

# PRESS RELEASE



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## **Cascades Reports Results for the Second Quarter of 2021, increases dividend 50% Good packaging market dynamics partially mitigate softness in the Tissue industry and inflationary pressure on production costs; Dividend increased 50% reflecting commitment to shareholder value and confidence in long-term performance**

**Kingsey Falls, Quebec, August 5, 2021** - Cascades Inc. (TSX: CAS) reports its unaudited financial results for the three-month period ended June 30, 2021.

### **Q2 2021 Highlights (comparative figures have been restated to reflect discontinued operations<sup>2</sup>)**

- Sales of \$956 million (compared with \$942 million in Q1 2021 (+1%) and \$1,020 million in Q2 2020 (-6%))
- As reported (including specific items)
  - Operating income of \$23 million (compared with \$44 million in Q1 2021 (-48%) and \$64 million in Q2 2020 (-64%))
  - Operating income before depreciation and amortization (OIBD)<sup>1</sup> of \$87 million (compared with \$109 million in Q1 2021 (-20%) and \$127 million in Q2 2020 (-31%))
  - Net earnings per share of \$0.02 (compared with \$0.22 in Q1 2021 and \$0.57 in Q2 2020)
- Adjusted (excluding specific items<sup>1</sup>)
  - Operating income of \$34 million (compared with \$57 million in Q1 2021 (-40%) and \$80 million in Q2 2020 (-58%))
  - OIBD of \$98 million (compared with \$122 million in Q1 2021 (-20%) and \$143 million in Q2 2020 (-31%))
  - Net earnings per share of \$0.07 (compared with \$0.29 in Q1 2021 and \$0.61 in Q2 2020)
- Following the July 2021 announcement by the Corporation regarding the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for €1.45 per share, expected to result in total net proceeds of \$461 million, financial information for the Boxboard Europe segment is now presented as discontinued operations. The transaction is expected to close in the third quarter of 2021<sup>2</sup>.
- Quarterly dividend increased to \$0.12 per share from \$0.08 per share previously, effective for the second quarter payment, resulting in an annual dividend of \$0.48 per share, from \$0.32 per share previously, and a return of approximately 3%.
- Net debt<sup>1</sup> of \$1,707 million as at June 30, 2021 (compared with \$1,654 million as at March 31, 2021). Net debt to adjusted OIBD ratio<sup>1,3</sup> of 2.9x up from 2.5x as at March 31, 2021. Net debt amount does not reflect the RDM transaction.
- Total capital expenditures, net of disposals, of \$65 million in Q2 2021, compared to \$71 million in Q1 2021<sup>2</sup>, and to \$36 million in Q2 2020<sup>2</sup>; Forecasted 2021 capital expenditures of between \$400 million and \$425 million, encompassing \$250 million for the Bear Island containerboard conversion project in Virginia, USA.
- S&P Global rating agency revised its outlook on the Corporation to positive from stable.

<sup>1</sup> Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

<sup>2</sup> 2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

<sup>3</sup> Not adjusted for discontinued operations.

Mario Plourde, President and CEO, commented: "Our second quarter results were below expectations, with the sequential shortfall driven by our tissue segment. This reflected several factors, the most prominent being \$12 million due to higher raw material costs and \$9 million related to the net impact of sales prices and mix variance in the current period. We continued to see lower demand levels in tissue in the quarter, notably in US consumer retail product categories, as customers worked through inventories built up throughout 2020 in response to COVID-19 demand volatility. Operationally, we made the decision to temporarily curtail some tissue converting production in June to manage inventories. Notwithstanding the tissue results this quarter, we see current demand contraction as being an interim response to COVID-19 volatility given the essential nature of these products. Looking ahead, the modernization completed across our tissue platform has equipped this segment to generate important benefits when demand levels begin to normalize. On the packaging side, the Containerboard and Specialty products businesses delivered good results. Higher selling prices in Containerboard that reflect only two of the three announced price increases, coupled with good volume, were however not sufficient to fully cover raw material and production cost inflation in the second quarter, while benefits from volume growth in Specialty products more than offset the impact of higher raw material costs. A less favourable foreign exchange rate impacted the performance of all our businesses in the second quarter.

