

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 September 30, 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	68	20	(31)	(32)	25
Depreciation and amortization	31	5	21	10	67
Operating income (loss) before depreciation and amortization	99	25	(10)	(22)	92
Specific items:					
Impairment charges	2	—	14	—	16
Unrealized loss on derivative financial instruments	2	—	—	1	3
	4	—	14	1	19
Adjusted operating income (loss) before depreciation and amortization	103	25	4	(21)	111
Adjusted operating income (loss)	72	20	(17)	(31)	44

	For the 3-month period ended September 30, 2021				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	58	13	29	(27)	73
Depreciation and amortization	30	4	18	11	63
Operating income (loss) before depreciation and amortization	88	17	47	(16)	136
Specific items:					
Gain on acquisitions, disposals and others	—	—	(39)	—	(39)
Restructuring costs	1	—	4	—	5
Unrealized loss on derivative financial instruments	5	—	—	—	5
	6	—	(35)	—	(29)
Adjusted operating income (loss) before depreciation and amortization	94	17	12	(16)	107
Adjusted operating income (loss)	64	13	(6)	(27)	44

For the 9-month period ended September 30, 2022

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	181	64	(89)	(103)	53
Depreciation and amortization	88	14	57	31	190
Operating income (loss) before depreciation and amortization	269	78	(32)	(72)	243
Specific items:					
Gain on acquisitions, disposals and others	—	(6)	(4)	—	(10)
Impairment charges	2	—	14	—	16
Restructuring costs	—	—	1	—	1
Unrealized loss (gain) on derivative financial instruments	11	—	—	(1)	10
	13	(6)	11	(1)	17
Adjusted operating income (loss) before depreciation and amortization	282	72	(21)	(73)	260
Adjusted operating income (loss)	194	58	(78)	(104)	70

For the 9-month period ended September 30, 2021¹

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	187	42	7	(96)	140
Depreciation and amortization	92	11	53	36	192
Operating income (loss) before depreciation and amortization	279	53	60	(60)	332
Specific items:					
Gain on acquisitions, disposals and others	—	—	(39)	—	(39)
Impairment charges	—	—	1	—	1
Restructuring costs	4	—	11	—	15
Unrealized loss (gain) on derivative financial instruments	19	—	—	(1)	18
	23	—	(27)	(1)	(5)
Adjusted operating income (loss) before depreciation and amortization	302	53	33	(61)	327
Adjusted operating income (loss)	210	42	(20)	(97)	135

Net earnings (loss), 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,	
	2022	2021	2022	2021 ¹
Net earnings (loss) attributable to Shareholders for the period	(2)	32	(7)	57
Net earnings attributable to non-controlling interests	5	14	13	22
Results from discontinued operations	—	(25)	—	(30)
Provision for (recovery of) income taxes	(5)	30	(6)	38
Share of results of associates and joint ventures	(5)	(4)	(15)	(11)
Foreign exchange loss (gain) on long-term debt and financial instruments	10	3	12	(3)
Financing expense and interest expense on employee future benefits and other liabilities	22	23	56	67
Operating income	25	73	53	140
Specific items:				
Gain on acquisitions, disposals and others	—	(39)	(10)	(39)
Impairment charges	16	—	16	1
Restructuring costs	—	5	1	15
Unrealized loss on derivative financial instruments	3	5	10	18
	19	(29)	17	(5)
Adjusted operating income	44	44	70	135
Depreciation and amortization	67	63	190	192
Adjusted operating income before depreciation and amortization	111	107	260	327

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 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:

	NET EARNINGS (LOSS)				NET EARNINGS (LOSS) 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,	
	2022	2021	2022	2021	2022	2021	2022	2021
(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)								
As per IFRS	(2)	32	(7)	57	(\$0.02)	\$0.32	(\$0.07)	\$0.56
Specific items:								
Gain on acquisitions, disposals and others	—	(39)	(10)	(39)	—	(\$0.31)	(\$0.08)	(\$0.31)
Impairment charges	16	—	16	1	\$0.12	—	\$0.12	\$0.01
Restructuring costs	—	5	1	15	—	\$0.04	\$0.01	\$0.11
Unrealized loss on derivative financial instruments	3	5	10	18	\$0.02	\$0.03	\$0.07	\$0.12
Foreign exchange loss (gain) on long-term debt and financial instruments	10	3	12	(3)	\$0.08	\$0.03	\$0.10	(\$0.02)
Included in discontinued operations, net of tax	—	(20)	—	(20)	—	(\$0.12)	—	(\$0.12)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests ¹	(7)	13	(7)	7	—	—	—	—
	22	(33)	22	(21)	\$0.22	(\$0.33)	\$0.22	(\$0.21)
Adjusted	20	(1)	15	36	\$0.20	(\$0.01)	\$0.15	\$0.35
Weighted average basic number of common shares outstanding					100,822,027	102,129,769	100,744,469	102,229,534

