

Leading the way.



Quarterly Report 1
for the three-month periods ended March 31, 2022 and 2021





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FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the operating results and financial position of Cascades Inc. ("Cascades" or "the Corporation") and should be read in conjunction with the Corporation's Unaudited Condensed Interim Consolidated Financial Statements and accompanying notes for the three-month periods ended March 31, 2022 and 2021, together with the most recent Audited Consolidated Financial Statements. Information contained herein includes any significant developments as of May 11, 2022, the date on which the MD&A was approved by the Corporation's Board of Directors. For additional information, readers are referred to the Corporation's Annual Information Form ("AIF"), which is published separately. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

The financial information contained herein, including tabular amounts, is expressed in Canadian dollars, unless otherwise specified, and is prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), unless otherwise specified. Unless otherwise specified or if required by context, the terms "we", "our" and "us" refer to Cascades Inc. and all of its subsidiaries, joint ventures and associates.

This MD&A is intended to provide readers with information that Management believes is necessary for an understanding of Cascades' current results and to assess the Corporation's future prospects. Consequently, certain statements herein, including statements regarding future results and performance, are forward-looking statements within the meaning of securities legislation, based on current expectations. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, decreases in demand for the Corporation's products, prices and availability of raw materials, changes in relative values of certain currencies, fluctuations in selling prices and adverse changes in general market and industry conditions. Cascades disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities regulations. This MD&A also includes price indices, as well as variance and sensitivity analysis that are intended to provide the reader with a better understanding of the trends with respect to our business activities. These items are based on the best estimates available to the Corporation.

TO OUR SHAREHOLDERS

FINANCIAL HIGHLIGHTS

- Sales of \$1,038 million
(compared with \$1,028 million in Q4 2021 and \$942 million in Q1 2021¹)
- As reported (including specific items)
 - Operating income (loss) of \$(4) million
(compared with \$(90) million in Q4 2021 and \$44 million in Q1 2021¹)
 - Operating income (loss) before depreciation and amortization (OIBD) of \$56 million
(compared with \$(30) million in Q4 2021 and \$109 million in Q1 2021¹)
 - Net loss per common share of \$(0.15)
(compared with net earnings per common share of \$1.04 in Q4 2021 and net earnings per common share of \$0.22 in Q1 2021)
- Adjusted (excluding specific items²)
 - Operating income (loss) of \$(2) million
(compared with \$2 million in Q4 2021 and \$57 million in Q1 2021¹)
 - OIBD of \$58 million
(compared with \$62 million in Q4 2021 and \$122 million in Q1 2021¹)
 - Net loss per common share of \$(0.15)
(compared with net loss per common share of \$(0.09) in Q4 2021 and net earnings per common share of \$0.29 in Q1 2021)
- Net debt² of \$1,549 million as of March 31, 2022 (compared with \$1,351 million as of December 31, 2021); Net debt to adjusted OIBD ratio² at 4.8x, up from 3.5x as of December 31, 2021.
- Total capital expenditures, net of disposals, of \$96 million in Q1 2022, compared to \$93 million in Q4 2021 and to \$71 million in Q1 2021¹.

FINANCIAL SUMMARY

SELECTED CONSOLIDATED INFORMATION

(in millions of Canadian dollars, except per common share amounts) (unaudited)	Q1 2022	Q4 2021	Q1 2021 ¹
Sales	1,038	1,028	942
As reported			
Operating income (loss) before depreciation and amortization (OIBD)	56	(30)	109
Operating income (loss)	(4)	(90)	44
Net earnings (loss)	(15)	105	22
per common share	(\$0.15)	\$1.04	\$0.22
Margin (OIBD)	5.4%	(2.9%)	11.6%
Adjusted²			
Operating income before depreciation and amortization (OIBD)	58	62	122
Operating income (loss)	(2)	2	57
Net earnings (loss)	(15)	(9)	29
per common share	(\$0.15)	(\$0.09)	\$0.29
Margin (OIBD)	5.6%	6.0%	13.0%

¹ 2021 first quarter 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.

² Some information represents Non-IFRS financial measures, other financial measures or Non-IFRS ratios which are not standardized under IFRS and therefore might not be comparable to similar financial measures disclosed by other corporations. Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

SEGMENTED OIBD AS REPORTED

(in millions of Canadian dollars) (unaudited)	Q1 2022	Q4 2021	Q1 2021 ¹
Packaging Products			
Containerboard	72	71	96
Specialty Products	28	21	18
Tissue Papers	(18)	(98)	18
Corporate Activities	(26)	(24)	(23)
OIBD as reported	56	(30)	109

SEGMENTED ADJUSTED OIBD²

(in millions of Canadian dollars) (unaudited)	Q1 2022	Q4 2021	Q1 2021 ¹
Packaging Products			
Containerboard	80	70	108
Specialty Products	22	21	18
Tissue Papers	(17)	(6)	20
Corporate Activities	(27)	(23)	(24)
Adjusted OIBD²	58	62	122

¹ 2021 first quarter 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.

² Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

Our first quarter performance was disappointing and lower than our expectations. While demand levels were stable for our packaging segments and continued to show positive underlying momentum in tissue, two main factors caused results to come in below our outlook. The first was the important escalation in production and operational costs, the effects of which were further compounded for our Tissue segment by persistently higher raw material prices. The second was logistics from both a cost and availability standpoint. Inflation driven fuel surcharges increased already elevated cost levels. The ongoing transportation constraints slowed order inflow levels from some customers experiencing shipping challenges while also delaying delivery of our products to some customers. Production was therefore temporarily adjusted in several of our operations, which impacted sales levels.

In the context of this high cost environment our Specialty Products segment performed well, as strong demand drove higher volumes and sales price increases were implemented. In our Tissue business, significant cost headwinds for fibre and logistics combined with planned revenue management actions being implemented to transition to an optimized customer and product portfolio resulted in a difficult quarter for this segment prior to benefits from profitability initiatives underway being realized. Finally, below expected results in our Containerboard segment reflect the immediate impact of higher input costs and a challenging transportation environment prior to the realization of benefits from the roll-out of recently announced price increases.

/s/ Mario Plourde

MARIO PLOURDE
 President and Chief Executive Officer
 May 11, 2022

OUR BUSINESS

Cascades Inc. is a paper and packaging company that produces, converts and sells packaging and tissue products composed primarily of recycled fibres. Established in 1964 in Kingsey Falls, Québec, Canada, the Corporation was founded by the Lemaire brothers, who saw the economic and social potential of building a company focused primarily on the sustainable development principles of reusing, recovering and recycling. More than 55 years later, Cascades is a multinational business with close to 80 operating facilities¹ and approximately 10,000 employees¹ across Canada and the United States. The Corporation currently operates three business segments:

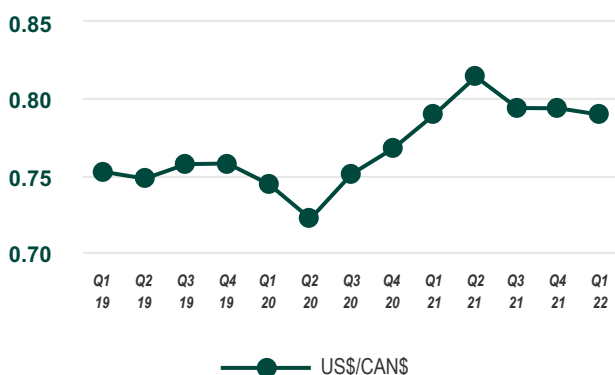
(Business segments) (unaudited)	Number of Facilities	Q1 2022 Sales ² (in \$M)	Q1 2022 Operating Income (loss) Before Depreciation and Amortization (OIBD) ² (in \$M)	Q1 2022 Adjusted OIBD ^{2,3} (in \$M)	Q1 2022 Adjusted OIBD Margin ^{2,3} (%)
PACKAGING PRODUCTS					
Containerboard	25	534	72	80	15.0%
Specialty Products	19	157	28	22	14.0%
TISSUE PAPERS	15	314	(18)	(17)	(5.4%)

BUSINESS DRIVERS

Cascades' results may be impacted by fluctuations in the following areas:

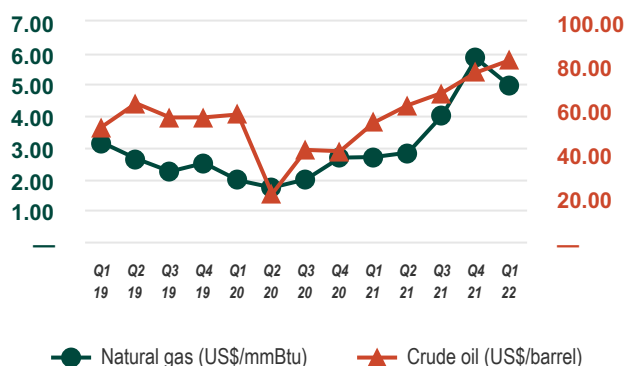
EXCHANGE RATES

Sequentially, the average value of the Canadian dollar decreased by 1% compared to the US dollar in the first quarter of 2022. On a year-over-year basis, the average value of the Canadian dollar remained stable compared to the US dollar.



ENERGY COSTS

During the first quarter, the average price of natural gas decreased by 15% sequentially and increased by 84% compared to the same period of last year. In the case of crude oil, the average price was 7% higher sequentially and 52% higher year-over-year, respectively.



(unaudited)	2020				YEAR	2021				YEAR	2022 Q1
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
US\$/CAN\$ - Average rate	\$0.74	\$0.72	\$0.75	\$0.77	\$0.75	\$0.79	\$0.81	\$0.79	\$0.79	\$0.80	\$0.79
US\$/CAN\$ - End of the period rate	\$0.71	\$0.74	\$0.75	\$0.79	\$0.79	\$0.80	\$0.81	\$0.79	\$0.79	\$0.79	\$0.80
Natural Gas Henry Hub - US\$/mmBtu	\$1.95	\$1.72	\$1.98	\$2.67	\$2.08	\$2.69	\$2.83	\$4.01	\$5.83	\$3.84	\$4.95
Crude oil (US\$/barrel)	\$57.78	\$21.65	\$41.67	\$41.07	\$40.54	\$54.16	\$62.01	\$67.60	\$76.84	\$65.15	\$82.49

Source: Bloomberg

¹ Including significant joint ventures. The Corporation also has 18 Recovery and Recycling facilities which are included in Corporate Activities.

² Excluding associates and joint ventures not included in consolidated results. Refer to Note 8 of the 2021 Audited Consolidated Financial Statements for more information on associates and joint ventures.

³ Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIALS

	2020	2021				2022	Q1 2022 vs. Q1 2021		Q1 2022 vs. Q4 2021		
	YEAR	Q1	Q2	Q3	Q4	YEAR	Q1	Change	%	Change	%
These indexes should only be used as trend indicators; they may differ from our actual selling prices and purchasing costs. (unaudited)											
Selling prices (average)											
PACKAGING PRODUCTS											
Containerboard (US\$/short ton)											
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	723	772	825	858	875	833	895	123	16%	20	2%
Corrugating medium 26-lb. semichemical, Eastern US (open market)	623	675	735	775	795	745	818	143	21%	23	3%
Specialty Products (US\$/short ton)											
Uncoated recycled boxboard - 20-pt. bending chip (series B)	708	740	793	867	980	845	1,027	287	39%	47	5%
TISSUE PAPERS (US\$/short ton)											
Parent rolls, recycled fibres (transaction)	1,120	1,115	1,159	1,170	1,178	1,156	1,213	98	9%	35	3%
Parent rolls, virgin fibres (transaction)	1,428	1,453	1,550	1,544	1,511	1,515	1,504	51	4%	(7)	—
Raw materials prices (average)											
RECYCLED PAPER											
North America (US\$/short ton)											
Sorted residential papers, No. 56 (SRP - Northeast average)	24	44	59	108	108	80	98	54	123%	(10)	(9%)
Old corrugated containers, No. 11 (OCC - Northeast average)	61	79	102	162	167	127	140	61	77%	(27)	(16%)
Sorted office papers, No. 37 (SOP - Northeast average)	109	94	117	153	173	134	205	111	118%	32	18%
VIRGIN PULP (US\$/metric ton)											
Northern bleached softwood kraft, Canada	1,141	1,302	1,598	1,542	1,472	1,478	1,527	225	17%	55	4%
Bleached hardwood kraft, mixed, Canada/US	883	1,037	1,297	1,320	1,262	1,229	1,312	275	27%	50	4%

Source: RISI and Cascades.

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 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:

For the 3-month period ended March 31, 2022					
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	44	24	(35)	(37)	(4)
Depreciation and amortization	28	4	17	11	60
Operating income (loss) before depreciation and amortization	72	28	(18)	(26)	56
Specific items:					
Gain on acquisitions, disposals and others	—	(6)	—	—	(6)
Restructuring costs	—	—	1	—	1
Unrealized loss (gain) on derivative financial instruments	8	—	—	(1)	7
	8	(6)	1	(1)	2
Adjusted operating income (loss) before depreciation and amortization	80	22	(17)	(27)	58
Adjusted operating income (loss)	52	18	(34)	(38)	(2)

For the 3-month period ended March 31, 2021 ¹					
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	65	15	—	(36)	44
Depreciation and amortization	31	3	18	13	65
Operating income (loss) before depreciation and amortization	96	18	18	(23)	109
Specific items:					
Restructuring costs	3	—	2	—	5
Unrealized loss (gain) on derivative financial instruments	9	—	—	(1)	8
	12	—	2	(1)	13
Adjusted operating income (loss) before depreciation and amortization	108	18	20	(24)	122
Adjusted operating income (loss)	77	15	2	(37)	57

¹ 2021 first quarter 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.

Net earnings (loss), as per IFRS, are reconciled below with operating income (loss), adjusted operating income (loss) and adjusted operating income before depreciation and amortization:

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended March 31,	
	2022	2021 ¹
Net earnings (loss) attributable to Shareholders for the period	(15)	22
Net earnings attributable to non-controlling interests	4	6
Results from discontinued operations	—	(8)
Provision for (recovery of) income taxes	(4)	6
Share of results of associates and joint ventures	(4)	(2)
Foreign exchange gain on long-term debt and financial instruments	(1)	(3)
Financing expense and interest expense on employee future benefits and other liabilities	16	23
Operating income (loss)	(4)	44
Specific items:		
Gain on acquisitions, disposals and others	(6)	—
Restructuring costs	1	5
Unrealized loss on derivative financial instruments	7	8
	2	13
Adjusted operating income (loss)	(2)	57
Depreciation and amortization	60	65
Adjusted operating income before depreciation and amortization	58	122

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

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	NET EARNINGS (LOSS)		NET EARNINGS (LOSS) PER COMMON SHARE ²	
	For the 3-month periods ended March 31,		For the 3-month periods ended March 31,	
	2022	2021	2022	2021
As per IFRS	(15)	22	(\$0.15)	\$0.22
Specific items:				
Gain on acquisitions, disposals and others	(6)	—	(\$0.05)	—
Restructuring costs	1	5	\$0.01	\$0.03
Unrealized loss on derivative financial instruments	7	8	\$0.05	\$0.06
Foreign exchange gain on long-term debt and financial instruments	(1)	(3)	(\$0.01)	(\$0.02)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests ²	(1)	(3)	—	—
	—	7	—	\$0.07
Adjusted	(15)	29	(\$0.15)	\$0.29
Weighted average basic number of common shares outstanding			100,822,921	102,279,404

¹ 2021 first quarter 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.

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.

The following table reconciles cash flow from (used by) operating activities from continuing operations with operating income (loss) and operating income before depreciation and amortization:

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended March 31,	
	2022	2021 ¹
Cash flow from (used by) operating activities from continuing operations	(73)	57
Changes in non-cash working capital components	94	25
Depreciation and amortization	(60)	(65)
Net income taxes paid (received)	1	(2)
Net financing expense paid	30	40
Gain on acquisitions, disposals and others	6	—
Restructuring costs	(1)	(5)
Unrealized loss on derivative financial instruments	(7)	(8)
Provisions for contingencies and charges and other liabilities, net of dividends received	6	2
Operating income (loss)	(4)	44
Depreciation and amortization	60	65
Operating income before depreciation and amortization	56	109

The following table reconciles cash flow from (used by) 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 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 March 31,	
	2022	2021 ¹
Cash flow from (used by) operating activities from continuing operations	(73)	57
Changes in non-cash working capital components	94	25
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	21	82
Restructuring costs paid	7	4
Adjusted cash flow from operating activities from continuing operations	28	86
Capex expenditures	(102)	(71)
Change in intangible and other assets	(1)	(4)
Lease obligation payments	(13)	(12)
Proceeds from disposals of property, plant and equipment	6	—
	(82)	(1)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(16)	(12)
Adjusted free cash flow used	(98)	(13)
Adjusted free cash flow used per common share (in Canadian dollars)	(\$0.97)	(\$0.13)
Weighted average basic number of common shares outstanding	100,822,921	102,279,404

The following table reconciles working capital as reported:

(in millions of Canadian dollars, except ratios) (unaudited)	March 31, 2022	December 31, 2021	December 31, 2020
Accounts receivables	551	510	659
Inventories	536	494	569
Trade and other payable	(663)	(707)	(861)
Working capital	424	297	367

¹ 2021 first quarter 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 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)	March 31, 2022	December 31, 2021	December 31, 2020
Long-term debt	1,510	1,450	1,949
Current portion of long-term debt	69	74	102
Bank loans and advances	7	1	12
Total debt	1,586	1,525	2,063
Less: Cash and cash equivalents	37	174	384
Net debt as reported	1,549	1,351	1,679
Last twelve months adjusted OIBD (before discontinued operations for the year ended December 31, 2020)	325	389	675
Net debt / Adjusted OIBD ratio	4.8x	3.5x	2.5x

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

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

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2022

In the first quarter, the Specialty Products segment recorded a \$6 million gain from the sale of land and a building related to a closed plant in Canada.

RESTRUCTURING COSTS

2022

In the first quarter, the Tissue Papers segment recorded additional costs totaling \$1 million related to asset relocation and severances.

2021

In the first quarter, the Containerboard Packaging segment recorded severance charges totaling \$3 million as part of the margin improvement program.

In the first quarter, the Tissue Papers segment recorded additional costs totaling \$2 million related to asset relocation and severances.

LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

In the first quarter of 2022, the Corporation recorded an unrealized loss of \$7 million, compared to an unrealized loss of \$8 million in the same period of 2021, on certain derivative financial instruments not designated for hedge accounting. The unrealized loss for the first quarter of 2022 is due to a steam contract embedded derivatives related to our Niagara Falls containerboard complex.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first quarter of 2022, the Corporation recorded a gain of \$1 million on its US\$ denominated debt and related financial instruments, compared to a gain of \$3 million in the same period of 2021. This is composed of a gain of \$1 million in the first quarter of 2022, compared to a gain of \$3 million in the same period of 2021, on foreign exchange forward contracts not designated for hedge accounting.

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - FIRST QUARTER OF 2022

For the 3-month period ended March 31, 2022, the Corporation posted a net loss of \$(15) million, or \$(0.15) per common share, compared to a net earnings of \$22 million, or \$0.22 per common share, in the same period of 2021. On an adjusted basis¹, the Corporation generated a net loss of \$(15) million in the first quarter of 2022, or \$(0.15) per common share, compared to a net earnings of \$29 million, or \$0.29 per common share, in the same period of 2021.

For the 3-month period ended March 31, 2022, consolidated sales totaled \$1,038 million, an increase of \$96 million, or 10%, compared to \$942 million in the same period of 2021². This largely reflects higher sales in all segments as a result of improved selling prices and sales mix and increased volumes in the Tissue Papers and Specialty Products segments.

For the 3-month period ended March 31, 2022, the Corporation recorded an operating income before depreciation and amortization (OIBD) of \$56 million, compared to \$109 million in the same period of 2021². On an adjusted basis¹, operating income before depreciation and amortization stood at \$58 million in the first quarter of 2022, compared to \$122 million in the same period of 2021². This largely reflects the increase in raw material and freight costs for all segments along with lower volume in our Containerboard Packaging segment, counterbalanced by higher selling prices that benefited all segments.

FINANCIAL OVERVIEW - 2021

Annual consolidated sales reached \$3,956 million in 2021², a decrease of \$149 million, or 4%, compared to 2020². This largely reflects the sales decrease of 21% in both Consumer Products and Away-from-Home markets of the Tissue Papers segment, offsetting higher sales in our Packaging segments.

The Corporation recorded an operating income before depreciation and amortization (OIBD) of \$302 million in 2021², compared to \$543 million in 2020². On an adjusted basis¹, operating income before depreciation and amortization stood at \$389 million in 2021², compared to \$546 million in 2020². This largely reflects the increase in raw material and freight costs for all segments along with lower volume in our Tissue Paper segment, while the Packaging Products segments benefited from higher selling prices.

¹ Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

² 2021 first quarter and full year 2020 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.

KEY PERFORMANCE INDICATORS

We use several key performance indicators to monitor our action plan and analyze the progress we are making toward achieving our long-term objectives. These include the following:

(unaudited)	2020 ⁶					2021					2022	LTM ⁷
	Q1	Q2	Q3	Q4	YEAR	Q1 ⁶	Q2	Q3	Q4	YEAR	Q1	
OPERATIONAL												
Total shipments (in '000 s.t.)¹												
Packaging Products												
Containerboard	374	360	411	399	1,544	391	385	377	368	1,521	372	1,502
Tissue Papers	181	167	145	152	645	123	138	148	145	554	131	562
Total	555	527	556	551	2,189	514	523	525	513	2,075	503	2,064
Integration rate²												
Containerboard	57%	57%	53%	55%	56%	57%	57%	58%	58%	58%	57%	58%
Tissue Papers	72%	73%	76%	79%	75%	79%	69%	71%	76%	74%	79%	74%
Manufacturing capacity utilization rate³												
Containerboard	98%	92%	98%	97%	96%	97%	96%	94%	89%	94%	93%	93%
Tissue Papers	88%	87%	73%	86%	83%	80%	78%	84%	85%	82%	84%	83%
Consolidated total	95%	90%	90%	93%	92%	92%	90%	91%	88%	90%	90%	90%
FINANCIAL												
Working capital												
In millions of CAN\$, at the end of period ⁴	493	497	467	367	367	376	377	410	297	297	424	
As a percentage of sales ^{4,5}	9.6%	9.4%	9.2%	8.8%	8.8%	8.4%	8.4%	8.5%	8.6%	8.6%	9.3%	

1 Shipments do not take into account the elimination of business sector inter-segment shipments. Shipments from our Specialty Products segment are not presented, as different units of measure are used.

