SUPPLEMENTAL INFORMATION ON NON-IFRS ACCOUNTING STANDARDS 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 ACCOUNTING STANDARDS 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 Accounting Standards ("non-IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards measures and other financial measures are used in our financial disclosures:

Non-IFRS Accounting Standards measures

- Adjusted earnings before interest, taxes, depreciation and amortization or EBITDA (A): represents the operating income (as published in Consolidated Statement of Earnings (Loss) of the Consolidated Financial Statements) before depreciation and amortization excluding specific items. Used to assess recurring operating performance and the contribution of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Adjusted cash flow: Used to assess the Corporation's capacity to generate cash flows to meet financial obligations and/or discretionary items such as share repurchases, dividend increases and strategic investments.
- Free cash flow: Used to measure the excess cash the Corporation generates by subtracting capital expenditures (excluding strategic projects) from the EBITDA (A).
- 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 EBITDA (A) to calculate net debt to EBITDA (A) ratio.

Non-IFRS Accounting Standards ratios

- Net debt to EBITDA (A) ratio: Ratio used to assess the Corporation's ability to pay its debt and evaluate financial leverage.
- EBITDA (A) margin: Ratio used to assess operating performance and the contribution of each segment on a comparable basis calculated as a percentage of sales.
- Adjusted net earnings per common share: Ratio used to assess the Corporation's consolidated financial performance on a comparable basis.
- Net debt / Net debt + Shareholders' equity: Ratio used to evaluate the Corporation's financial leverage and thus the risk to Shareholders.
- Working capital as a percentage of sales: Ratio used to assess the Corporation's operating liquidity performance.
- Adjusted cash flow per common share: Ratio used to assess the Corporation's financial flexibility.

- Free cash flow ratio: Ratio used to measure the liquidity and efficiency of how much more cash the Corporation generates than it uses to run the business by subtracting capital expenditures (excluding strategic projects) from the EBITDA (A) calculated as a percentage of sales.

Non-IFRS Accounting Standards and other financial measures are mainly derived from the consolidated financial statements, but do not have meanings prescribed by IFRS Accounting Standards. 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 Accounting Standards. In addition, our definitions of non-IFRS Accounting Standards and other financial measures may differ from those of other corporations. Any such modification or reformulation may be significant.

The chief operating decision-maker (CODM) assesses the performance of each reportable segment based on sales and earnings before interest, taxes, depreciation and amortization, adjusted to exclude specific items (EBITDA (A)). The CODM considers EBITDA (A) to be the best performance measure of the Corporation's activities.

EBITDA (A) by business segment is reconciled to IFRS Accounting Standards measure, namely operating income (loss), and is presented in the following table:

	For the 3-month period ended December 31, 2023				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate, Recovery and Recycling activities**	**Consolidated**
Operating income (loss)	**(33)**	**13**	**34**	**(38)**	**(24)**
Depreciation and amortization	**39**	**5**	**17**	**12**	**73**
Impairment charges	**43**	**1**	**4**	**—**	**48**
Other loss (gain)	**18**	**(1)**	**(4)**	**—**	**13**
Restructuring costs	**1**	**1**	**10**	**—**	**12**
Unrealized loss (gain) on derivative financial instruments	**(1)**	**—**	**—**	**1**	**—**
EBITDA (A)	**67**	**19**	**61**	**(25)**	**122**

	For the 3-month period ended December 31, 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	85	22	(86)	(41)	(20)
Depreciation and amortization	30	5	17	10	62
Impairment charges	8	3	75	—	86
Other gain	—	(10)	—	—	(10)
Restructuring costs	—	—	2	—	2
Unrealized gain on derivative financial instruments	(4)	—	—	—	(4)
EBITDA (A)	119	20	8	(31)	116

	For the year ended December 31, 2023				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate, Recovery and Recycling activities**	**Consolidated**
Operating income (loss)	**128**	**66**	**(2)**	**(152)**	**40**
Depreciation and amortization	**141**	**21**	**67**	**43**	**272**
Impairment charges	**104**	**2**	**103**	**—**	**209**
Other loss (gain)	**18**	**—**	**(6)**	**—**	**12**
Restructuring costs	**1**	**2**	**20**	**—**	**23**
Unrealized loss (gain) on derivative financial instruments	**(2)**	**—**	**—**	**4**	**2**
EBITDA (A)	**390**	**91**	**182**	**(105)**	**558**