We completed an important step in our strategic plan this quarter with the announced monetization of our 57.6% equity position in Reno de Medici. This move underscores our commitment to creating long term value for the Corporation and our shareholders, and is aligned with our objective of focusing on our core North American packaging and tissue businesses. The expected net proceeds of \$461 million from the transaction will improve financial flexibility and support our initiatives aimed at improving the financial performance and competitive positioning of our North American businesses. We remain dedicated to prudently and strategically deploying capital to enhance our operational platforms, while also optimizing our capital structure and evaluating opportunities to increase shareholder return including aligning our dividend return with industry averages. To this end, we are pleased to announce that we are increasing our quarterly dividend by 50% to \$0.12 per share as of the second quarter of 2021, reflecting our confidence in our long-term free cash flow generation and operational performance. On an annual basis, this translates into a dividend of \$0.48 per share, and increases our yield to approximately 3%.”

Discussing near-term outlook, Mr. Plourde commented, “We are expecting improved results in the upcoming third quarter, supported by the roll-out of announced price increases in our Containerboard and Specialty Products segments, and a gradual normalization of demand in tissue. Notwithstanding our positive sequential outlook, the COVID-19 pandemic continues to bring with it the potential for volatility in operational and financial performance. As our second quarter results highlight, continued fluctuations in demand as well as pricing of raw materials and other input costs remain difficult to accurately predict, as does the timing and scope of economic reopening across North America. We are focused on effectively managing these uncertainties, taking decisive and necessary steps to meet the sometimes changing needs of our customers while also ensuring the safety of our employees. We are pleased with the flexibility our operations have demonstrated throughout what has been a challenging 18 months, and are very proud of the commitment and hard work of our employees.”

## Financial Summary

### Selected consolidated information

(in millions of Canadian dollars, except amounts per share) (unaudited)	Q2 2021	Q1 2021 <sup>2</sup>	Q2 2020 <sup>2</sup>
Sales	956	942	1,020
<b>As Reported</b>			
Operating income before depreciation and amortization (OIBD) <sup>1</sup>	87	109	127
Operating income	23	44	64
Net earnings	3	22	54
per share	\$0.02	\$0.22	\$0.57
<b>Adjusted<sup>1</sup></b>			
Operating income before depreciation and amortization (OIBD)	98	122	143
Operating income	34	57	80
Net earnings	8	29	58
per share	\$0.07	\$0.29	\$0.61
Margin (OIBD)	10.3%	13.0%	14.0%

<sup>1</sup> Please refer to the “Supplemental Information on Non-IFRS Measures” section for a complete reconciliation.

<sup>2</sup> 2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

### Segmented OIBD as reported

(in millions of Canadian dollars) (unaudited)	Q2 2021	Q1 2021 <sup>2</sup>	Q2 2020 <sup>2</sup>
<b>Packaging Products</b>			
Containerboard	95	96	83
Boxboard Europe	11	23	42
Specialty Products	18	18	16
<b>Tissue Papers</b>	(5)	18	48
Corporate Activities	(21)	(23)	(20)
Total before discontinued operations	98	132	169
Discontinued operations - Boxboard Europe	(11)	(23)	(42)
<b>OIBD as reported</b>	87	109	127

<sup>1</sup> Please refer to the “Supplemental Information on Non-IFRS Measures” section for a complete reconciliation.

