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 earnings before interest, taxes, depreciation and amortization or EBITDA (A): Used to assess 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 repurchase, dividend increase 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 ratios

- Net debt to EBITDA (A) ratio: Used to assess the Corporation's ability to pay its debt and evaluate financial leverage.
- EBITDA (A) margin: 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: 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 cash flow per common share: Used to assess the Corporation's financial flexibility.
- Free cash flow 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 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.

During the year ended December 31, 2022, the 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.

The reconciliation of operating income (loss) to EBITDA (A) by business segment is as follows:

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

	For the 3-month period ended December 31, 2021				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	43	17	(115)	(35)	(90)
Depreciation and amortization	28	4	17	11	60
Impairment charges	1	—	87	—	88
Gain on acquisitions, disposals and others	—	—	(1)	—	(1)
Restructuring costs	—	—	6	—	6
Unrealized loss (gain) on derivative financial instruments	(2)	—	—	1	(1)
EBITDA (A)	70	21	(6)	(23)	62

	2022				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**266**	**86**	**(175)**	**(144)**	**33**
Depreciation and amortization	**118**	**19**	**74**	**41**	**252**
Impairment charges	**10**	**3**	**89**	**—**	**102**
Gain on acquisitions, disposals and others	**—**	**(16)**	**(4)**	**—**	**(20)**
Restructuring costs	**—**	**—**	**3**	**—**	**3**
Unrealized loss (gain) on derivative financial instruments	**7**	**—**	**—**	**(1)**	**6**
EBITDA (A)	**401**	**92**	**(13)**	**(104)**	**376**

	2021				
(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
Impairment charges	1	—	88	—	89
Gain on acquisitions, disposals and others	—	—	(40)	—	(40)
Restructuring costs	4	—	17	—	21
Unrealized loss on derivative financial instruments	17	—	—	—	17
EBITDA (A)	372	74	27	(84)	389

The following table reconciles net earnings (loss) and net earnings (loss) per common share, as reported, 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 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)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
As reported	**(27)**	105	**(34)**	162	**($0.27)**	$1.04	**($0.34)**	$1.60
Specific items:								
Impairment charges	**86**	88	**102**	89	**$0.64**	$0.74	**$0.76**	$0.75
Gain on acquisitions, disposals and others	**(10)**	(1)	**(20)**	(40)	**($0.09)**	($0.01)	**($0.17)**	($0.32)
Restructuring costs	**2**	6	**3**	21	**$0.02**	$0.04	**$0.03**	$0.15
Unrealized loss (gain) on derivative financial instruments	**(4)**	(1)	**6**	17	**($0.03)**	($0.01)	**$0.04**	$0.11
Loss on repurchase of long-term debt	**—**	20	**—**	20	**—**	$0.13	**—**	$0.13
Unrealized loss on options fair value	**—**	1	**—**	1	**—**	—	**—**	—
Foreign exchange loss (gain) on long-term debt and financial instruments	**(3)**	—	**9**	(3)	**($0.02)**	—	**$0.08**	($0.02)
Included in discontinued operations, net of tax	**—**	(204)	**—**	(224)	**—**	($2.02)	**—**	($2.14)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(22)**	(23)	**(29)**	(16)	**($0.03)**	—	**($0.03)**	—
	49	(114)	**71**	(135)	**$0.49**	($1.13)	**$0.71**	($1.34)
Adjusted	**22**	(9)	**37**	27	**$0.22**	($0.09)	**$0.37**	$0.26
Weighted average basic number of common shares outstanding					**100,361,627**	100,858,870	**100,647,972**	101,884,051

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

	For the 3-month periods ended December 31,		For the years ended December 31,	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021
Cash flow from operating activities from continuing operations	**196**	69	**144**	211
Changes in non-cash working capital components	**(96)**	(49)	**116**	36
Net income taxes paid (received)	**—**	—	**5**	(2)
Net financing expense paid	**15**	11	**87**	96
Premium and transaction fees paid on long-term debt redemption	**—**	24	**—**	24
Provisions for contingencies and charges and other liabilities, net of dividends received	**1**	7	**24**	24
EBITDA (A)	**116**	62	**376**	389

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 "Provision for (recovery of) income taxes" section for more details.