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
	For the year ended December 31, 2022				
Operating income (loss)	266	86	(175)	(144)	33
Depreciation and amortization	118	19	74	41	252
Impairment charges	10	3	89	—	102
Other gain	—	(16)	(4)	—	(20)
Restructuring costs	—	—	3	—	3
Unrealized loss (gain) on derivative financial instruments	7	—	—	(1)	6
EBITDA (A)	401	92	(13)	(104)	376

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

	NET EARNINGS (LOSS)				NET EARNINGS (LOSS) PER COMMON SHARE[1]			
	For the 3-month periods ended December 31,		For the years ended December 31,		For the 3-month periods ended December 31,		For the years ended December 31,	
(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
As reported	**(57)**	(27)	**(76)**	(34)	**($0.57)**	($0.27)	**($0.76)**	($0.34)
Specific items:								
Impairment charges	**48**	86	**209**	102	**$0.35**	$0.64	**$1.56**	$0.76
Other loss (gain)	**13**	(10)	**12**	(20)	**$0.10**	($0.09)	**$0.09**	($0.17)
Restructuring costs	**12**	2	**23**	3	**$0.10**	$0.02	**$0.18**	$0.03
Unrealized loss (gain) on derivative financial instruments	**—**	(4)	**2**	6	**—**	($0.03)	**$0.01**	$0.04
Unrealized loss on interest rate swaps	**1**	—	**1**	—	**$0.01**	—	**$0.01**	—
Foreign exchange loss (gain) on long-term debt and financial instruments	**1**	(3)	**—**	9	**—**	($0.02)	**—**	$0.08
Share of results of associates and joint ventures	**(1)**	—	**(10)**	—	**($0.01)**	—	**($0.08)**	—
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(12)**	(22)	**(52)**	(29)	**$0.07**	($0.03)	**$0.07**	($0.03)
	62	49	**185**	71	**$0.62**	$0.49	**$1.84**	$0.71
Adjusted	**5**	22	**109**	37	**$0.05**	$0.22	**$1.08**	$0.37
Weighted average basic number of common shares outstanding					**100,685,574**	100,361,627	**100,542,206**	100,647,972

The following table reconciles cash flow from operating activities with EBITDA (A):

	For the 3-month periods ended December 31,		For the years ended December 31,	
(in millions of Canadian dollars) (unaudited)	**2023**	2022	**2023**	2022
Cash flow from operating activities	**240**	196	**510**	144
Changes in non-cash working capital components	**(149)**	(96)	**(113)**	116
Net income taxes paid	**—**	—	**9**	5
Net financing expense paid	**20**	15	**129**	87
Provisions for contingencies and charges and other liabilities, net of dividends received	**11**	1	**23**	24
EBITDA (A)	**122**	116	**558**	376

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. Please refer to “Recovery of income taxes” section 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 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 December 31, 2023	2022	For the years ended December 31, 2023	2022
Cash flow from operating activities	**240**	196	**510**	144
Changes in non-cash working capital components	**(149)**	(96)	**(113)**	116
Cash flow from operating activities (excluding changes in non-cash working capital components)	**91**	100	**397**	260
Restructuring costs paid	**12**	3	**24**	12
Adjusted cash flow from operating activities	**103**	103	**421**	272
Payments for property, plant and equipment	**(47)**	(160)	**(350)**	(501)
Change in intangible and other assets	**—**	(2)	**(1)**	(5)
Lease obligation payments	**(15)**	(15)	**(59)**	(55)
Proceeds from disposals of property, plant and equipment	**1**	11	**7**	19
	42	(63)	**18**	(270)
Dividends paid to non-controlling interests	**(3)**	(4)	**(36)**	(13)
Dividends paid to the Corporation's Shareholders	**(12)**	(12)	**(48)**	(48)
Adjusted cash flow generated (used)	**27**	(79)	**(66)**	(331)
Adjusted cash flow generated (used) per common share (in Canadian dollars)	**$0.27**	($0.79)	**($0.66)**	($3.29)
Weighted average basic number of common shares outstanding	**100,685,574**	100,361,627	**100,542,206**	100,647,972