The following table reconciles cash flow from (used by) 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,	
	2022	2021	2022	2021 ²
(in millions of Canadian dollars) (unaudited)				
Cash flow from (used by) operating activities from continuing operations	(1)	45	(52)	142
Changes in non-cash working capital components	61	13	212	85
Depreciation and amortization	(67)	(63)	(190)	(192)
Net income taxes paid (received)	1	(1)	5	(2)
Net financing expense paid	38	41	72	85
Gain on acquisitions, disposals and others	—	39	10	39
Impairment charges and restructuring costs	(16)	(5)	(17)	(16)
Unrealized loss on derivative financial instruments	(3)	(5)	(10)	(18)
Provisions for contingencies and charges and other liabilities, net of dividends received	12	9	23	17
Operating income	25	73	53	140
Depreciation and amortization	67	63	190	192
Operating income before depreciation and amortization	92	136	243	332

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.

² 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 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 generated (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 September 30,		For the 9-month periods ended September 30,	
	2022	2021	2022	2021 ¹
Cash flow from (used by) operating activities from continuing operations	(1)	45	(52)	142
Changes in non-cash working capital components	61	13	212	85
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	60	58	160	227
Restructuring costs paid	2	12	9	18
Adjusted cash flow from operating activities from continuing operations	62	70	169	245
Payments for property, plant and equipment	(122)	(54)	(341)	(191)
Change in intangible and other assets	—	(3)	(3)	(14)
Lease obligation payments	(14)	(12)	(40)	(35)
Proceeds from disposals of property, plant and equipment	1	50	8	51
	(73)	51	(207)	56
Dividends paid to non-controlling interests	(3)	(3)	(9)	(10)
Dividends paid to the Corporation's Shareholders	(12)	(13)	(36)	(29)
Adjusted free cash flow generated (used)	(88)	35	(252)	17
Adjusted free cash flow generated (used) per common share (in Canadian dollars)	(\$0.87)	\$0.34	(\$2.50)	\$0.17
Weighted average basic number of common shares outstanding	100,822,027	102,129,769	100,744,469	102,229,534

The following table reconciles working capital as reported:

(in millions of Canadian dollars, except ratios) (unaudited)	September 30, 2022	December 31, 2021	December 31, 2020
Accounts receivable	639	510	659
Inventories	616	494	569
Trade and other payables	(694)	(707)	(861)
Working capital	561	297	367

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, 2022	December 31, 2021	December 31, 2020
Long-term debt	1,975	1,450	1,949
Current portion of long-term debt	77	74	102
Bank loans and advances	2	1	12
Total debt	2,054	1,525	2,063
Less: Cash and cash equivalents	(43)	(174)	(384)
Net debt as reported	2,011	1,351	1,679
Last twelve months adjusted OIBD (before discontinued operations for the year ended December 31, 2020)	322	389	675
Net debt / Adjusted OIBD ratio	6.2x	3.5x	2.5x

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.

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

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

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2022

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

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.

2021

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.

IMPAIRMENT CHARGES

2022

In the third quarter, the Containerboard Packaging segment recorded an impairment charge of \$2 million on some equipment as part of the continuing optimization initiatives of the platform in Ontario, Canada.

In the third quarter, the Tissue Papers segment recorded an impairment charge of \$4 million on spare parts and \$10 million on some property, plant and equipment related to the permanent closure of a plant in the USA.

2021

In the second quarter, the Tissue Papers segment recorded an impairment charge of \$1 million on spare parts related to closed plants.

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 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 costs totaling \$4 million related to asset relocation and severances.

In the second quarter, the Tissue Papers segment recorded additional costs totaling \$5 million related to asset relocation and severances.

In the first quarter, the Containerboard Packaging segment recorded severance charges totaling \$3 million as part of a 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 nine months of 2022, the Corporation recorded an unrealized loss of \$10 million (an unrealized loss of \$3 million in the third quarter), compared to an unrealized loss of \$18 million in the same period of 2021 (an unrealized loss of \$5 million in the third quarter), on certain derivative financial instruments not designated for hedge accounting. The unrealized loss in the first nine months of 2022 is due to a steam contract embedded derivatives related to our Niagara Falls containerboard complex.

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

In the first nine months of 2022, the Corporation recorded a loss of \$12 million (a loss of \$10 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 2021 (a loss of \$3 million in the third quarter). This is composed of a loss of \$12 million in the first nine months of 2022 (a loss of \$10 million in the third quarter), compared to a gain of \$3 million in the same period of 2021 (a loss of \$2 million in the third quarter), on foreign exchange forward contracts not designated for hedge accounting. It also includes a \$1 million loss in the third quarter of 2021 (nil in the first nine months of 2021) 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.