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 2020 and 2019:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2020

The Containerboard Packaging segment recorded a $40 million gain from the sale of a building and the land of Etobicoke, Ontario, Canada, Containerboard Packaging facility.

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.

The Specialty Products segment recorded a $5 million environmental provision related to plants in Canada, that were closed in the previous years.

The Specialty Products segment also recorded a $3 million gain on the sale of a non significant associate investment.

The Tissue Papers segment recorded a $2 million gain from the sale of assets and a $2 million environmental provision related to closed plants in the USA.

2019

The lease on our Bear Island facility in Virginia was terminated by the lessee. As such, the Containerboard Packaging segment recorded a gain of $10 million following the reversal of liabilities related to lease incentives to the lessee and to accrued carrying costs. In the wake of the lease termination, the segment recorded a loss of $4 million following the sale of newsprint equipments no longer needed.

The Containerboard Packaging segment also recorded a gain of $2 million from the sale of a building and piece of land of a closed plant.

The Specialty Products segment concluded the sale of its two plants in France which convert cardboard into packaging for the paper industry, and recorded a loss of $1 million. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.

The Tissue Papers segment recorded a gain of $25 million following the acquisition Orchids Paper Products Company activities. The Corporate Activities incurred $9 million in fees as part of the Orchids acquisition. Please refer to the "Business Highlights" section and Note 5 of the 2020 Audited Consolidated Financial Statements for more details.

An environmental provision of $4 million related to a plant sold and for which the Corporation retained environmental responsibility was recorded by the Corporate Activities.

The Corporate Activities also recorded a gain of $5 million on the settlement of litigation in compensation for a flooding that occurred years ago at our fine paper mill in St-Jérôme, Québec, Canada, which has since been sold.

INVENTORY ADJUSTMENT RESULTING FROM BUSINESS COMBINATION

2019

During the year, operating results in the Tissue Papers segment were negatively impacted by $2 million. This was the result of the inventory acquired at the acquisition of Orchids being recognized at fair value, with no profit recorded on its subsequent sale.

IMPAIRMENT CHARGES

2020

The Containerboard Packaging segment recorded an impairment charge of $6 million on some equipment as part of the network optimization and profitability improvement initiatives.

The Boxboard Europe segment recorded an impairment charge of $9 million on some assets as their recoverable amount was lower than their carrying amount. Recoverable amount of the assets was based on their fair value less cost of disposal.

The Tissue Papers segment recorded an impairment charge of $13 million on the assets of certain plants as their recoverable amount was lower than the carrying amount due to and the current declining demand in the Away-from-Home market due to the COVID-19 pandemic. The Tissue Papers segment also recorded an impairment charge of $10 million on some assets as part of the network optimization and profitability improvement initiatives.

The Corporate Activities recorded an impairment charge of $1 million related to renewable energy assets.

2019

As a result of the lease termination on the Bear Island facility, described above, the Containerboard Packaging segment recorded an impairment charge of $5 million on some assets that will not be used in the future.

The Boxboard Europe segment recorded an impairment charge of $13 million on the assets of its La Rochette mill. The segment also recorded an impairment charge of $1 million on intangible assets.

The Specialty Products segment incurred an impairment charge of $1 million on spare parts stemming from the closure of the Trois-Rivières, Québec, Canada, plant that manufactured felt backing for flooring.

The Tissue Papers segment recorded an impairment charge of $5 million on unused assets.

The Tissue Papers segment reviewed the recoverable value of some equipment and spare parts of the Arizona and Waterford, USA, converting facilities and an impairment charge of $30 million. The closures of these facilities were completed during the second quarter of 2020. Please refer to the “Business Highlights” section for more details.

The Corporate Activities recorded an impairment charge of $14 million on the goodwill and intangible assets of its Recovery and Recycling activities. The recoverable amount was established based on the fair market value of the property, plant and equipment.

RESTRUCTURING COSTS

2020

The Containerboard Packaging segment recorded restructuring charges totaling $3 million as part of the network optimization and profitability improvement initiatives.

The Containerboard Packaging segment also recorded restructuring charges totaling $3 million following the announcement of the closure of its Etobicoke, Ontario, Canada, converting facility which is expected to permanently close no later than August 31, 2021.

The Containerboard Packaging segment also recorded a gain of $2 million as a reversal of a contingency related to plant sold in prior years.

The Tissue Papers segment recorded restructuring charges totaling $4 million as part of the network optimization and profitability improvement initiatives.