2 Defined as: Percentage of manufacturing shipments transferred to our converting operations.

3 Defined as: Manufacturing internal and external shipments/practical capacity. Excluding Specialty Products segment manufacturing activities.

4 Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

5 Percentage of sales = Average quarterly last twelve months (LTM) working capital / LTM sales (Not adjusted for retrospective reclassification of discontinued operations).

6 2021 first quarter and full year 2020 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.

7 LTM (last twelve months).

HISTORICAL FINANCIAL INFORMATION

	2020 ²					2021					2022	LTM ³
(in millions of Canadian dollars, unless otherwise noted) (unaudited)	Q1	Q2	Q3	Q4	YEAR	Q1 ²	Q2	Q3	Q4	YEAR	Q1	
Sales												
Packaging Products												
Containerboard	458	454	506	500	1,918	503	497	507	502	2,009	534	2,040
Specialty Products	113	120	117	123	473	122	131	144	151	548	157	583
Inter-segment sales	(3)	(5)	(4)	(6)	(18)	(7)	(7)	(10)	(8)	(32)	(8)	(33)
	568	569	619	617	2,373	618	621	641	645	2,525	683	2,590
Tissue Papers	446	424	364	381	1,615	292	297	344	339	1,272	314	1,294
Inter-segment sales and Corporate Activities	27	27	31	32	117	32	38	45	44	159	41	168
Total	1,041	1,020	1,014	1,030	4,105	942	956	1,030	1,028	3,956	1,038	4,052
Operating income (loss)												
Packaging Products												
Containerboard	74	54	71	122	321	65	64	58	43	230	44	209
Specialty Products	8	11	11	12	42	15	14	13	17	59	24	68
	82	65	82	134	363	80	78	71	60	289	68	277
Tissue Papers	28	31	3	10	72	—	(22)	29	(115)	(108)	(35)	(143)
Corporate Activities	(40)	(32)	(31)	(40)	(143)	(36)	(33)	(27)	(35)	(131)	(37)	(132)
Total	70	64	54	104	292	44	23	73	(90)	50	(4)	2
Operating income (loss) before depreciation (OIBD)	130	127	123	163	543	109	87	136	(30)	302	56	249
Margin (OIBD / Sales) (%)²	12.5%	12.5%	12.1%	15.8%	13.2%	11.6%	9.1%	13.2%	(2.9%)	7.6%	5.4%	6.1%
Adjusted OIBD¹												
Packaging Products												
Containerboard	99	94	100	110	403	108	100	94	70	372	80	344
Specialty Products	12	17	16	15	60	18	18	17	21	74	22	78
	111	111	116	125	463	126	118	111	91	446	102	422
Tissue Papers	45	54	36	40	175	20	1	12	(6)	27	(17)	(10)
Corporate Activities	(25)	(22)	(19)	(26)	(92)	(24)	(21)	(16)	(23)	(84)	(27)	(87)
Total	131	143	133	139	546	122	98	107	62	389	58	325
Margin (Adjusted OIBD / Sales) (%)^{1,2}	12.6%	14.0%	13.1%	13.5%	13.3%	13.0%	10.3%	10.4%	6.0%	9.8%	5.6%	8.0%
Net earnings (loss)	22	54	49	73	198	22	3	32	105	162	(15)	125
Adjusted ¹	39	58	48	42	187	29	8	(1)	(9)	27	(15)	(17)
Net earnings (loss) from continuing operations per basic common share (in Canadian dollars) ²	\$0.15	\$0.43	\$0.43	\$0.73	\$1.74	\$0.17	\$0.04	\$0.18	(\$0.98)	(\$0.59)	(\$0.15)	(\$0.91)
Net earnings (loss) from discontinued operations per basic common share (in Canadian dollars) ²	\$0.09	\$0.14	\$0.08	(\$0.01)	\$0.30	\$0.05	(\$0.02)	\$0.14	\$2.02	\$2.19	—	\$2.14
Net earnings (loss) per common share (in Canadian dollars)												
Basic	\$0.24	\$0.57	\$0.51	\$0.72	\$2.04	\$0.22	\$0.02	\$0.32	\$1.04	\$1.60	(\$0.15)	\$1.23
Diluted	\$0.23	\$0.57	\$0.50	\$0.72	\$2.02	\$0.22	\$0.02	\$0.32	\$1.03	\$1.59	(\$0.15)	\$1.22
Basic, adjusted ¹	\$0.42	\$0.61	\$0.50	\$0.42	\$1.95	\$0.29	\$0.07	(\$0.01)	(\$0.09)	\$0.26	(\$0.15)	(\$0.18)
Cash flow from operating activities (excluding changes in non-cash working capital components)²	124	125	78	131	458	82	87	58	20	247	21	186
Net debt¹	2,212	2,077	1,982	1,679	1,679	1,654	1,707	1,760	1,351	1,351	1,549	

1 Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

2 2021 first quarter and full year 2020 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.

3 LTM (last twelve months).

BUSINESS HIGHLIGHTS

STRATEGIC PLAN 2022-2024

As part of the annual review of its corporate strategy, the Corporation analyzes its overall business and the environment in which it competes, sets objectives for the following year and the years ahead and approves its budgets, all with a view to enhancing shareholder value. On February 24, 2022, Management and the Board of Directors disclosed its strategic plan update for the years 2022 to 2024, to Shareholders of the Corporation. The following is an update on the strategic plan:

TISSUE PAPERS SEGMENT PROFITABILITY PLAN

The plan is closely monitored by management and is progressing well with initiatives directed towards production efficiency and net revenue management. Benefits from these initiatives will contribute to offsetting significant headwinds the segment is facing and will set solid foundations for the future. As expected, benefits from these initiatives did not contribute materially to first quarter performance. Despite significant cost headwinds, we remain confident that we will be in the range of the 2022 target disclosed in our February strategic update, as benefits from previously announced price increases will begin to support this segment's results in the second quarter, and will be further supplemented by additional price increases for Away-from-Home products announced for July 1 as well as continued revenue and cost optimization initiatives. On the production side, the 2022 target of 65 to 70 million cases has been revised down to approximately 64 million cases.

(in millions of Canadian dollars)



BEAR ISLAND PROJECT

The Bear Island strategic investment in the conversion of assets to recycled containerboard production, is progressing according to plan. The initial total investment of \$475 million (US\$380 million) has now been revised upward to a range of \$530-565 million (US\$425-450 million) due to continued inflationary pressure on material and labour costs. Since 2018 we have invested a total of \$241 million (2022 - \$64 million), which includes site acquisition cost, building preparation and equipment for its expected start-up in December 2022. The project incurred \$2 million of operational costs in the first quarter of 2022 (\$7 million on a last twelve month basis and \$1 million in the first quarter of 2021).

The elevated capital investments for this project combined with our lower consolidated financial results in the first quarter led to a notable increase in our net debt / adjusted OIBD ratio¹. This course is expected to reverse with improved business performance in the coming months and positive cash flows from the Bear Island project following the facility's start-up.

¹ Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

BUSINESS START-UP, ACQUISITION, DISPOSAL AND CLOSURE

The following transactions should be taken into consideration when reviewing the overall and segmented analysis of the Corporation's 2022 and 2021 results.

BOXBOARD EUROPE

- On October 26, 2021, the Corporation closed the sale transaction of its Boxboard Europe segment. The operations are presented as discontinued operations since the second quarter of 2021 with reclassification of the first quarter of 2021, as well as the comparative year 2020.

SIGNIFICANT FACTS AND DEVELOPMENTS

2021

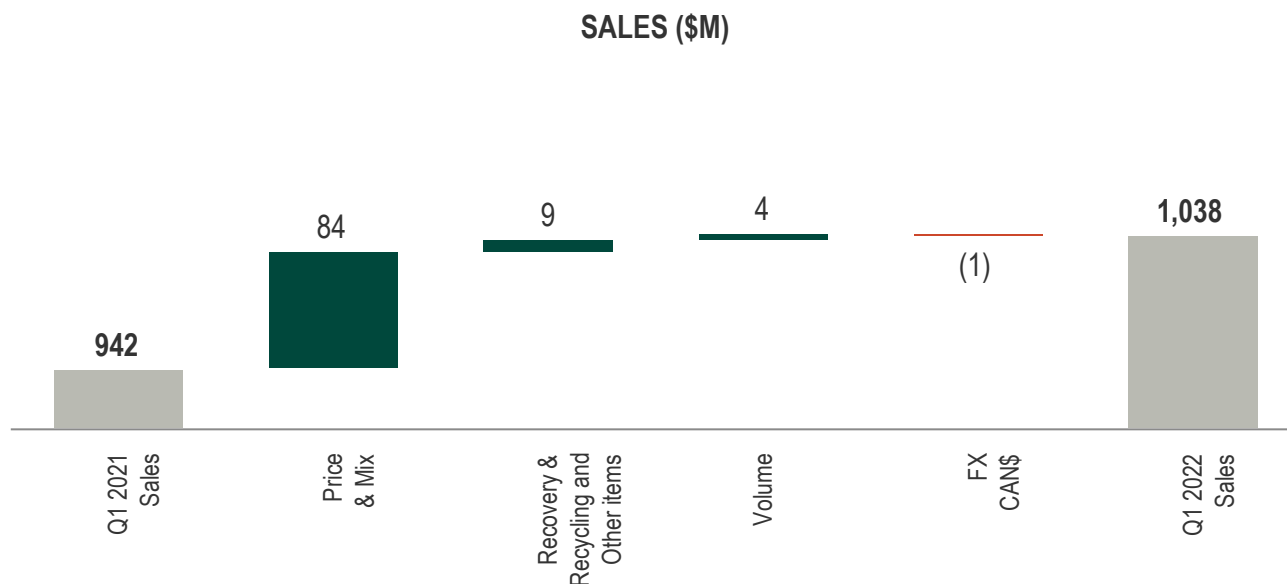
- On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US\$144 million (\$180 million) and US\$155 million (\$192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US\$18 million (\$22 million).
- On August 5, 2021, the Corporation announced an increase of its quarterly dividend from \$0.08 to \$0.12 per common share.
- On April 30, 2021, the Corporation entered into an agreement with its lenders to extend and amend its existing \$750 million revolving credit facility. The amendment extends the term on the facility to July 7, 2025. The financial conditions remain unchanged.

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022, AND 2021

SALES

Sales of \$1,038 million increased by \$96 million, or 10%, in the first quarter of 2022 compared to \$942 million in the same period of 2021¹. Higher selling prices in all segments had a positive impact on sales. The Corporation also recorded higher volumes in the Tissue Papers and Specialty Products segments but these were partially offset by a decrease in Containerboard volumes related to supply chain and transportation challenges, mainly stemming from railway limitations.

