# 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 long-term debt refinancing, 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, foreign exchange gains or losses on long-term debt and financial instruments, 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 2019 and 2018:

### LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

**2019**

The Containerboard packaging segment recorded a $2 million gain from the sale of a building and piece of land of a closed plant. As well, the lease on our Bear Island facility in Virginia was terminated by the lessee. As such, the Containerboard 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 Containerboard segment recorded a loss of $4 million following the sale of some assets.

The Specialty Products segment concluded the sale of its two plants in France which converts cardboard into packaging for the paper industry and recorded a loss of $1 million.

The Tissue Papers segment recorded a $22 million gain following the acquisition of Orchids Paper Products Company activities ("Orchids") (please refer to the "Business Highlights" section). The Corporation also incurred, in Corporate Activities, transaction fees totaling $9 million related to the acquisition.

The Corporate Activities segment recorded a $4 million increase in an environmental provision related to a plant closed in a previous year. The segment also recorded a $5 million gain related to a litigation settlement from a prior-year event.

**2018**

The Containerboard segment completed the sale of the building and land of its Maspeth, NY plant and recorded a gain of $66 million, net of asset retirement obligations of $2 million. The closure was completed during the year and the segment recorded a $1 million gain following the sale of some equipment.

The Boxboard Europe segment, in 2019, retroactively recorded a gain of $2 million in 2018 related to the acquisition of Barcelona Cartonboard S.A.U. (see Note 5 of the Audited Consolidated Financial Statements for more details).

### 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 AND RESTRUCTURING COSTS

### 2019

As a result of the lease termination on our Bear Island facility, as described above, the Containerboard segment recorded a $5 million impairment charge on some assets that will not be used in the future. The segment also recorded $1 million in restructuring costs in its U.S. operations.

The Boxboard Europe segment recorded a $14 million impairment charge related to its virgin assets and other assets.

The Specialty products segment recorded $1 million of restructuring costs and a $1 million impairment charge stemming from the closure during the third quarter of its Trois-Rivières, Québec, plant that manufactured felt backing for flooring.

The Tissue Papers segment recorded a $35 million impairment charge and $2 million of restructuring costs mostly related to underperforming assets and the announced closure of two U.S. based plants (please refer to "Significant facts and Development" section for more details). The segment also recorded restructuring cost of $5 million related to the closure of two tissue paper machines in Ontario and changes in the segment's senior management.

The Corporate Activities recorded an impairment charge $14 million on the goodwill and intangible assets of its recovery and recycling activities as its recoverable amount was lower than its carrying amount.

### 2018

In connection with the closure of the Maspeth plant in NY, USA, mentioned above, the Containerboard Packaging segment recorded a $3 million charge related to closure provisions and severances, and incurred a $1 million charge related to severances for the closure of two sheet plants in Ontario announced on August 28, 2018.

The Specialty Products segment recorded a gain of $2 million following the dismantling of a building related to a plant closure in a prior year.

The Tissue Papers segment reviewed the recoverable value of a few plants and recorded impairment charges of $75 million on assets following sustained production inefficiencies.

## DERIVATIVE FINANCIAL INSTRUMENTS

In 2019, the Corporation recorded an unrealized gain of $2 million, compared to an unrealized loss of $9 million in 2018, on certain derivative financial instruments not designated for hedge accounting.

## LOSS ON REPURCHASE OF LONG-TERM DEBT

In 2019, the Corporation redeemed US$650 million and $175 million of its unsecured senior notes and recorded early repurchase premiums of $11 million and wrote off $3 million of unamortized financing costs related to these notes.

## INTEREST RATE SWAPS AND OPTION FAIR VALUE REVALUATION

In 2019, the Corporation recorded in line item “Interest expense on employee future benefits and other liabilities” an unrealized loss of $1 million 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 conversion project.

In 2019, the Corporation recorded an unrealized gain of $1 million, compared to an unrealized gain of $1 million in 2018, on interest rate swaps, that are included in financing expenses.

## FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2019, the Corporation recorded a gain of $6 million on its US$-denominated debt and related financial instruments, compared to a loss of $4 million in 2018. This is composed of a gain of $6 million in 2019, compared to a loss of $5 million in 2018, on foreign exchange forward contracts not designated for hedge accounting. It also included a gain of $1 million in 2018 on our US$-denominated long-term debt, net of our net investment hedges in the U.S. and Europe and forward exchange contracts designated as hedging instruments, if any.