<sup>2</sup> 2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

## Segmented adjusted OIBD<sup>1</sup>

(in millions of Canadian dollars) (unaudited)	Q2 2021	Q1 2021 <sup>2</sup>	Q2 2020 <sup>2</sup>
<b>Packaging Products</b>			
Containerboard	100	108	94
Boxboard Europe	11	23	43
Specialty Products	18	18	17
<b>Tissue Papers</b>	1	20	54
Corporate Activities	(21)	(24)	(22)
Total before discontinued operations	109	145	186
Discontinued operations - Boxboard Europe	(11)	(23)	(43)
<b>Adjusted OIBD<sup>1</sup></b>	<b>98</b>	<b>122</b>	<b>143</b>

<sup>1</sup> Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

<sup>2</sup> 2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

### **Analysis of results for the three-month period ended June 30, 2021 (compared to the same period last year<sup>2</sup>)**

Sales of \$956 million decreased by \$64 million, or 6%, compared with the same period last year. This was driven by a less favourable Canadian dollar - US dollar exchange rate, and lower volumes in the Tissue segment following very strong retail demand in the year-ago period attributable to COVID-19 driven fluctuations in consumer buying patterns. This was partially offset by higher pricing and stronger volumes in all packaging segments and in Recovery & Recycling activities compared to the prior year period.

The Corporation generated an operating income before depreciation and amortization (OIBD) of \$87 million in the second quarter of 2021, down from \$127 million in the second quarter of 2020. On an adjusted basis<sup>1</sup>, second quarter OIBD totaled \$98 million, a decrease of \$45 million, or 31% from the \$143 million generated in the same period last year. This decrease is largely attributable to higher raw material costs in all segments, a less favourable exchange rate, lower volumes in Tissue and higher production costs in Containerboard that included inflationary pressure in labour, transportation and energy. Additionally, \$9 million of R&D tax credits were recorded in the second quarter of 2020, while none was recorded in the current period.

The main specific items, before income taxes, that impacted our second quarter 2021 OIBD and/or net earnings were:

- \$6 million of impairment and restructuring charges recorded in Tissue as part of profitability improvement and restructuring initiatives (OIBD and net earnings);
- \$5 million unrealized loss on financial instruments (OIBD and net earnings);
- \$3 million foreign exchange gain on long-term debt and financial instruments (net earnings);

For the 3-month period ended June 30, 2021, the Corporation posted net earnings of \$3 million, or \$0.02 per share, compared to net earnings of \$54 million, or \$0.57 per share, in the same period of 2020. On an adjusted basis<sup>1</sup>, the Corporation generated net earnings of \$8 million in the second quarter of 2021, or \$0.07 per share, compared to net earnings of \$58 million, or \$0.61 per share, in the same period of 2020.

<sup>1</sup> Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

<sup>2</sup> 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

### **Dividend on common shares and normal course issuer bid**

The Board of Directors of Cascades declared a quarterly dividend of \$0.12 per share to be paid on September 2, 2021 to shareholders of record at the close of business on August 18, 2021. This dividend is an "eligible dividend" as per the Income Tax Act (R.C.S. (1985), Canada). Cascades purchased no shares for cancellation during the second quarter of 2021.

### **2021 Second Quarter Results Conference Call Details**

Management will discuss the 2021 second quarter financial results during a conference call today at 9:00 a.m. EDT. The call can be accessed by dialing 1-888-390-0620 (international dial-in 1-416-764-8651). The conference call, including the investor presentation, will be broadcast live on the Cascades website ([www.cascades.com](http://www.cascades.com) under the "Investors" section). A replay of the call will be available on the Cascades website and may also be accessed by phone until September 5, 2021 by dialing 1-888-390-0541 (international dial-in 1-416-764-8677), access code 787468.

*Founded in 1964, Cascades offers sustainable, innovative and value-added packaging, hygiene and recovery solutions. The company employs 12,000 women and men across a network of 85 facilities in North America and Europe. Driven by its participative management, half a century of experience in recycling, and continuous research and development efforts, Cascades continues to provide innovative products that customers have come to rely on, while contributing to the well-being of people, communities and the entire planet. Cascades' shares trade on the Toronto Stock Exchange under the ticker symbol CAS. Certain statements in this release, including statements regarding future results and performance, are forward-looking statements (as such term is defined under the Private Securities Litigation Reform Act of 1995) 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, increases in raw material costs, fluctuations in selling prices and adverse changes in general market and industry conditions and other factors listed in the Corporation's Securities and Exchange Commission filings.*

## CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	June 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	171	384
Accounts receivable	508	659
Current income tax assets	19	23
Inventories	477	569
Current portion of financial assets	12	5
Assets classified as held for sale	735	—
	<b>1,922</b>	1,640
<b>Long-term assets</b>		
Investments in associates and joint ventures	82	82
Property, plant and equipment	2,406	2,772
Intangible assets with finite useful life	133	160
Financial assets	8	16
Other assets	46	50
Deferred income tax assets	149	170
Goodwill and other intangible assets with indefinite useful life	505	522
	<b>5,251</b>	5,412
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Bank loans and advances	7	12
Trade and other payables	608	861
Current income tax liabilities	12	17
Current portion of long-term debt	72	102
Current portion of provisions for contingencies and charges	11	14
Current portion of financial liabilities and other liabilities	19	25
Liabilities classified as held for sale	392	—
	<b>1,121</b>	1,031
<b>Long-term liabilities</b>		
Long-term debt	1,799	1,949
Provisions for contingencies and charges	52	57
Financial liabilities	8	6
Other liabilities	123	202
Deferred income tax liabilities	190	210
	<b>3,293</b>	3,455
<b>Equity</b>		
Capital stock	622	622
Contributed surplus	13	13
Retained earnings	1,171	1,146
Accumulated other comprehensive loss	(40)	(28)
<b>Equity attributable to Shareholders</b>	<b>1,766</b>	1,753
Non-controlling interests	192	204
<b>Total equity</b>	<b>1,958</b>	1,957
	<b>5,251</b>	5,412

## 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 June 30,		For the 6-month periods ended June 30,	
	2021	2020	2021	2020
<b>Sales</b>	<b>956</b>	1,020	<b>1,898</b>	2,061
<b>Cost of sales and expenses</b>				
Cost of sales (including depreciation and amortization of \$64 million for 3-month period (2020 — \$63 million) and \$129 million for 6-month period (2020 — \$123 million))	834	855	1,631	1,718
Selling and administrative expenses	87	86	174	193
Loss on acquisitions, disposals and others	—	1	—	2
Impairment charges and restructuring costs	6	15	11	15
Foreign exchange loss (gain)	1	(1)	2	(1)
Loss on derivative financial instruments	5	—	13	—
	<b>933</b>	956	<b>1,831</b>	1,927
<b>Operating income</b>	<b>23</b>	64	<b>67</b>	134
Financing expense	20	26	42	52
Interest expense on employee future benefits	1	1	2	2
Foreign exchange loss (gain) on long-term debt and financial instruments	(3)	(9)	(6)	8
Share of results of associates and joint ventures	(5)	(3)	(7)	(6)
<b>Earnings before income taxes</b>	<b>10</b>	49	<b>36</b>	78
<b>Provision for income taxes</b>	<b>2</b>	7	<b>8</b>	17
<b>Net earnings from continuing operations including non-controlling interests for the period</b>	<b>8</b>	42	<b>28</b>	61
<b>Results from discontinued operations</b>	<b>(3)</b>	24	<b>5</b>	38
<b>Net earnings including non-controlling interests for the period</b>	<b>5</b>	66	<b>33</b>	99
<b>Net earnings attributable to non-controlling interests</b>	<b>2</b>	12	<b>8</b>	23
<b>Net earnings attributable to Shareholders for the period</b>	<b>3</b>	54	<b>25</b>	76
<b>Net earnings from continuing operations per share</b>				
Basic	\$0.04	\$0.43	\$0.21	\$0.58
Diluted	\$0.04	\$0.43	\$0.21	\$0.57
<b>Net earnings per common share</b>				
Basic	\$0.02	\$0.57	\$0.24	\$0.81
Diluted	\$0.02	\$0.57	\$0.24	\$0.80
<b>Weighted average basic number of common shares outstanding</b>	<b>102,281,072</b>	94,459,257	<b>102,280,243</b>	94,354,030
<b>Weighted average number of diluted common shares</b>	<b>103,285,361</b>	95,600,602	<b>103,360,930</b>	95,562,296
<b>Net earnings attributable to Shareholders:</b>				
Continuing operations	5	40	22	54
Discontinued operations	(2)	14	3	22
<b>Net earnings</b>	<b>3</b>	54	<b>25</b>	76