The main variances in sales in the first quarter of 2022, compared to the same period of 2021¹, are shown below:
(in millions of Canadian dollars)

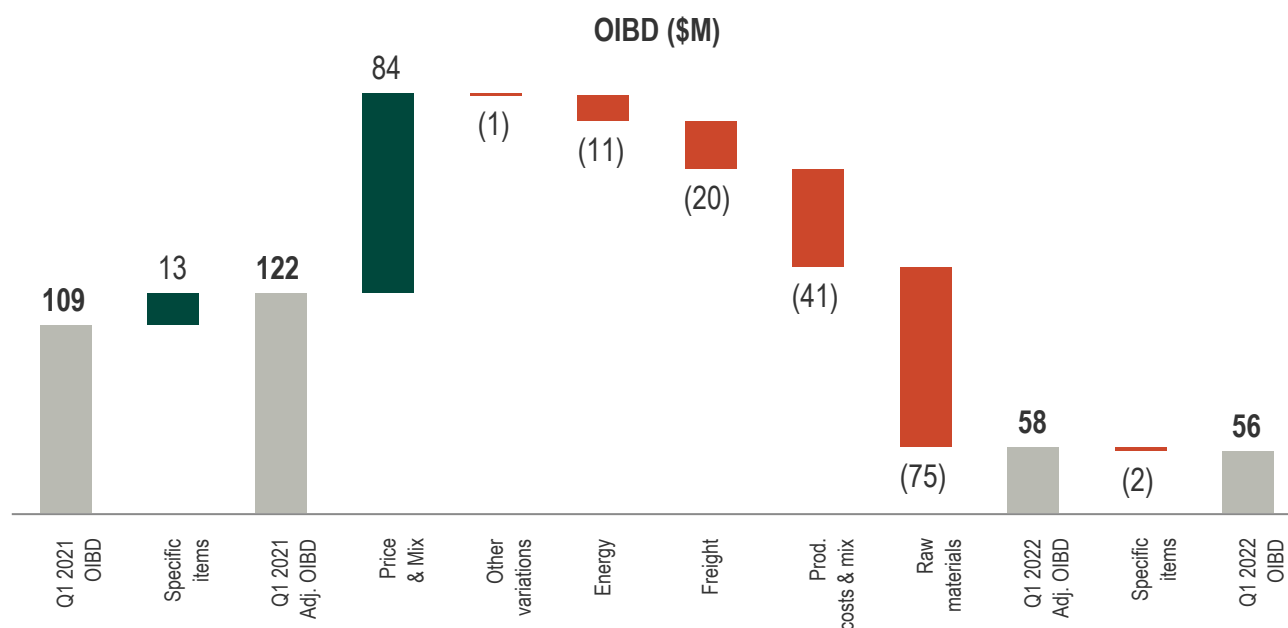


¹ 2021 first quarter consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an operating income before depreciation and amortization (OIBD) of \$56 million in the first quarter of 2022, a decrease of \$53 million, or 49%, compared to the first quarter of 2021¹. Specific items² recorded in the first quarter of 2022 negatively impacted OIBD by \$2 million, compared to the negative impact of \$13 million recorded in the same period of 2021. Excluding specific items, the \$64 million adjusted OIBD² decrease is mainly explained by the increase in raw material costs in all segments, lower volume in the Containerboard segment, as well as general inflationary pressure on production costs, energy and a significant increase in logistic costs. This was partially offset by higher average selling prices for all segments.

The main variances in OIBD in the first quarter of 2022, compared to the same period of 2021¹, are shown below: (in millions of Canadian dollars)



Adjusted OIBD	Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.
Raw materials (OIBD)	The impacts of these estimated costs are based on production costs per unit shipped externally or inter-segment, which are affected by yield, product mix changes, inbound freight costs and purchase and transfer prices. In addition to market pulp and recycled fibre, these costs include purchases of external boards and parent rolls for the converting sector, and other raw materials such as plastic and wood chips.
F/X CAN\$ (OIBD)	The estimated impact of the exchange rate is based on the Corporation's Canadian export sales less purchases, denominated in US\$, that are impacted by exchange rate fluctuations and by the translation of our non-Canadian subsidiaries OIBD into CAN\$. It also includes the impact of exchange rate fluctuations on the Corporation's Canadian units in currency other than the CAN\$ working capital items and cash positions, as well as our hedging transactions. It excludes indirect sensitivity (please refer to the "Sensitivity Table" section of the 2021 Annual Report for further details).
Other production costs and mix (OIBD)	These costs include the impact of variable and fixed costs based on production costs per unit shipped externally, which are affected by downtime, efficiency and product mix changes.
Recovery and Recycling activities (Sales and OIBD)	While this sub-segment is integrated within the other segments of the Corporation, all variations in the results of Recovery and Recycling activities are presented separately and on a global basis in the charts.

The sales and OIBD variances analysis by segment is shown in each business segment review (please refer to the "Business Segment Review" section for more details).

The Corporation incurred certain specific items in the first quarters of 2022 and 2021 that adversely or positively affected its operating results².

¹ 2021 first quarter 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.

² Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

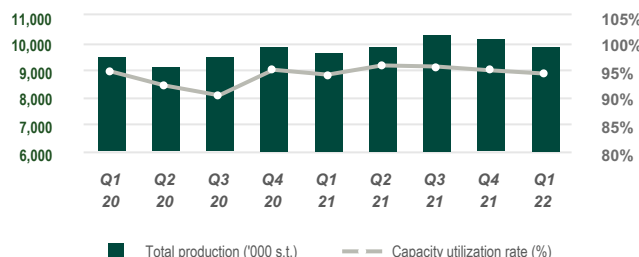
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

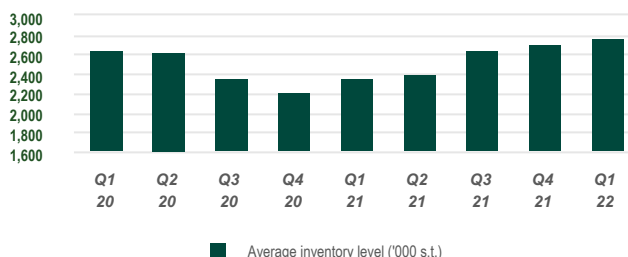
U.S. containerboard industry production and capacity utilization rate ¹

During the first quarter of 2022, total U.S. containerboard production amounted to 9.9 million short tons, a sequential decrease of 3% and a year-over-year increase of 2%. The industry registered an average capacity utilization rate of 94% during the quarter.



U.S. containerboard inventories at box plants and mills ²

The average inventory level increased 3% sequentially and 18% year-over-year during the first quarter of 2022. Inventory levels stood at approximately 2.7 million short tons at the end of March 2022.

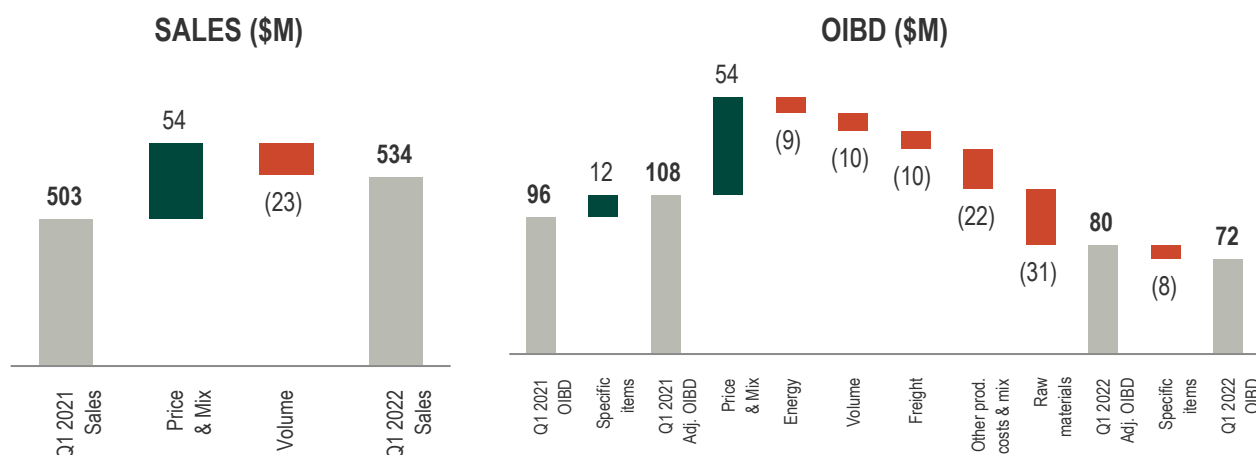


¹ Source: RISI

² Source: Fibre Box Association

Our Performance

The main variances¹ in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the first quarter of 2022, compared to the same period of 2021, are shown below:



The Corporation incurred certain specific items in the first quarters of 2022 and 2021 that adversely or positively affected its operating results².

¹ For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the three-month periods ended March 31, 2022, and 2021" section for more details.

² Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

Q1 2021	Q1 2022	Change in %
Shipments² ('000 s.t.)		
391	372	-5%
Average Selling Price (CAN\$/unit)		
1,289	1,434	11%
Sales (\$M)		
503	534	6%
OIBD (\$M) (as reported)		
96	72	-25%
19%	13%	
(adjusted)¹		
108	80	-26%
21%	15%	
Operating income (\$M) (as reported)		
65	44	-32%
(adjusted)¹		
77	52	-32%

¹ Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

² Shipments do not take into account the elimination of business sector inter-segment shipments. Including 3.4 billion square feet in the first quarter of 2022 compared to 3.6 billion square feet in the same period of 2021, a decrease of 6%.

³ Including sales to other partners in Greenpac.

Shipments decreased by 19,000 s.t., or 5%, in the first quarter of 2022 compared to the same period of 2021.

This reflected a 6,000 s.t. or 3% decrease in external parent roll shipments compared to the same period of 2021. This was driven by a transportation availability shortage at the beginning of the year that negatively impacted parent rolls shipments by approximately 8,000 s.t.. This resulted in a 4% year-over-year decrease in the manufacturing utilization rate to 93%. The mill integration rate of 57% remained stable compared to the same period last year. Including sales to other partners³, the integration rate was 75% in the first quarter of 2022, up from 71% in the same period of 2021.

Shipments from converting activities decreased by 13,000 s.t., or 6%, compared to the same period of 2021. This reflects an 8% underperformance by our Canadian activities compared to the market which is down 1% compared to the first quarter of 2021. The impacts from labour and transportation constraints at the beginning of the year and erosion of some customer accounts related to profitability initiatives explains lower volume for the quarter. For the US activities, performance is in line with the market also down 1% compared to last year. The market decrease compared to last year reflects strong industry demand in the first quarter of 2021.

The average selling price increased by 11% in the first quarter of 2022 compared to the same period of 2021. This reflected increases of 11% for parent rolls and 12% for converted products.

Sales increased by \$31 million in the first quarter of 2022 compared to the same period of 2021. This reflected a \$57 million benefit from higher average selling prices that was partially offset by a less favorable sales mix impact of \$3 million and a negative impact of \$23 million due to lower volumes.