### FAIR VALUE REVALUATION GAIN ON INVESTMENTS

**2018**

The Boxboard Europe segment completed the acquisition of PAC Service S.p.A. and recorded a revaluation gain of $5 million on its previously held interest. This item is presented in line item "Fair value revaluation gain on investments" in the consolidated statement of earnings.

### PROVISION FOR INCOME TAXES

**2019**

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 totalling $12 million of which $11 million was recorded in results.

**2018**

The Corporation reassessed the probability of recovering unrealized capital losses which resulted in the derecognition of tax assets totalling $6 million.

## 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:

| | | | | | | **2019** |
|---|---|---|---|---|---|---|
| (in millions of Canadian dollars) | **Containerboard** | **Boxboard Europe** | **Specialty Products** | **Tissue Papers** | **Corporate Activities** | **Consolidated** |
| **Operating income (loss)** | **328** | **45** | **36** | **3** | **(154)** | **258** |
| Depreciation and amortization | **115** | **47** | **16** | **61** | **50** | **289** |
| **Operating income (loss) before depreciation and amortization** | **443** | **92** | **52** | **64** | **(104)** | **547** |
| Specific items: | | | | | | |
| Loss (gain) on acquisitions, disposals and others | **(8)** | **—** | **1** | **(22)** | **8** | **(21)** |
| Inventory adjustment resulting from business acquisition | **—** | **—** | **—** | **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** | **22** | **18** | **57** |
| **Adjusted operating income (loss) before depreciation and amortization** | **441** | **108** | **55** | **86** | **(86)** | **604** |
| **Adjusted operating income (loss)** | **326** | **61** | **39** | **25** | **(136)** | **315** |

| | | | | | | 2018[1] |
|---|---|---|---|---|---|---|
| (in millions of Canadian dollars) | Containerboard | Boxboard Europe | Specialty Products | Tissue Papers | Corporate Activities | Consolidated |
| **Operating income (loss)** | 381 | 62 | 24 | (122) | (117) | 228 |
| Depreciation and amortization | 89 | 37 | 11 | 64 | 43 | 244 |
| **Operating income (loss) before depreciation and amortization** | 470 | 99 | 35 | (58) | (74) | 472 |
| Specific items: | | | | | | |
| Gain on acquisitions, disposals and others | (67) | (2) | — | — | — | (69) |
| Impairment charges | — | — | — | 75 | — | 75 |
| Restructuring costs (gain) | 4 | — | (2) | — | — | 2 |
| Unrealized loss on derivative financial instruments | 3 | — | — | — | 6 | 9 |
| | (60) | (2) | (2) | 75 | 6 | 17 |
| **Adjusted operating income (loss) before depreciation and amortization** | 410 | 97 | 33 | 17 | (68) | 489 |
| **Adjusted operating income (loss)** | 321 | 60 | 22 | (47) | (111) | 245 |

*1 2018 fourth quarter results have been adjusted to reflect retrospective adjustments of purchase price allocation. See Note 5 of the 2019 Audited Consolidated Financial Statements for more details.*

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the 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) | 2019 | 2018[2] |
|---|---|---|
| **Net earnings attributable to Shareholders for the period** | **69** | 57 |
| Net earnings attributable to non-controlling interests | **28** | 36 |
| Provision for income taxes | **19** | 48 |
| Fair value revaluation gain on investments | **—** | (5) |
| Share of results of associates and joint ventures | **(9)** | (11) |
| Foreign exchange loss (gain) on long-term debt and financial instruments | **(6)** | 4 |
| Financing expense and interest expense on employee future benefits and other liabilities | **157** | 99 |
| **Operating income** | **258** | 228 |
| Specific items: | | |
| Gain on acquisitions, disposals and others | **(21)** | (69) |
| Inventory adjustment resulting from business combination | **2** | — |
| Impairment charges | **69** | 75 |
| Restructuring costs | **9** | 2 |
| Unrealized loss (gain) on derivative financial instruments | **(2)** | 9 |
| | **57** | 17 |
| **Adjusted operating income** | **315** | 245 |
| Depreciation and amortization | **289** | 244 |
| **Adjusted operating income before depreciation and amortization** | **604** | 489 |