The Tissue Papers segment recorded restructuring charges totaling $3 million following the announcement of the closure of plants in Pittson and Ransom, Pennsylvania, and Waterford, New York, USA.

The Corporate Activities recorded restructuring charges totaling $2 million as part of profitability improvement initiatives.

2019
The Containerboard Packaging segment recorded $1 million of severance costs related to changes in the management teams of certain plants.

The Specialty Products segment recorded $1 million of restructuring costs stemming from the closure of the Trois-Rivières, Québec, Canada, plant that manufactured felt backing for flooring.

The Tissue Papers segment recorded $5 million of restructuring costs related to the closure of two tissue paper machines and facilities in Ontario, Canada and changes in the segment's senior management. As well, restructuring costs of $2 million related to the closure of the Arizona and Waterford, USA, converting facilities were recorded. The closures of these facilities were completed during the second quarter of 2020. Please refer to the “Business Highlights” section for more details.

DERIVATIVE FINANCIAL INSTRUMENTS

In 2020, the Corporation recorded an unrealized loss of $1 million, compared to an unrealized gain of $2 million in 2019, on certain derivative financial instruments not designated for hedge accounting.

LOSS ON REPURCHASE OF LONG-TERM DEBT

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 of related unamortized financing costs.

2019
The Corporation redeemed US$400 million and $250 million of its unsecured senior notes and recorded an early repurchase premium of $11 million and wrote off $3 million of related unamortized financing costs.

INTEREST RATE SWAPS

In 2019, the Corporation recorded in line item “Financing expenses” an unrealized gain of $1 million on interest rate swaps.

OPTION FAIR VALUE REVALUATION

In 2020, the Corporation recorded in line item “Interest expense (revenue) on employee future benefits and other liabilities” an unrealized gain of $13 million, compared to an unrealized loss of $1 million in 2019, on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project.

In 2020, the Corporation also recorded in line item “Interest expense (revenue) on employee future benefits and other liabilities” an unrealized loss of $2 million pertaining to a call option granted by the Corporation to one of the minority shareholders of Falcon Packaging LLC.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2020, the Corporation recorded a gain of $6 million on its US$- denominated debt and related financial instruments, compared to a gain of $6 million in 2019. This is composed of a gain of $3 million in 2020, compared to nil in 2019 on our US$- denominated long-term debt, net of our net investment hedges in the US, as well as forward exchange contracts designated as hedging instruments. It also includes a gain of $3 million in 2020, compared to a gain of $6 million in 2019, on foreign exchange forward contracts not designated for hedge accounting.

FAIR VALUE REVALUATION LOSS ON INVESTMENTS

In 2020, the Corporation recorded a fair value revaluation loss on investments of $3 million on a joint venture.

PROVISION FOR INCOME TAXES

In 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, compared to the recognition of tax assets totaling $12 million, of which $11 million was recorded in results in 2019.

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:

						2020
(in millions of Canadian dollars)	**Containerboard**	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**321**	**74**	**42**	**72**	**(143)**	**366**
Depreciation and amortization	**115**	**48**	**16**	**73**	**47**	**299**
Operating income (loss) before depreciation and amortization	**436**	**122**	**58**	**145**	**(96)**	**665**
Specific items:						
Loss (gain) on acquisitions, disposals and others	**(45)**	**—**	**2**	**—**	**—**	**(43)**
Impairment charges	**6**	**9**	**—**	**23**	**1**	**39**
Restructuring costs	**4**	**—**	**—**	**7**	**2**	**13**
Unrealized loss (gain) on derivative financial instruments	**2**	**(2)**	**—**	**—**	**1**	**1**
	(33)	**7**	**2**	**30**	**4**	**10**
Adjusted operating income (loss) before depreciation and amortization	**403**	**129**	**60**	**175**	**(92)**	**675**
Adjusted operating income (loss)	**288**	**81**	**44**	**102**	**(139)**	**376**

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers[1]	Corporate Activities	Consolidated
						2019
Operating income (loss)	328	45	36	6	(154)	261
Depreciation and amortization	115	47	16	61	50	289
Operating income (loss) before depreciation and amortization	443	92	52	67	(104)	550
Specific items:						
Loss (gain) on acquisitions, disposals and others	(8)	—	1	(25)	8	(24)
Inventory adjustment resulting from business combination	—	—	—	2	—	2
Impairment charges	5	14	1	35	14	69
Restructuring costs	1	—	1	7	—	9
Unrealized loss (gain) on derivative financial instruments	—	2	—	—	(4)	(2)
	(2)	16	3	19	18	54
Adjusted operating income (loss) before depreciation and amortization	441	108	55	86	(86)	604
Adjusted operating income (loss)	326	61	39	25	(136)	315