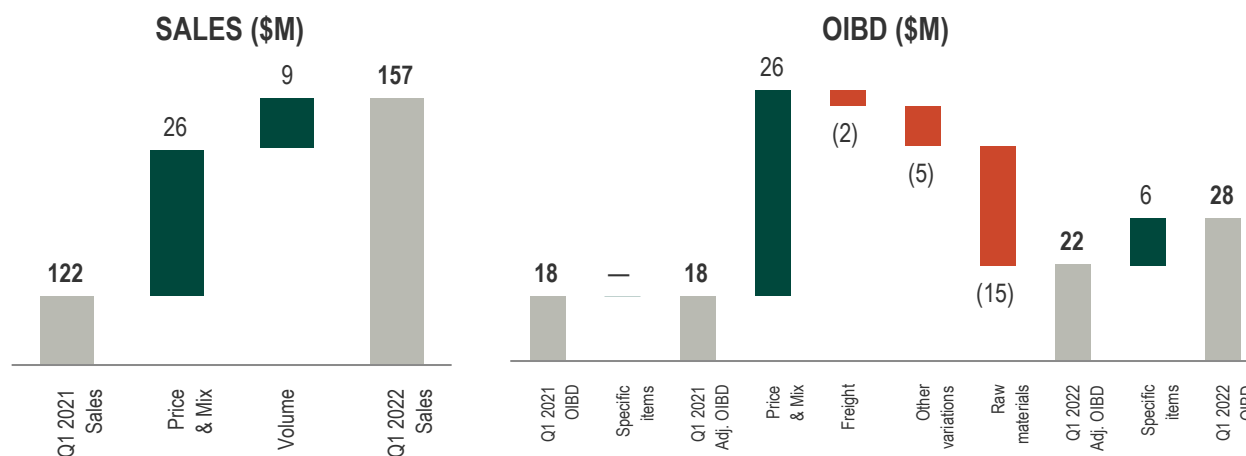
Operating income before depreciation and amortization (OIBD) decreased by \$24 million, or 25%, in the first quarter of 2022 compared to the same period of 2021. Excluding specific items¹ in both years, the \$28 million, or 26%, adjusted OIBD¹ decrease reflects the impact of inflationary pressure on our operational and supply chain expenses in addition to transportation capacity challenges, including persistent railway shipping availability limitations in early 2022. Overall inflationary pressure on freight, energy, labour and other production costs drove operation expenses up by \$41 million. This amount also includes operational costs of \$2 million related to the Bear Island project in 2022 compared to \$1 million for the same period in 2021. Other impacts include a 5% decrease in volume and higher raw material prices year-over-year that negatively impacted profitability levels by \$10 million and \$31 million, respectively. On the other hand, a higher average selling price combined with a less favourable mix of products sold had a net positive impact of \$54 million.

The segment incurred some specific items¹ in the first quarters of 2022 and 2021 that affected OIBD.

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Performance

The main variances¹ in sales and operating income before depreciation and amortization for the Specialty Products segment in the first quarter of 2022, compared to the same period of 2021, are shown below:



The Corporation incurred certain specific items in the first quarters of 2022 and 2021 that adversely or positively affected its operating results².

¹ For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the three-month periods ended March 31, 2022, and 2021" section for more details.

² Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

Q1 2021	Q1 2022	Change in %
Sales (\$M)		
122	157	29%
OIBD (\$M)		
<i>(as reported)</i>		
18	28	56%
<i>% of sales</i>		
15%	18%	
<i>(adjusted)¹</i>		
18	22	22%
<i>% of sales</i>		
15%	14%	
Operating income (\$M)		
<i>(as reported)</i>		
15	24	60%
<i>(adjusted)¹</i>		
15	18	20%

¹ Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

Sales increased by \$35 million, or 29%, in the first quarter of 2022 compared to the same period of 2021. All of our markets delivered higher average selling prices, representing \$26 million of the increase in sales. Higher volumes also added \$9 million.

Operating income before depreciation and amortization (OIBD) increased by \$10 million, or 56%, in the first quarter of 2022 compared to the same period of 2021. Excluding specific items¹, the adjusted OIBD¹ increased by \$4 million, or 22%. This performance is the result of higher realized spreads which positively impacted our results by a net of \$11 million. Better volumes also added \$2 million. These were partially offset by higher transportation, operating, labor and other costs which negatively impacted results by a total amount of \$9 million.

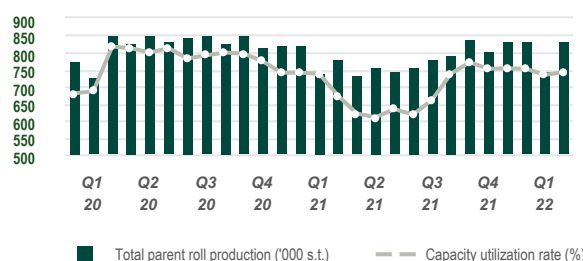
The segment incurred some specific items¹ in the first quarter of 2022 that affected OIBD.

TISSUE PAPERS

Our Industry

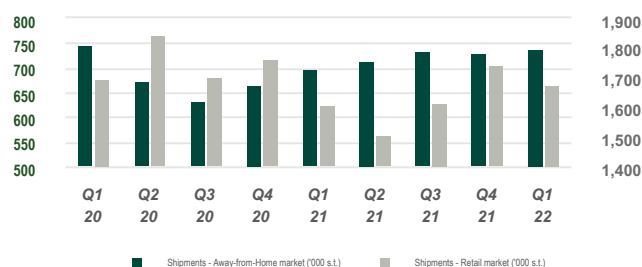
U.S. tissue paper industry production (parent rolls) and capacity utilization rate¹

During the first quarter of 2022, parent roll production amounted to 2.4 million tons, down by 2% sequentially and up by 3% compared to the same period last year. The average capacity utilization rate for the quarter stood at 95%, down by 1% sequentially and up by 1% compared to the first quarter of 2021.



U.S. tissue paper industry converted product shipments¹

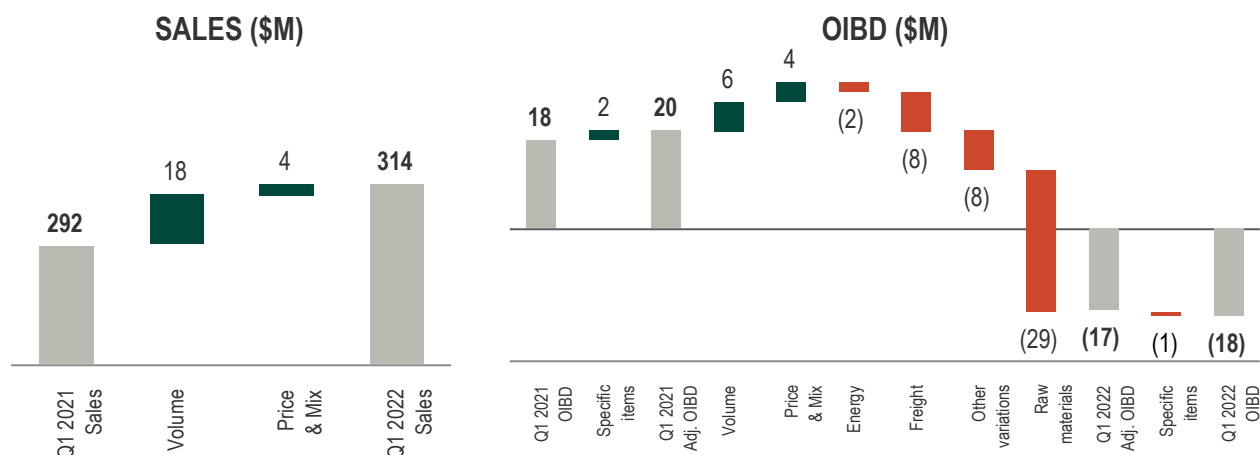
Shipments in the Away-from-Home market increased by 1% sequentially and 6% year-over-year in the first quarter of 2022. Shipments in the Retail market decreased by 3% compared to the previous quarter and increased by 5% versus the same period of 2021.



¹ Source: RISI

Our Performance

The main variances¹ in sales and operating income (loss) before depreciation and amortization for the Tissue Papers segment in the first quarter of 2022, compared to the same period of 2021, are shown below:



The Corporation incurred certain specific items in the first quarters of 2022 and 2021 that adversely or positively affected its operating results².

¹ For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the three-month periods ended March 31, 2022, and 2021" section for more details.

² Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

Q1 2021	Q1 2022	Change in %
Shipments² ('000 s.t.)		
123	131	7%
Average Selling Price (CAN\$/unit)		
2,372	2,398	1%
Sales (\$M)		
292	314	8%
OIBD (\$M) (as reported)		
18	(18)	-200%
6%	(6%)	
(adjusted)¹		
20	(17)	-185%
7%	(5%)	
Operating income (loss) (\$M) (as reported)		
—	(35)	-100%
(adjusted)¹		
2	(34)	-1,800%

¹ Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

² Shipments do not take into account the elimination of business sector inter-segment shipments.

Converted product shipments increased by 6,000 s.t., or 6%, on a year-over-year basis. In terms of cases, shipments increased by 400,000 cases, or 3% to 13.8 million cases in the first quarter of 2022. This was mainly driven by higher demand in the Away-from-Home market (+17%) due to the reopening of certain markets in some regions partially offset by lower demand for consumer products (-2%). External manufacturing shipments increased by 2,000 s.t., or 6%, in the first quarter of 2022 compared to the same period of 2021. The integration rate stood at 79% for both periods.

The 1% increase in the average selling price was primarily due to price increase initiatives which led to higher average selling prices in both Away-from-Home and Consumer Products markets slightly offset by an unfavourable mix of products sold.

Sales increased by \$22 million, or 8% in the first quarter of 2022 compared to the same period of 2021. This reflects a positive impact of \$18 million related to higher volumes and a \$8 million benefit related to selling price increases. These were partially offset by a \$4 million impact related to the mix of customers and products sold in the current period.

Operating income before depreciation and amortization (OIBD) decreased by \$36 million in the first quarter of 2022 compared to the same period of 2021. Excluding specific items¹ in both years, the adjusted OIBD¹ decreased by \$37 million, mainly due to a \$29 million impact from higher raw material costs, an \$8 million impact from higher transportation costs and an \$8 million impact from higher production costs stemming in part from inflationary pressure. These results were slightly offset by higher volumes and higher selling prices as stated above.

The segment incurred some specific items¹ in the first quarters of 2022 and 2021 that affected OIBD.

CORPORATE ACTIVITIES

Corporate Activities incurred some specific items¹ in the first quarters of 2022 and 2021 that affected OIBD. Corporate Activities registered an adjusted OIBD¹ loss of \$27 million in the first quarter of 2022, compared to a loss of \$24 million in the same period of 2021. The OIBD of our Recovery and Recycling activities was stable in the first quarter of 2022. Corporate Activities also incurred additional costs to support the profitability improvement initiatives in the Tissue Papers segment.

In the first quarter of 2022, the Corporate Activities recorded an unrealized gain on derivative financial instruments of \$1 million, compared to an unrealized gain of \$1 million in the same period of 2021.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to \$1 million in the first quarter of 2022, compared to \$3 million in the same period of 2021. For more details on stock-based compensation, please refer to Note 21 of the 2021 Audited Consolidated Financial Statements.