The following table reconciles payments for property, plant and equipment, excluding strategic projects and free cash flow. It also provides these two metrics as a percentage of sales:

(in millions of Canadian dollars) (unaudited)	December 31, 2023	December 31, 2022
Sales	**4,638**	4,466
EBITDA (A)	**558**	376
Payments for property, plant and equipment	**350**	501
Less: strategic projects included above[1]	**(205)**	(335)
Payments for property, plant and equipment, excluding strategic projects	**145**	166
Free cash flow: EBITDA (A) less payments for property plant and equipment, excluding strategic projects	**413**	210
Free cash flow / Sales	**8.9%**	4.7%
Payments for property, plant and equipment, excluding strategic projects / Sales	**3.1%**	3.7%

The following table reconciles working capital as reported:

(in millions of Canadian dollars) (unaudited)	December 31, 2023	December 31, 2022	December 31, 2021
Accounts receivable	**453**	556	510
Inventories	**568**	587	494
Trade and other payables	**(703)**	(746)	(707)
Working capital	**318**	397	297

1 *Strategic projects include the investment for the Bear Island construction project.*

The following table reconciles total debt and net debt with the ratio of net debt to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA (A)):

(in millions of Canadian dollars, except ratios) (unaudited)	**December 31, 2023**	December 31, 2022	December 31, 2021
Long-term debt	**1,869**	1,931	1,450
Current portion of long-term debt	**67**	134	74
Bank loans and advances	**—**	3	1
Total debt	**1,936**	2,068	1,525
Less: Cash and cash equivalents	**(54)**	(102)	(174)
Net debt as reported	**1,882**	1,966	1,351
Last twelve months EBITDA (A)	**558**	376	389
Net debt / EBITDA (A) ratio	**3.4x**	5.2x	3.5x

SPECIFIC ITEMS

The Corporation incurred the following specific items in 2023 and in 2022:

IMPAIRMENT CHARGES

2023

The Containerboard Packaging segment recorded an impairment charge of $2 million on spare parts and $59 million on some land ($3 million), building ($22 million) and equipment ($34 million) of a CGU (cash generating unit) subsequent to the permanent closure of one paper machine in the USA. The decision was the result of competitive market conditions, which make the CGU less profitable. The recoverable amount of the assets in operation, totaling $39 million, was determined using fair value less the cost of disposal based on the market approach of comparable assets on the market.

The Containerboard Packaging segment also recorded an impairment charge in the fourth quarter of $8 million on spare parts and $35 million on some land ($1 million), building ($12 million) and equipment ($22 million) related to closure of plants announced in February 2024 in Ontario, Canada and in Connecticut, USA. The recoverable amount of the assets totaling $35 million, was determined using fair value less cost of disposal based on the market approach of comparable assets on the market.

The Specialty Products segment recorded an impairment charge of $1 million on spare parts in the fourth quarter and $1 million on some equipment related to a closed plant in the USA. The recoverable amount was determined using fair value less the cost of disposal based on the market approach of comparable assets on the market.

The Tissue Papers segment recorded an impairment charge of $23 million on spare parts ($4 million in the fourth quarter) and $80 million on some buildings ($10 million) and equipment ($70 million), consequent to the strategic repositioning of its operating platform. The decision includes the permanent closure of three plants in the USA. The recoverable amount of $130 million for these three CGUs was determined using fair value less cost of disposal based on the market approach of comparable assets on the market, as well, for one of the plants, the recoverable amount of the real estate was established using the income method over a period of 20 years and a capitalization rate of 7.25%, no impairment recognized for the latest.

2022

The Containerboard Packaging segment recorded an impairment charge of $10 million ($8 million in the fourth quarter) on some property, plant and equipment related to the closure of a plant in Canada and to unused assets in Canada and the USA. The recoverable amount was determined using the market approach of comparable assets on the market.