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) | 2019 | 2018[2] | 2019 | 2018[2] |
| **As per IFRS** | **69** | 57 | **$ 0.74** | $ 0.60 |
| Specific items: | | | | |
| Gain on acquisitions, disposals and others | **(21)** | (69) | **$ (0.25)** | $ (0.53) |
| Inventory adjustment resulting from business combination | **2** | — | **$ 0.02** | — |
| Impairment charges | **69** | 75 | **$ 0.53** | $ 0.60 |
| Restructuring costs | **9** | 2 | **$ 0.07** | $ 0.02 |
| Unrealized loss (gain) on derivative financial instruments | **(2)** | 9 | **$ (0.02)** | $ 0.07 |
| Loss on refinancing of long-term debt | **14** | — | **$ 0.11** | — |
| Unrealized gain on interest rate swaps and option fair value | **—** | (1) | **—** | $ (0.01) |
| Foreign exchange loss (gain) on long-term debt and financial instruments | **(6)** | 4 | **$ (0.06)** | $ 0.03 |
| Fair value revaluation gain on investments | **—** | (5) | **—** | $ (0.03) |
| Share of results of associates and joint ventures | **—** | — | **—** | — |
| Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1] | **(38)** | 7 | **$ (0.12)** | $ 0.08 |
| | **27** | 22 | **$ 0.28** | $ 0.23 |
| **Adjusted** | **96** | 79 | **$ 1.02** | $ 0.83 |

*[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.*

*2 2018 fourth quarter results have been adjusted to reflect retrospective adjustments of purchase price allocation. See Note 5 of the 2019 Audited Consolidated Financial Statements for more details.*

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the 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) | **2019** | 2018[1] |
|---|---|---|
| **Cash flow from operating activities** | **460** | 373 |
| Changes in non-cash working capital components | **(59)** | (12) |
| Depreciation and amortization | **(289)** | (244) |
| Net income taxes paid | **27** | 11 |
| Net financing expense paid | **133** | 107 |
| Premium paid on long-term debt refinancing | **11** | — |
| Gain on acquisitions, disposals and others | **24** | 69 |
| Impairment charges and restructuring costs | **(68)** | (77) |
| Unrealized gain (loss) on derivative financial instruments | **2** | (9) |
| Dividends received, employee future benefits and others | **17** | 10 |
| **Operating income** | **258** | 228 |
| Depreciation and amortization | **289** | 244 |
| **Operating income before depreciation and amortization** | **547** | 472 |

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) | **2019** | 2018 |
|---|---|---|
| **Cash flow from operating activities** | **460** | 373 |
| Changes in non-cash working capital components | **(59)** | (12) |
| **Cash flow from operating activities (excluding changes in non-cash working capital components)** | **401** | 361 |
| Specific items, net of current income taxes if applicable: | **24** | — |
| **Adjusted cash flow from operating activities** | **425** | 361 |
| Capital expenditures, other assets[1] and capital lease payments, net of disposals of $27 millon in 2019, compared to $85 million in 2018 | **(278)** | (275) |
| Dividends paid to the Corporation's Shareholders and to non-controlling interests | **(40)** | (32) |
| **Adjusted free cash flow** | **107** | 54 |
| **Adjusted free cash flow per share** | **$ 1.14** | $ 0.57 |
| **Weighted average basic number of shares outstanding** | **93,987,980** | 94,570,924 |

*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, 2019** | December 31, 2018 |
|---|---|---|
| Long-term debt | **2,022** | 1,821 |
| Current portion of long-term debt | **85** | 55 |
| Bank loans and advances | **11** | 16 |
| **Total debt** | **2,118** | 1,892 |
| Less: Cash and cash equivalents | **155** | 123 |
| **Net debt** | **1,963** | 1,769 |
| Adjusted OIBD (last twelve months) | **604** | 491 |
| **Net debt / Adjusted OIBD ratio** | **3.25** | 3.6 |

*1 2018 fourth quarter results have been adjusted to reflect retrospective adjustments of purchase price allocation. See Note 5 of the 2019 Audited Consolidated Financial Statements for more details.*

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