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 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.

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:

					2021[1]
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**230**	**59**	**(108)**	**(131)**	**50**
Depreciation and amortization	**120**	**15**	**70**	**47**	**252**
Operating income (loss) before depreciation and amortization	**350**	**74**	**(38)**	**(84)**	**302**
Specific items:					
Gain on acquisitions, disposals and others	**—**	**—**	**(40)**	**—**	**(40)**
Impairment charges	**1**	**—**	**88**	**—**	**89**
Restructuring costs	**4**	**—**	**17**	**—**	**21**
Unrealized loss on derivative financial instruments	**17**	**—**	**—**	**—**	**17**
	22	**—**	**65**	**—**	**87**
Adjusted operating income (loss) before depreciation and amortization	**372**	**74**	**27**	**(84)**	**389**
Adjusted operating income (loss)	**252**	**59**	**(43)**	**(131)**	**137**

					2020[1]
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	321	42	72	(143)	292
Depreciation and amortization	115	16	73	47	251
Operating income (loss) before depreciation and amortization	436	58	145	(96)	543
Specific items:					
Loss (gain) on acquisitions, disposals and others	(45)	2	—	—	(43)
Impairment charges	6	—	23	1	30
Restructuring costs	4	—	7	2	13
Unrealized loss on derivative financial instruments	2	—	—	1	3
	(33)	2	30	4	3
Adjusted operating income (loss) before depreciation and amortization	403	60	175	(92)	546
Adjusted operating income (loss)	288	44	102	(139)	295

1 2021 first quarter, 2020 and 2019 consolidated results 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, 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)	**2021**[1]	2020[1]
Net earnings attributable to Shareholders for the year	**162**	198
Net earnings attributable to non-controlling interests	**25**	36
Results from discontinued operations	**(234)**	(51)
Provision for income taxes	**9**	26
Fair value revaluation loss on investments	**—**	3
Share of results of associates and joint ventures	**(18)**	(14)
Foreign exchange gain on long-term debt and financial instruments	**(3)**	(6)
Financing expense and interest expense (revenue) on employee future benefits and other liabilities and loss on repurchase of long-term debt	**109**	100
Operating income	**50**	292
Specific items:		
Gain on acquisitions, disposals and others	**(40)**	(43)
Impairment charges	**89**	30
Restructuring costs	**21**	13
Unrealized loss on derivative financial instruments	**17**	3
	87	3
Adjusted operating income	**137**	295
Depreciation and amortization	**252**	251
Adjusted operating income before depreciation and amortization	**389**	546

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

	NET EARNINGS		NET EARNINGS PER COMMON SHARE[2]	
(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	**2021**	2020	**2021**	2020
As per IFRS	**162**	198	**$1.60**	$2.04
Specific items:				
Gain on acquisitions, disposals and others	**(40)**	(43)	**($0.32)**	($0.38)
Impairment charges	**89**	30	**$0.75**	$0.24
Restructuring costs	**21**	13	**$0.15**	$0.10
Unrealized loss on derivative financial instruments	**17**	3	**$0.11**	$0.03
Loss on repurchase of long-term debt	**20**	6	**$0.13**	$0.05
Unrealized loss (gain) on interest rate swaps and options fair value	**1**	(11)	**—**	($0.12)
Foreign exchange gain on long-term debt and financial instruments	**(3)**	(6)	**($0.02)**	($0.05)
Fair value revaluation loss on investments	**—**	3	**—**	$0.02
Included in discontinued operations, net of tax	**(224)**	6	**($2.14)**	$0.04
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[2]	**(16)**	(12)	**—**	($0.02)
	(135)	(11)	**($1.34)**	($0.09)
Adjusted	**27**	187	**$0.26**	$1.95
Weighted average basic number of common shares outstanding			**101,884,051**	95,924,835

1 2021 first quarter, 2020 and 2019 consolidated results 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. Please refer to "Provision for income taxes" 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:

(in millions of Canadian dollars) (unaudited)	**2021**[1]	2020[1]
Cash flow from operating activities from continuing operations	**211**	477
Changes in non-cash working capital components	**36**	(19)
Depreciation and amortization	**(252)**	(251)
Net income taxes received	**(2)**	(9)
Net financing expense paid	**96**	76
Premium and transaction fees paid on long-term debt redemption	**24**	4
Gain on acquisitions, disposals and others	**40**	43
Impairment charges and restructuring costs	**(110)**	(43)
Unrealized loss on derivative financial instruments	**(17)**	(3)
Provisions for contingencies and charges and other liabilities, net of dividends received	**24**	17
Operating income	**50**	292
Depreciation and amortization	**252**	251
Operating income before depreciation and amortization	**302**	543