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense decreased by \$5 million to \$60 million in the first quarter of 2022, compared to \$65 million in the same period of 2021². The decrease is mainly caused by the fact that the Corporation recorded impairment charges on certain assets in 2021, and some assets reached their full depreciation and amortization, as well there was a review of useful life of assets in the first quarter of 2021.

FINANCING EXPENSE AND INTEREST EXPENSE ON EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES

The financing expense and interest expense on employee future benefits and other liabilities amounted to \$16 million in the first quarter of 2022, compared to \$23 million in the same period of 2021², a decrease of \$7 million. The variance is mainly attributable to higher capitalized interests, lower indebtedness and a lower average financing rate following the partial repurchase of unsecured senior notes in the fourth quarter of 2021.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first quarter of 2022, the Corporation recorded a gain of \$1 million on its US\$ denominated debt and related financial instruments, compared to a gain of \$3 million in the same period of 2021. Please refer to the “Supplemental Information on Non-IFRS Measures and Other Financial Measures” section for more details.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to \$4 million in the first quarter 2022, compared to \$2 million in the same period of 2021. Please refer to Note 8 of the 2021 Audited Consolidated Financial Statements for more information on associates and joint ventures.

PROVISION FOR (RECOVERY OF) INCOME TAXES

In the first quarter of 2022, the Corporation recorded a recovery of income taxes of \$4 million, which compares to an income tax provision of \$6 million in the same period of 2021².

Greenpac is a limited liability company (LLC) and partners agreed to account for it as a disregarded entity for tax purposes. Consequently, income taxes associated with Greenpac net earnings are proportionately recorded by each partner based on its respective share in the LLC and no income tax provision is included in Greenpac's net earnings. As such, although Greenpac is fully consolidated in the Corporation's results, only 92% of pre-tax book income is considered for tax provision purposes.

The effective tax rate and income taxes are affected by the results of certain subsidiaries and joint ventures located in countries where the income tax rates are different from those in Canada, notably the United States. The normal effective tax rate is expected to be in the range of 21% to 27%. The weighted-average applicable tax rate was 24.6% in the first quarter of 2022.

¹ Please refer to the “Supplemental Information on Non-IFRS Measures and Other Financial Measures” section for a complete reconciliation.

² 2021 first quarter 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.

RESULTS FROM DISCONTINUED OPERATIONS

Results from discontinued operations amounted to \$8 million in the first quarter of 2021¹. Results from discontinued operations attributable to Shareholders amounted to \$5 million in the first quarter of 2021¹. Please refer to the “Discontinued Operations” section and Note 5 of the 2021 Audited Consolidated Financial Statements for all details on results from discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

Cash flows from operating activities from continuing operations, excluding changes in non-cash working capital components, stood at \$21 million in the first quarter of 2022, compared to \$82 million in the same period of 2021¹. This cash flow measurement is relevant to the Corporation’s ability to pursue its capital expenditure program and reduce its indebtedness.

Cash flows from operating activities from continuing operations used \$73 million in liquidity in the first quarter of 2022, compared to \$57 million generated in the same period of 2021¹. The decrease is driven by lower profitability compared to 2021 first quarter and payments totaling \$7 million for severances and other restructuring costs related to closures and margin improvement initiatives, compared to \$4 million in the same period of 2021. The Corporation paid \$30 million of financing expense in the first quarter of 2022, compared to \$40 million in the same period of 2021¹. The Corporation also paid \$1 million of income taxes in the first quarter of 2022, compared to \$2 million received in the same period of 2021¹.

Changes in non-cash working capital components used \$94 million in liquidity in the first quarter of 2022, compared to \$25 million used in the same period of 2021¹ due to lower trade payable and higher inventory and accounts receivable compared to 2021 year-end. As of March 31, 2022, average quarterly LTM working capital as a percentage of LTM sales² stood at 9.3%, which compares to 8.6% as of December 31, 2021.

INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investing activities from continuing operations used \$97 million in the first quarter of 2022, compared to \$75 million used in the same period of 2021¹.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended March 31,	
	2022	2021 ¹
Total acquisitions	99	74
Variation of acquisitions for property, plant and equipment included in “Trade and other payables”	24	(3)
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	(21)	—
Payments for property, plant and equipment	102	71
Proceeds from disposals of property, plant and equipment	(6)	—
Payments for property, plant and equipment net of proceeds from disposals	96	71

¹ 2021 first quarter 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.

² Please refer to the “Supplemental Information on Non-IFRS Measures and Other Financial Measures” section for a complete reconciliation.

New capital expenditure projects, including right-of-use assets, by segment in the first quarter of 2022 were as follows:
(in millions of Canadian dollars)



The major capital projects that were initiated, are in progress or were completed in the first quarter of 2022 are as follows:

CONTAINERBOARD PACKAGING

- Bear Island assets in Virginia, USA for site preparation and conversion of equipment to recycled containerboard manufacturing (see “Business Highlights” section for more details).
- Investment in converting assets as part of the strategic repositioning of our containerboard platform in Ontario, Canada, following the announced closure of our Etobicoke plant.

SPECIALTY PRODUCTS

- Investment in equipment to add rigid plastic packaging products capacity.

TISSUE PAPERS

- Investment in equipment to optimize the capacity of our converting lines.

CORPORATE ACTIVITIES

- Investment in the modernization of the water treatment system at the Kingsey Falls complex in Québec, Canada.

PROCEEDS FROM DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

The main disposals of property, plant and equipment are as follows:

In the first quarter of 2022, the Specialty Products segment received \$5 million from the sale of land and a building related to a closed plant in Canada. An additional amount of \$1 million deposited in escrow will be released under certain conditions.

CHANGE IN INTANGIBLE AND OTHER ASSETS

In the first quarter of 2022, the Corporation invested \$1 million, compared to \$3 million in the same period of 2021 in its ERP information technology system and other software developments. In the first quarter of 2021, the Corporation invested an additional \$1 million for other assets, including deposits.

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

Financing activities from continuing operations generated \$33 million in liquidity in the first quarter of 2022, compared to \$42 million used in the same period of 2021¹, including \$12 million (\$8 million in 2021) in dividend payments to the Corporation's Shareholders.

ISSUANCE OF COMMON SHARES UPON EXERCISE OF STOCK OPTIONS AND REDEMPTION OF COMMON SHARES

The Corporation issued 7,265 common shares at an average price of \$4.90 as a result of the exercise of stock options in the first quarter of 2022, representing an aggregate amount of less than \$1 million (in the same period of 2021 - less than \$1 million for 4,842 common shares issued at an average price of \$14.28).

The Corporation purchased 394,021 common shares for cancellation at an average price of \$13.04 for \$5 million in the first quarter of 2022 (in the same period of 2021 - none).

DIVIDENDS PAID TO NON-CONTROLLING INTERESTS

Dividends paid to non-controlling interests in Greenpac and Falcon Packaging amounted to \$4 million in the first quarter of 2022 (\$4 million in the same period of 2021).

CASH FLOWS FROM DISCONTINUED OPERATIONS

In the first quarter of 2021¹, the Boxboard Europe segment received \$4 million from the sale of the land of a closed plant.

Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for all details on cash flows from discontinued operations.

CONSOLIDATED FINANCIAL POSITION

AS OF MARCH 31, 2022 AND DECEMBER 31, 2021 AND 2020

The Corporation's financial position and ratios are as follows:

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	March 31, 2022	December 31, 2021	December 31, 2020
Cash and cash equivalents	37	174	384
Total assets	4,533	4,566	5,412
Total debt ²	1,586	1,525	2,063
Net debt ²	1,549	1,351	1,679
Equity attributable to Shareholders	1,857	1,879	1,753
Non-controlling interests	48	48	204
Total equity	1,905	1,927	1,957
Total equity and net debt ²	3,454	3,278	3,636
Ratio of net debt ² /(total equity and net debt ²)	44.8%	41.2%	46.2%
Shareholders' equity per common share (in Canadian dollars)	\$18.48	\$18.63	\$17.14

The following table reflects the Corporation's secured debt rating/corporate rating/unsecured debt rating:

Credit rating (outlook)	MOODY'S	STANDARD & POOR'S
December 31, 2021	Baa3/Ba2/Ba3 (stable)	BB+/BB-/BB- (positive)
March 31, 2022	Baa3/Ba2/Ba3 (stable)	BB+/BB-/BB- (stable)

During the first quarter of 2022, STANDARD & POOR'S revised the Corporation outlook to stable from positive on cost headwinds and reaffirmed its 'BB-' rating.

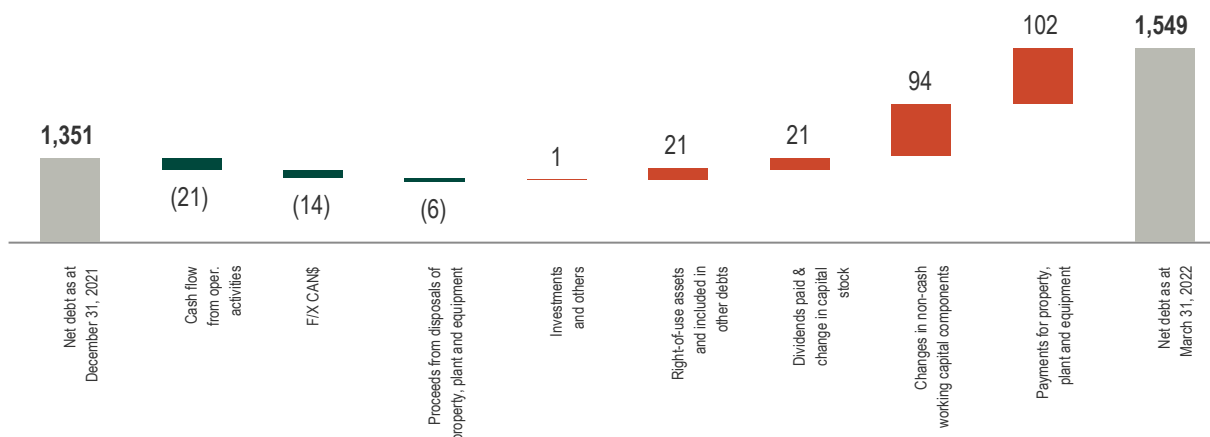
¹ 2021 first quarter consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

² Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

NET DEBT¹ RECONCILIATION

The variances in the net debt¹ (total debt¹ less cash and cash equivalents) in the first quarter of 2022 are shown below, with the applicable financial ratios included.

(in millions of Canadian dollars)



389	Adjusted OIBD ¹ (last twelve months) (\$M)	325
3.5x	Net debt ¹ /Adjusted OIBD ¹	4.8x

Liquidity available via the Corporation's credit facilities, cash and cash equivalent balance and the anticipated cash flow generated by its operating activities are expected to provide sufficient funds to meet our financial obligations and to fulfill our capital expenditure program for at least the next twelve months. Forecasted 2022 capital expenditures are expected to be approximately \$415 million, encompassing \$275 million for the Bear Island containerboard conversion project in Virginia, USA. As of March 31, 2022, the Corporation had \$674 million (net of letters of credit in the amount of \$14 million) available on its \$750 million credit facility (excluding the credit facilities of our subsidiary Greenpac). Cash and cash equivalents as of March 31, 2022 are comprised as follows: \$11 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and \$26 million in unrestricted subsidiaries, mainly Greenpac.

