(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2021 <sup>1</sup>	2020 <sup>1</sup>	2021 <sup>1</sup>	2020 <sup>1</sup>
<b>Cash flow from operating activities from continuing operations</b>	45	113	142	319
Changes in non-cash working capital components	13	(35)	85	8
<b>Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)</b>	58	78	227	327
Specific items paid	12	9	18	9
<b>Adjusted cash flow from operating activities from continuing operations</b>	70	87	245	336
Capital expenditures, other assets <sup>2</sup> and lease obligations payments, net of disposals of \$50 million for 3-month period (2020 <sup>1</sup> - \$7 million <sup>1</sup> ) and \$51 million for 9-month period <sup>1</sup> (2020 <sup>1</sup> - \$9 million)	(18)	(53)	(187)	(173)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(17)	(11)	(39)	(33)
<b>Adjusted free cash flow generated</b>	35	23	19	130
<b>Adjusted free cash flow generated per common share (in Canadian dollars)</b>	\$0.34	\$0.24	\$0.19	\$1.37
<b>Weighted average basic number of common shares outstanding</b>	102,129,769	95,019,694	102,229,534	94,577,538

1 2021 and 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 third 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, except ratios) (unaudited)	September 30, 2021	December 31, 2020
Long-term debt	1,830	1,949
Current portion of long-term debt	74	102
Bank loans and advances	7	12
<b>Total debt</b>	1,911	2,063
Less: Cash and cash equivalents	151	384
<b>Net debt as reported</b>	1,760	1,679
Adjusted OIBD as reported on a last twelve months basis	466	675
<b>Net debt / Adjusted OIBD ratio</b>	3.8x	2.5x
<b>Net debt as reported</b>	1,760	1,679
Net proceeds of disposal of RDM	(450)	—
Pro forma net debt	1,310	1,679
Adjusted OIBD as reported on a last twelve months basis	466	675
<b>Pro forma net debt / Adjusted OIBD ratio</b>	2.8x	2.5x