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 cash flow used, which is also calculated on a per common share basis:

	For the 3-month periods ended December 31,		For the years ended December 31,	
(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	**2022**	2021	**2022**	2021
Cash flow from operating activities from continuing operations	**196**	69	**144**	211
Changes in non-cash working capital components	**(96)**	(49)	**116**	36
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	**100**	20	**260**	247
Restructuring costs paid	**3**	7	**12**	25
Premium and transaction fees paid on long-term debt redemption	**—**	24	**—**	24
Specific items paid	**3**	31	**12**	49
Adjusted cash flow from operating activities from continuing operations	**103**	51	**272**	296
Payments for property, plant and equipment	**(160)**	(95)	**(501)**	(286)
Change in intangible and other assets	**(2)**	(1)	**(5)**	(15)
Lease obligation payments	**(15)**	(12)	**(55)**	(47)
Proceeds from disposals of property, plant and equipment	**11**	2	**19**	53
	(63)	(55)	**(270)**	1
Dividends paid to non-controlling interests	**(4)**	(4)	**(13)**	(14)
Dividends paid to the Corporation's Shareholders	**(12)**	(12)	**(48)**	(41)
Adjusted cash flow used	**(79)**	(71)	**(331)**	(54)
Adjusted cash flow used per common share (in Canadian dollars)	**($0.79)**	($0.70)	**($3.29)**	($0.53)
Weighted average basic number of common shares outstanding	**100,361,627**	100,858,870	**100,647,972**	101,884,051

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)	**2022**	2021
Sales	**4,466**	3,956
EBITDA (A)	**376**	389
Payments for property, plant and equipment	**501**	286
Less: strategic projects included above[1]	**(335)**	(101)
Payments for property, plant and equipment, excluding strategic projects	**166**	185
Free cash flow: EBITDA (A) less payments for property plant and equipment, excluding strategic projects	**210**	204
Free cash flow / Sales	**4.7%**	5.2%
Payments for property, plant and equipment, excluding strategic projects / Sales	**3.7%**	4.7%

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

The following table reconciles working capital as reported:

(in millions of Canadian dollars) (unaudited)	December 31, 2022	December 31, 2021	December 31, 2020[1]
Accounts receivable	556	510	659
Inventories	587	494	569
Trade and other payables	(746)	(707)	(861)
Working capital	397	297	367

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, 2022	December 31, 2021	December 31, 2020[1]
Long-term debt	1,931	1,450	1,949
Current portion of other debts without recourse to the Corporation to be refinanced	67	—	—
Current portion of long-term debt	67	74	102
Bank loans and advances	3	1	12
Total debt	2,068	1,525	2,063
Less: Cash and cash equivalents	(102)	(174)	(384)
Net debt as reported	1,966	1,351	1,679
Last twelve months EBITDA (A) (before discontinued operations for the year ended December 31, 2020)	376	389	675
Net debt / EBITDA (A) ratio	5.2x	3.5x	2.5x

SPECIFIC ITEMS

The Corporation incurred the following specific items in 2022 and 2021:

IMPAIRMENT CHARGES

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 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%.

2021

The Containerboard Packaging segment recorded an impairment charge of $1 million in the fourth quarter on an asset that became idle following the introduction of a new technology. The recoverable amount was lower than its 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 closed plants.

1 Not adjusted for retrospective reclassification of discontinued operations.

The market dynamic 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. The current market dynamic led the Corporation to record an impairment charge totaling $71 million in the fourth quarter on goodwill and other intangible assets reflecting uncertainty about the recoverable amount of the segment compared to its carrying value. The Tissue Papers segment also recorded an impairment charge of $16 million in the fourth quarter 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 EBITDA multiple or an income approach.

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

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.

2021

The Tissue Papers segment recorded a $40 million ($1 million in the fourth quarter) gain from the sale of buildings related to closed plants in the USA and in Canada.

RESTRUCTURING COSTS

2022

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

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 costs totaling $17 million ($6 million in the fourth quarter) related to asset relocation and severances.

UNREALIZED LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

In 2022, the Corporation recorded an unrealized loss of $6 million ($4 million unrealized gain in the fourth quarter), compared to an unrealized loss of $17 million ($1 million unrealized gain in the fourth quarter) in 2021, on certain derivative financial instruments not designated for hedge accounting. The Containerboard Packaging segment recorded an unrealized loss of $7 million in 2022 and $17 million in 2021 is due to a steam contract embedded derivatives related to our Niagara Falls containerboard complex. Corporate Activities recorded an unrealized gain of $1 million in 2022 due to the financial hedging contracts for natural gas purchases.

LOSS ON REPURCHASE OF LONG-TERM DEBT

In the fourth quarter of 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 transaction fees totaling $2 million.

UNREALIZED LOSS ON OPTIONS FAIR VALUE

In the fourth quarter of 2021, the Corporation recorded an unrealized loss of $1 million, pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC.

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

In 2022, the Corporation recorded a loss of $9 million ($3 million gain in the fourth quarter) on its US$ denominated debt and related financial instruments, compared to a gain of $3 million (nil in the fourth quarter) in 2021. This is composed of foreign exchange forward contracts not designated for hedge accounting.

SPECIFIC ITEMS INCLUDED IN RECOVERY OF INCOME TAXES

In the fourth quarter of 2022, the Corporation recorded a $3 million deferred tax benefit as a result of a tax election related to the discontinued operations realized in 2021.

SPECIFIC ITEMS INCLUDED IN 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 an $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).

In the fourth quarter, 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).

Please refer to the “Discontinued Operations” section and Note 5 of the 2022 Audited Consolidated Financial Statements for more details.