The Specialty Products segment recorded an impairment charge of $3 million in the fourth quarter on goodwill, related to the closure of a plant in the USA. The recoverable amount of goodwill was determined using an income approach.

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. The recoverable amount was determined using the market approach of comparable assets on the market.

The Tissue Papers segment also recorded, in the fourth quarter, an impairment charge of $55 million on machinery and equipment related to assets acquired in 2019 in the USA due to slower ramp-up and lower efficiency than expected. The recoverable amount was determined using the market approach of comparable assets on the market. For the same plants, an impairment charge related to buildings of $20 million was recorded. The recoverable amount was established using the income method over a period of 20 years and a capitalization rate of 7.25%.

OTHER LOSS (GAIN)

2023

The Containerboard Packaging segment recorded an environmental obligation of $18 million in the fourth quarter related to the closure of a plant announced in February 2024 in Ontario, Canada.

The Specialty Products segment recorded a $1 million loss on a contract of a closed plant in the USA.

The Specialty Products segment also recorded a $1 million gain in the fourth quarter from the sale of some machinery and equipment related to a closed plant in the USA.

The Tissue Papers segment recorded a $2 million gain from the sale of some machinery and equipment related to a previously closed plant in the USA.

The Tissue Papers segment also recorded a $4 million gain in the fourth quarter on a contract related to a closed plant in the USA.

2022

The Specialty Products segment recorded a $16 million ($10 million in the fourth quarter) gain from the sale of lands and a building related to closed plants in Canada.

The Tissue Papers segment recorded a $4 million gain from the settlement of a supply agreement.

RESTRUCTURING COSTS

2023

The Containerboard Packaging segment recorded costs totaling $1 million in the fourth quarter related to closed plants in Canada.

The Specialty Products segment recorded costs totaling $2 million ($1 million in the fourth quarter) related to closed plants in the USA.

The Tissue Papers segment recorded costs totaling $20 million ($10 million in the fourth quarter) related to the closures of the plants and severances, in the USA.

2022

The Tissue Papers segment recorded additional costs totaling $3 million ($2 million in the fourth quarter) related to assets relocation and severances.

UNREALIZED LOSS (GAIN) ON DERIVATIVE FINANCIAL INSTRUMENTS

The Containerboard Packaging segment recorded an unrealized gain of $2 million in 2023 (unrealized gain of $1 million in the fourth quarter), compared to an unrealized loss of $7 million in 2022 (unrealized gain of $4 million in the fourth quarter), from a steam contract embedded derivatives related to our Niagara Falls containerboard complex.

Corporate activities recorded an unrealized loss of $4 million in 2023 (unrealized loss of $1 million in the fourth quarter) compared to an unrealized gain of $1 million in 2022 (nil in the fourth quarter) due to the financial hedging contracts for natural gas purchases.

UNREALIZED LOSS ON INTEREST RATE SWAPS

In 2023, the Corporation recorded an unrealized loss on interest rate swaps of $1 million in the fourth quarter (nil in 2022).

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

In 2023, the Corporation recorded a gain of less than a million dollars (loss of $1 million in the fourth quarter) on its US$ denominated debt and related financial instruments, compared to a loss of $9 million in 2022 (gain of $3 million in the fourth quarter). The foreign exchange loss (gain) on long-term debt and financial instruments is composed of foreign exchange forward contracts not designated for hedge accounting.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

In 2023, the Corporation recorded a gain in the consolidated statement of earnings in the line item “Share of results of associates and joint ventures” of $10 million ($1 million in the fourth quarter) from the sale of investments in non-significant joint ventures.

SPECIFIC ITEMS INCLUDED IN RECOVERY OF INCOME TAXES

In 2023, the Corporation recorded the following specific items related to its recovery of income taxes:

- $4 million of deferred tax expense as a result of the settlement of tax assessments of previous years;
- provision of $2 million (recovery of $3 million in 2022) in relation to a tax audit that is expected to result in an increase of the tax expense previously recorded on the gain from the sale of discontinued operations in 2021;
- $1 million of deferred tax expense as a result of the expected changes to applicable effective state tax rates following the repositioning of its Tissue Papers operating platform in the USA.