NEAR-TERM OUTLOOK

Looking ahead, we are implementing price increases in our packaging segments that will help to offset input cost headwinds. These, combined with good demand for our packaging products as we enter the summer season, will progressively improve profitability levels in the coming months. Our Bear Island project is advancing as planned with project costs and the December 2022 start-up date in line with our stated objectives. The elevated capital investments for this project combined with our lower consolidated financial results in the first quarter led to a notable increase in leverage. This course is expected to reverse with improved business performance in the coming months and future positive contribution from the Bear Island project following the facility's start-up. In Tissue, we are encouraged with the progress of the profitability plan notwithstanding this segment's first quarter results. As expected, benefits from these initiatives did not contribute materially to first quarter performance. Despite significant cost headwinds, we remain confident that we will be in the range of the 2022 target disclosed in our February strategic update, as benefits from previously announced price increases will begin to support this segment's results in the second quarter, and will be further supplemented by additional price increases for Away-from-Home products announced for July 1 as well as continued revenue and cost optimization initiatives.

¹ Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

CAPITAL STOCK INFORMATION

COMMON SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol "CAS". From January 1, 2022 to March 31, 2022, Cascades' common share price fluctuated between \$12.25 and \$14.14. During the same period, 25.1 million Cascades common shares were traded. On March 31, 2022, Cascades common shares closed at \$12.82. This compares with a closing price of \$15.73 on the same closing day last year.

COMMON SHARES OUTSTANDING

As of March 31, 2022, the Corporation's issued and outstanding capital stock consisted of 100,473,606 common shares (100,860,362 as of December 31, 2021) and 2,366,151 issued and outstanding stock options (2,373,416 as of December 31, 2021). In 2022, the Corporation purchased 394,021 common shares for cancellation, while 7,265 stock options were exercised.

As of May 11, 2022, issued and outstanding capital stock consisted of 100,473,606 common shares and 2,366,151 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The normal course issuer bid announced on March 17, 2021 enabled the Corporation to purchase for cancellation up to 2,045,621 common shares between March 19, 2021 and March 18, 2022. During that period, the Corporation purchased 2,045,621 common shares for cancellation.

The current normal course issuer bid announced on March 17, 2022 enables the Corporation to purchase for cancellation up to 2,015,053 common shares between March 19, 2022 and March 18, 2023. During the period between March 19, 2022 and May 11, 2022, the Corporation purchased no common shares for cancellation.

DIVIDEND POLICY

On May 11, 2022, Cascades' Board of Directors declared a quarterly dividend of \$0.12 per common share to be paid on June 9, 2022 to shareholders of record at the close of business on May 26, 2022. On May 11, 2022, dividend yield was 4.0%.

TSX Ticker: CAS	2020				2021				2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Common shares outstanding (in millions) ¹	94.3	95.0	95.0	102.3	102.3	102.3	100.9	100.9	100.5
Closing price (in Canadian dollars) ¹	\$12.57	\$14.79	\$16.84	\$14.55	\$15.73	\$15.26	\$15.67	\$13.97	\$12.82
Average daily volume ²	256,827	298,267	257,710	363,795	342,616	433,394	278,277	272,438	250,944
Dividend yield ¹	2.5%	2.2%	1.9%	2.2%	2.0%	2.1%	3.1%	3.4%	3.7%

¹ On the last day of the quarter.

² Average daily volume on the Toronto Stock Exchange.

CASCADES' COMMON SHARE PRICE FOR THE PERIOD FROM JANUARY 1, 2020 TO MARCH 31, 2022
(in Canadian dollars)



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

For all the details for this section, please refer to the notes to the Unaudited Condensed Interim Consolidated Financial Statements.

CONTROLS AND PROCEDURES

EVALUATION OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's President and Chief Executive Officer, and its Vice-President and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings".

The purpose of internal controls over financial reporting ("ICFR") is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer certify disclosures in annual and interim filings under Regulation 52-109 using the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

During the three-month period ended March 31, 2022, there were no changes in the Corporation's ICFR that materially affected or are reasonably likely to materially affect the Corporation's ICFR.

RISK FACTORS

As part of its ongoing business operations, the Corporation is exposed to certain market risks, including risks ensuing from changes in selling prices for its principal products, costs of raw materials, interest rates and foreign currency exchange rates, all of which impact the Corporation's financial position, operating results and cash flows. The Corporation manages its exposure to these and other market risks through regular operating and financing activities and, on a limited basis, through the use of derivative financial instruments. We use these derivative financial instruments as risk management tools, not for speculative investment purposes.

Although Cascades does not have direct activities in Russia or Ukraine, a prolonged armed conflict between the two countries or an expansion of the armed conflict to other countries could have a materially adverse effect on world economies and on the Corporation in a variety of ways including : (i) general decrease in consumer spending from lower confidence levels; (ii) severe price inflation; (iii) disruptions in capital and financial markets; and (iv) increase in risk of cyber security.

Pages 70 to 79 of our Annual Report for the year ended December 31, 2021 contain a discussion of the key areas of the Corporation's business risks and uncertainties and its mitigating strategies. This information on business risks and enterprise risk management remains substantially unchanged. Please refer to our Annual Report for further details.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	NOTE	March 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		37	174
Accounts receivable		551	510
Current income tax assets		10	19
Inventories		536	494
Current portion of financial assets	7	5	1
		1,139	1,198
Long-term assets			
Investments in associates and joint ventures		90	87
Property, plant and equipment	5	2,551	2,522
Intangible assets with finite useful life		83	88
Financial assets	7	10	6
Other assets		57	54
Deferred income tax assets		132	138
Goodwill and other intangible assets with indefinite useful life		471	473
		4,533	4,566
Liabilities and Equity			
Current liabilities			
Bank loans and advances		7	1
Trade and other payables		663	707
Current income tax liabilities		4	12
Current portion of long-term debt	6	69	74
Current portion of provisions for contingencies and charges		7	12
Current portion of financial liabilities and other liabilities	7	18	16
		768	822
Long-term liabilities			
Long-term debt	6	1,510	1,450
Provisions for contingencies and charges		47	47
Financial liabilities	7	13	6
Other liabilities		105	122
Deferred income tax liabilities		185	192
		2,628	2,639
Equity			
Capital stock	8	612	614
Contributed surplus		14	14
Retained earnings		1,258	1,274
Accumulated other comprehensive loss		(27)	(23)
Equity attributable to Shareholders		1,857	1,879
Non-controlling interests		48	48
Total equity		1,905	1,927
		4,533	4,566

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	For the 3-month periods ended March 31,		
	NOTE	2022	2021
Sales		1,038	942
Cost of sales and expenses			
Cost of sales (including depreciation and amortization of \$60 million (2021 — \$65 million))		951	797
Selling and administrative expenses		88	87
Gain on acquisitions, disposals and others	9	(6)	—
Restructuring costs	9	1	5
Foreign exchange loss		1	1
Loss on derivative financial instruments		7	8
		1,042	898
Operating income (loss)		(4)	44
Financing expense		15	22
Interest expense on employee future benefits and other liabilities		1	1
Foreign exchange gain on long-term debt and financial instruments		(1)	(3)
Share of results of associates and joint ventures		(4)	(2)
Earnings (loss) before income taxes		(15)	26
Provision for (recovery of) income taxes		(4)	6
Net earnings (loss) from continuing operations including non-controlling interests for the period		(11)	20
Results from discontinued operations	4	—	8
Net earnings (loss) including non-controlling interests for the period		(11)	28
Net earnings attributable to non-controlling interests		4	6
Net earnings (loss) attributable to Shareholders for the period		(15)	22
Net earnings (loss) from continuing operations per common share			
Basic		(\$0.15)	\$0.17
Diluted		(\$0.15)	\$0.17
Net earnings (loss) per common share			
Basic		(\$0.15)	\$0.22
Diluted		(\$0.15)	\$0.22
Weighted average basic number of common shares outstanding		100,822,921	102,279,404
Weighted average number of diluted common shares		101,608,760	103,437,340
Net earnings (loss) attributable to Shareholders:			
Continuing operations		(15)	17
Discontinued operations	4	—	5
Net earnings (loss)		(15)	22

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions of Canadian dollars) (unaudited)	NOTE	For the 3-month periods ended March 31,	
		2022	2021
Net earnings (loss) including non-controlling interests for the period		(11)	28
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Translation adjustments			
Change in foreign currency translation of foreign subsidiaries		(11)	(15)
Change in foreign currency translation of foreign subsidiaries from discontinued operations	4	—	(19)
Change in foreign currency translation related to net investment hedging activities		3	9
Change in foreign currency translation related to net investment hedging activities from discontinued operations	4	—	12
Cash flow hedges			
Change in fair value of commodity derivative financial instruments		6	1
Provision for income taxes		(2)	(1)
Provision for income taxes from discontinued operations	4	—	(2)
		(4)	(15)
Items that are not released to earnings			
Actuarial gain on employee future benefits		19	17
Provision for income taxes		(5)	(5)
		14	12
Other comprehensive income (loss)		10	(3)
Comprehensive income (loss) including non-controlling interests for the period		(1)	25
Comprehensive income (loss) attributable to non-controlling interests for the period		4	(3)
Comprehensive income (loss) attributable to Shareholders for the period		(5)	28
Comprehensive income (loss) attributable to Shareholders:			
Continuing operations		(5)	24
Discontinued operations	4	—	4
Comprehensive income (loss)		(5)	28

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EQUITY

For the 3-month period ended March 31, 2022

(in millions of Canadian dollars) (unaudited)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of period		614	14	1,274	(23)	1,879	48	1,927
Comprehensive income (loss)								
Net earnings (loss)		—	—	(15)	—	(15)	4	(11)
Other comprehensive income (loss)		—	—	14	(4)	10	—	10
Dividends		—	—	(12)	—	(12)	(4)	(16)
Redemption of common shares	8	(2)	—	(3)	—	(5)	—	(5)
Balance - End of period		612	14	1,258	(27)	1,857	48	1,905

For the 3-month period ended March 31, 2021

(in millions of Canadian dollars) (unaudited)		CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of period		622	13	1,146	(28)	1,753	204	1,957
Comprehensive income (loss)								
Net earnings		—	—	22	—	22	6	28
Other comprehensive income (loss)		—	—	12	(6)	6	(9)	(3)
Dividends		—	—	(8)	—	(8)	(4)	(12)
Balance - End of period		622	13	1,172	(34)	1,773	197	1,970

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	NOTE	For the 3-month periods ended March 31,	
		2022	2021
Operating activities from continuing operations			
Net earnings (loss) attributable to Shareholders for the period		(15)	22
Results from discontinued operations	4	—	(8)
Results from discontinued operations attributable to non-controlling interests	4	—	3
Net earnings (loss) from continuing operations		(15)	17
Adjustments for:			
Financing expense and interest expense on employee future benefits and other liabilities		16	23
Depreciation and amortization		60	65
Gain on acquisitions, disposals and others	9	(6)	—
Restructuring costs	9	1	5
Unrealized loss on derivative financial instruments		7	8
Foreign exchange gain on long-term debt and financial instruments		(1)	(3)
Provision for (recovery of) income taxes		(4)	6
Share of results of associates and joint ventures		(4)	(2)
Net earnings attributable to non-controlling interests		4	3
Net financing expense paid		(30)	(40)
Net income taxes received (paid)		(1)	2
Provisions for contingencies and charges and other liabilities		(6)	(2)
		21	82
Changes in non-cash working capital components		(94)	(25)
		(73)	57
Investing activities from continuing operations			
Payments for property, plant and equipment		(102)	(71)
Proceeds from disposals of property, plant and equipment		6	—
Change in intangible and other assets		(1)	(4)
		(97)	(75)
Financing activities from continuing operations			
Bank loans and advances		6	(6)
Change in credit facilities		57	—
Payments of other long-term debt, including lease obligations		(9)	(24)
Redemption of common shares	8	(5)	—
Dividends paid to non-controlling interests		(4)	(4)
Dividends paid to the Corporation's Shareholders		(12)	(8)
		33	(42)
Change in cash and cash equivalents during the period from continuing operations		(137)	(60)
Change in cash and cash equivalents from discontinued operations	4	—	5
Net change in cash and cash equivalents during the period		(137)	(55)
Currency translation on cash and cash equivalents		—	(1)
Cash and cash equivalents - Beginning of the period		174	384
Cash and cash equivalents - End of the period		37	328

The accompanying notes are an integral part of these Unaudited Condensed Interim Consolidated Financial Statements.