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)	**2020**	2019[1]
Net earnings attributable to Shareholders for the period	**198**	72
Net earnings attributable to non-controlling interests	**36**	28
Provision for income taxes	**45**	19
Fair value revaluation loss on investments	**3**	—
Share of results of associates and joint ventures	**(14)**	(9)
Foreign exchange gain on long-term debt and financial instruments	**(6)**	(6)
Financing expense and interest expense (revenue) on employee future benefits and other liabilities and loss on repurchase of long-term debt	**104**	157
Operating income	**366**	261
Specific items:		
Gain on acquisitions, disposals and others	**(43)**	(24)
Inventory adjustment resulting from business combination	**—**	2
Impairment charges	**39**	69
Restructuring costs	**13**	9
Unrealized loss (gain) on derivative financial instruments	**1**	(2)
	10	54
Adjusted operating income	**376**	315
Depreciation and amortization	**299**	289
Adjusted operating income before depreciation and amortization	**675**	604

1 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited 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]	
(in millions of Canadian dollars, except amount per share)	**2020**	2019[2]	**2020**	2019[2]
As per IFRS	**198**	72	**$ 2.04**	$ 0.77
Specific items:				
Gain on acquisitions, disposals and others	**(43)**	(24)	**$ (0.38)**	$ (0.28)
Inventory adjustment resulting from business combination	**—**	2	**—**	$ 0.02
Impairment charges	**39**	69	**$ 0.29**	$ 0.53
Restructuring costs	**13**	9	**$ 0.10**	$ 0.07
Unrealized loss (gain) on derivative financial instruments	**1**	(2)	**$ 0.02**	$ (0.02)
Loss on repurchase of long-term debt	**6**	14	**$ 0.05**	$ 0.11
Unrealized gain on interest rate swaps and options fair value	**(11)**	—	**$ (0.12)**	—
Foreign exchange gain on long-term debt and financial instruments	**(6)**	(6)	**$ (0.05)**	$ (0.06)
Fair value revaluation loss on investments	**3**	—	**$ 0.02**	—
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(13)**	(38)	**$ (0.02)**	$ (0.12)
	(11)	24	**$ (0.09)**	$ 0.25
Adjusted	**187**	96	**$ 1.95**	$ 1.02

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. Please refer to "Provision for income taxes" above in this section for more details.*

2 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.*

The following table reconciles cash flow from operating activities with operating income and operating income before depreciation and amortization:

(in millions of Canadian dollars)	**2020**	2019[1]
Cash flow from operating activities	**587**	460
Changes in non-cash working capital components	**(20)**	(59)
Depreciation and amortization	**(299)**	(289)
Net income taxes paid	**9**	27
Net financing expense paid	**79**	133
Premium paid on repurchase of long-term debt	**4**	11
Gain on acquisitions, disposals and others	**43**	27
Impairment charges and restructuring costs	**(52)**	(68)
Unrealized gain (loss) on derivative financial instruments	**(1)**	2
Dividend received, employee future benefits and others	**16**	17
Operating income	**366**	261
Depreciation and amortization	**299**	289
Operating income before depreciation and amortization	**665**	550

1 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.*

The following table reconciles cash flow from 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 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)	2020	2019
Cash flow from operating activities	**587**	460
Changes in non-cash working capital components	**(20)**	(59)
Cash flow from operating activities (excluding changes in non-cash working capital components)	**567**	401
Specific items paid	**15**	24
Adjusted cash flow from operating activities	**582**	425
Capital expenditures, other assets[1] and lease obligations payments, net of disposals of $55 million (2019 - $27 million)	**(250)**	(278)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(47)**	(40)
Adjusted free cash flow	**285**	107
Adjusted free cash flow per share	**$ 2.97**	$ 1.14
Weighted average basic number of shares outstanding	**95,924,835**	93,987,980

1 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)	December 31, 2020	December 31, 2019
Long-term debt	**1,949**	2,022
Current portion of long-term debt	**102**	85
Bank loans and advances	**12**	11
Total debt	**2,063**	2,118
Less: Cash and cash equivalents	**384**	155
Net debt	**1,679**	1,963
Adjusted OIBD (last twelve months)	**675**	604
Net debt / Adjusted OIBD	**2.5x**	3.25x