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)	**2021**[1]	2020[1]
Cash flow from operating activities from continuing operations	**211**	477
Changes in non-cash working capital components	**36**	(19)
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	**247**	458
Restructuring costs paid	**25**	11
Premium and transaction fees paid on long-term debt redemption	**24**	4
Specific items paid	**49**	15
Adjusted cash flow from operating activities from continuing operations	**296**	473
Capex expenditures	**(286)**	(219)
Change in intangible and other assets	**(15)**	(9)
Lease obligation payments	**(47)**	(43)
Proceeds from disposals of property, plant and equipment	**53**	55
	1	257
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(55)**	(45)
Adjusted free cash flow generated (used)	**(54)**	212
Adjusted free cash flow generated (used) per common share (in Canadian dollars)	**($0.53)**	$2.21
Weighted average basic number of common shares outstanding	**101,884,051**	95,924,835

1 2021 first quarter, 2020 and 2019 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 working capital as reported:

(in millions of Canadian dollars, except ratios) (unaudited)	**December 31, 2021**	December 31, 2020	December 31, 2019
Accounts receivables	**510**	659	610
Inventories	**494**	569	598
Trade and other payable	**(707)**	(861)	(792)
Working capital	**297**	367	416

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)	**December 31, 2021**	December 31, 2020	December 31, 2019
Long-term debt	**1,450**	1,949	2,022
Current portion of long-term debt	**74**	102	85
Bank loans and advances	**1**	12	11
Total debt	**1,525**	2,063	2,118
Less: Cash and cash equivalents	**174**	384	155
Net debt as reported	**1,351**	1,679	1,963
Last twelve months adjusted OIBD (before discontinued operations for the year ended December 31, 2020 and 2019)	**389**	675	604
Net debt / Adjusted OIBD ratio	**3.5x**	2.5x	3.3x

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

The Corporation incurred the following specific items in 2021 and 2020:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2021

The Tissue Papers segment recorded a $40 million gain from the sale of buildings related to closed plants in the USA and in Canada.

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 also 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 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 a closed plant in the USA.

1 *2021 first quarter, 2020 and 2021 consolidated results 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.*

IMPAIRMENT CHARGES

2021

The Containerboard Packaging segment recorded an impairment charge of $1 million on an asset that became idle following the introduction of a new technology. The recoverable amount was lower than their carrying amount which was based on its fair value less cost of disposal determined using the market approach of comparable assets on the market.

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.

The COVID-19 pandemic has led to lower than usual volumes in the Tissue Papers segment. Specifically, volume impacts in the Away-from-Home market began in the second quarter of 2020, while lower volumes in the Consumer Products market started in the second quarter of 2021 following higher than usual demand in the prior year. Current market dynamic led the Corporation to record an impairment charge totaling of $71 million on the segment's goodwill and other intangible assets reflecting uncertainty of the recoverable amount of the segment compared to its carrying value. The Tissue Papers segment also recorded an impairment charge of $16 million on property, plant and equipment of one of its United States CGUs due to sustained difficult market conditions and assets underperformance. The recoverable amount of these assets was determined using the market approach of comparable assets on the market, OIBD multiples or an income approach.

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 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.

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.

RESTRUCTURING COSTS

2021

The Containerboard Packaging segment recorded severance charges totaling $3 million as part of the margin improvement program.

The Containerboard Packaging segment also recorded closure costs totaling $1 million related to the closure of plants in Ontario, Canada.

The Tissue Papers segment recorded additional restructuring charges and closure costs totaling $17 million related to closed plants.

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 was permanently closed in mid September 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 segment also recorded restructuring charges totaling $3 million following the announcement of the closure of plants in Pittston and Ransom, Pennsylvania, USA and Waterford, New York, USA.

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

LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

In 2021, the Corporation recorded an unrealized loss of $17 million, compared to an unrealized loss of $3 million in 2020, on certain derivative financial instruments not designated for hedge accounting.

LOSS ON REPURCHASE OF LONG-TERM DEBT

In 2021, the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million) and wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid transactions fees totaling $2 million.

In 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.

OPTION FAIR VALUE REVALUATION

In 2021, the Corporation recorded in the line item “Interest expense (revenue) on employee future benefits and other liabilities” an unrealized loss of $1 million, compared to an unrealized loss of $2 million in 2020, pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC.

In 2020, the Corporation also recorded in the line item “Interest expense (revenue) on employee future benefits and other liabilities” an unrealized gain of $13 million on 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.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2021, the Corporation recorded a gain of $3 million on its US$ denominated debt and related financial instruments, compared to a gain of $6 million in 2020. This is composed of a gain of $3 million in 2021, compared to a gain of $3 million in 2020, on foreign exchange forward contracts not designated for hedge accounting. It also includes a nil result in 2021, compared to a gain of $3 million in 2020, on the US$ denominated long-term debt, net of our net investment hedges in the US, as well as forward exchange contracts designated as hedging instruments.

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.

DISCONTINUED OPERATIONS

2021

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. The Boxboard Europe segment also recorded a $18 million gain from a business acquisition. The segment also recorded an unrealized gain on financial instruments of $6 million (before income tax of $2 million).

The Corporate Activities recorded a gain of $228 million (before income tax of $24 million) from the sale of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM).

2020

The Boxboard Europe segment recorded an impairment charge of $9 million (before income tax of $1 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 segment also recorded an unrealized gain on financial instruments of $2 million.

Please refer to the “Discontinued Operations” section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.