SEGMENTED INFORMATION

The Corporation analyzes the performance of its operating segments based on their operating income before depreciation and amortization, which is not a measure of performance under International Financial Reporting Standards (IFRS). However, the chief operating decision-maker (CODM) uses this performance measure to assess the operating performance of each reportable segment. Earnings for each segment are prepared on the same basis as those of the Corporation. Inter-segment operations are recorded on the same basis as sales to third parties, which are at fair market value. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in the most recent Audited Consolidated Financial Statements for the year ended December 31, 2021.

The Corporation's operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The Chief Executive Officer has authority for resource allocation and management of the Corporation's performance and is therefore the CODM.

The Corporation's operations are managed in three segments: Containerboard and Specialty Products (which constitutes the Corporation's Packaging Products) and Tissue Papers.

	SALES TO					
	For the 3-month periods ended March 31,					
	Canada		United States		Total	
(in millions of Canadian dollars) (unaudited)	2022	2021	2022	2021	2022	2021
Packaging Products						
Containerboard	328	305	206	198	534	503
Specialty Products	57	47	100	75	157	122
Inter-segment sales	(4)	(4)	(4)	(3)	(8)	(7)
	381	348	302	270	683	618
Tissue Papers	65	57	249	235	314	292
Inter-segment sales and Corporate Activities	37	31	4	1	41	32
	483	436	555	506	1,038	942

	OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	
	For the 3-month periods ended March 31,	
	2022	2021
(in millions of Canadian dollars) (unaudited)		
Packaging Products		
Containerboard	72	96
Specialty Products	28	18
	100	114
Tissue Papers	(18)	18
Corporate Activities	(26)	(23)
Operating income before depreciation and amortization	56	109
Depreciation and amortization	(60)	(65)
Financing expense and interest expense on employee future benefits and other liabilities	(16)	(23)
Foreign exchange gain on long-term debt and financial instruments	1	3
Share of results of associates and joint ventures	4	2
Earnings (loss) before income taxes	(15)	26

PAYMENTS FOR PROPERTY, PLANT AND
EQUIPMENT

For the 3-month periods ended March 31,

(in millions of Canadian dollars) (unaudited)	2022	2021
Packaging Products		
Containerboard	66	54
Specialty Products	11	8
	77	62
Tissue Papers	5	8
Corporate Activities	17	4
Total acquisitions	99	74
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	(21)	—
	78	74
Acquisitions for property, plant and equipment included in "Trade and other payables"		
Beginning of the period	75	31
End of the period	(51)	(34)
Payments for property, plant and equipment	102	71
Proceeds from disposals of property, plant and equipment	(6)	—
Payments for property, plant and equipment net of proceeds from disposals	96	71

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(tabular amounts in millions of Canadian dollars, except per common share amounts and number of common shares.)

NOTE 1 GENERAL INFORMATION

Cascades Inc. and its subsidiaries (together “Cascades” or the “Corporation”) produce, convert and market packaging and tissue products composed mainly of recycled fibres. Cascades Inc. is incorporated and domiciled in Québec, Canada. The address of its registered office is 404 Marie-Victorin Boulevard, Kingsey Falls. Its common shares are listed on the Toronto Stock Exchange.

The Board of Directors approved the Unaudited Condensed Interim Consolidated Financial Statements on May 11, 2022.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Unaudited Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The Unaudited Condensed Interim Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements for the year ended December 31, 2021, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part I of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting, which incorporates IFRS as issued by the IASB.

The accounting policies applied in these Unaudited Condensed Interim Consolidated Financial Statements are the same as those applied in the Audited Consolidated Financial Statements for the year ended December 31, 2021. Also, income taxes in the interim periods are accrued using the tax rate that would be applicable to be expected annual earnings or losses for each jurisdiction.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Unaudited Condensed Interim Consolidated Financial Statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Further information on critical accounting estimates and judgments is detailed in the Audited Consolidated Financial Statements as of and for the year ended December 31, 2021.

NOTE 4 DISCONTINUED OPERATIONS

DISCONTINUED OPERATIONS BOXBOARD EUROPE SEGMENT

2021 first quarter 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.

NOTE 5 RIGHT-OF-USE ASSETS

The Consolidated Balance Sheets include \$156 million as of March 31, 2022 (\$149 million as of December 31, 2021) of right-of-use assets relating to leases in “Property, plant and equipment”.

NOTE 6 LONG-TERM DEBT

(in millions of Canadian dollars)	MATURITY	March 31, 2022	December 31, 2021
Revolving credit facility, weighted average interest rate of 2.92% as of March 31, 2022 and consists of \$13 million and US\$39 million (December 31, 2021 - US\$4 million)	2025	62	6
5.125% Unsecured senior notes of \$175 million	2025	175	175
5.125% Unsecured senior notes of US\$206 million as of March 31, 2022 (December 31, 2021 - US\$206 million)	2026	257	260
5.375% Unsecured senior notes of US\$445 million and \$7 million of unamortized premium as of March 31, 2022 (December 31, 2021 - US\$445 million and \$7 million of unamortized premium)	2028	564	570
Term loan of US\$160 million, interest rate of 2.56% as of March 31, 2022 (December 31, 2021 - US\$160 million)	2025	200	202
Lease obligations with recourse to the Corporation		169	161
Other debts with recourse to the Corporation		34	35
Lease obligations without recourse to the Corporation		7	9
Other debts without recourse to the Corporation		121	117
		1,589	1,535
Less: Unamortized financing costs		10	11
Total long-term debt		1,579	1,524
Less:			
Current portion of lease obligations with recourse to the Corporation		39	36
Current portion of other debts with recourse to the Corporation		17	23
Current portion of lease obligations without recourse to the Corporation		5	7
Current portion of other debts without recourse to the Corporation		8	8
		69	74
		1,510	1,450

As of March 31, 2022, the long-term debt had a fair value of \$1,584 million (December 31, 2021 – \$1,558 million).

NOTE 7 FINANCIAL INSTRUMENTS

DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

- (i) The fair value of cash and cash equivalents, accounts receivable, notes receivable, bank loans and advances, trade and other payables and provisions approximates their carrying amounts due to their relatively short maturities.
- (ii) The fair value of investment in shares is based on observable market data and is quoted on the Toronto Stock Exchange and classified as level 1.
- (iii) The fair value of long-term debt and some other liabilities is based on observable market data and on the calculation of discounted cash flows. Discount rates were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for the credit market liquidity conditions and are classified as levels 1 and 3.
- (iv) The fair value of derivative instruments, which include forward contracts, swap agreements and embedded derivatives accounted for separately, is calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and forward foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date and are classified as level 2. The fair value of derivative instruments reflects the estimated amounts that the Corporation would receive or pay to settle the contracts at the reporting date.

HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents information about the Corporation's financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021 and indicates the fair value hierarchy of the Corporation's valuation techniques to determine such fair value. Three levels of inputs that may be used to measure fair value are:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect Management's estimates of assumptions that market participants would use in pricing the asset or liability.

For commodity derivative financial instruments and foreign currency forward contracts, the Corporation classifies the fair value measurement as level 2, as they are based mainly on observable market data. The fair value of commodity derivative financial instruments is determined using expected future cash flows based on observable data and notional quantity, with the resulting value discounted using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable. The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the measurement date, with the resulting value discounted back to present values using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable.

As of March 31, 2022				
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	2	2	—	—
Derivative financial assets	15	—	15	—
	17	2	15	—
Financial liabilities				
Derivative financial liabilities	(15)	—	(15)	—
	(15)	—	(15)	—

As of December 31, 2021				
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	2	2	—	—
Derivative financial assets	7	—	7	—
	9	2	7	—
Financial liabilities				
Derivative financial liabilities	(6)	—	(6)	—
	(6)	—	(6)	—

NOTE 8 CAPITAL STOCK

REDEMPTION OF COMMON SHARES

In 2021, the Corporation renewed its normal course issuer bid program for a maximum of 2,045,621 common shares with the Toronto Stock Exchange, said shares representing approximately 2% of issued and outstanding common shares. The redemption authorization was valid from March 19, 2021 to March 18, 2022. During the period between January 1, 2022 and March 18, 2022, the Corporation redeemed 394,021 common shares under this program for an amount of \$5 million.

In 2022, the Corporation renewed its normal course issuer bid program for a maximum of 2,015,053 common shares with the Toronto Stock Exchange, said shares representing approximately 2% of issued and outstanding common shares. The redemption authorization is valid from March 19, 2022 to March 18, 2023. During the period between March 19, 2022 and March 31, 2022, the Corporation redeemed no common shares under this program.

NOTE 9 GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

For the 3-month period ended March 31, 2022, the Corporation recorded the following gain:

(in millions of Canadian dollars)	For the 3-month period ended March 31, 2022					
	PACKAGING PRODUCTS			TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL			
Gain on disposal of assets	—	(6)	(6)	—	—	(6)

First quarter

The Specialty Products segment recorded a \$6 million gain from the sale of land and a building related to a closed plant in Canada.

RESTRUCTURING COSTS

For the 3-month period ended March 31, 2022, the Corporation recorded the following restructuring costs:

(in millions of Canadian dollars)	For the 3-month period ended March 31, 2022					
	PACKAGING PRODUCTS			TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL			
Restructuring costs	—	—	—	1	—	1

First quarter

The Tissue Papers segment recorded additional costs totaling \$1 million related to asset relocation and severances.

NOTE 10 COMMITMENTS

CAPITAL EXPENDITURES

Major capital expenditures contracted at the end of the reporting period but not yet incurred total \$137 million, including \$110 million for the Bear Island project.

This report is also available on our website at: www.cascades.com

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