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2021	2020	2021	2020
<b>Net earnings including non-controlling interests for the period</b>	<b>5</b>	<b>66</b>	<b>33</b>	<b>99</b>
<b>Other comprehensive income (loss)</b>				
<b>Items that may be reclassified subsequently to earnings</b>				
<b>Translation adjustments</b>				
Change in foreign currency translation of foreign subsidiaries	(14)	(39)	(29)	43
Change in foreign currency translation of foreign subsidiaries from discontinued operations	(1)	(6)	(20)	14
Change in foreign currency translation related to net investment hedging activities	9	22	18	(26)
Change in foreign currency translation related to net investment hedging activities from discontinued operations	—	3	12	(8)
<b>Cash flow hedges</b>				
Change in fair value of interest rate swaps	—	1	—	—
Change in fair value of commodity derivative financial instruments	2	—	3	—
<b>Provision for income taxes</b>	(2)	—	(3)	—
<b>Provision for income taxes from discontinued operations</b>	—	—	(2)	—
	(6)	(19)	(21)	23
<b>Items that are not released to earnings</b>				
Actuarial gain (loss) on employee future benefits	4	(25)	21	(15)
Recovery of (provision for) income taxes	(1)	7	(6)	4
	3	(18)	15	(11)
<b>Other comprehensive income (loss)</b>	<b>(3)</b>	<b>(37)</b>	<b>(6)</b>	<b>12</b>
<b>Comprehensive income including non-controlling interests for the period</b>	<b>2</b>	<b>29</b>	<b>27</b>	<b>111</b>
<b>Comprehensive income (loss) attributable to non-controlling interests for the period</b>	<b>2</b>	<b>8</b>	<b>(1)</b>	<b>31</b>
<b>Comprehensive income attributable to Shareholders for the period</b>	<b>—</b>	<b>21</b>	<b>28</b>	<b>80</b>
<b>Comprehensive income (loss) attributable to Shareholders:</b>				
Continuing operations	3	8	27	58
Discontinued operations	(3)	13	1	22
<b>Comprehensive income</b>	<b>—</b>	<b>21</b>	<b>28</b>	<b>80</b>

## CONSOLIDATED STATEMENTS OF EQUITY

For the 6-month period ended June 30, 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
<b>Balance - Beginning of period</b>	<b>622</b>	<b>13</b>	<b>1,146</b>	<b>(28)</b>	<b>1,753</b>	<b>204</b>	<b>1,957</b>
Comprehensive income (loss)							
Net earnings	—	—	25	—	25	8	33
Other comprehensive income (loss)	—	—	15	(12)	3	(9)	(6)
Dividends	—	—	40	(12)	28	(1)	27
Acquisition of non-controlling interests	—	—	(16)	—	(16)	(10)	(26)
	—	—	1	—	1	(1)	—
<b>Balance - End of period</b>	<b>622</b>	<b>13</b>	<b>1,171</b>	<b>(40)</b>	<b>1,766</b>	<b>192</b>	<b>1,958</b>

For the 6-month period ended June 30, 2020

(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
<b>Balance - Beginning of period</b>	<b>491</b>	<b>15</b>	<b>1,003</b>	<b>(17)</b>	<b>1,492</b>	<b>177</b>	<b>1,669</b>
Comprehensive income							
Net earnings	—	—	76	—	76	23	99
Other comprehensive income (loss)	—	—	(11)	15	4	8	12
Dividends	—	—	65	15	80	31	111
Issuance of common shares upon exercise of stock options	9	(2)	—	—	7	—	7
Redemption of common shares	(2)	—	(3)	—	(5)	—	(5)
<b>Balance - End of period</b>	<b>498</b>	<b>13</b>	<b>1,050</b>	<b>(2)</b>	<b>1,559</b>	<b>199</b>	<b>1,758</b>



## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2021	2020	2021	2020
<b>Operating activities from continuing operations</b>				
Net earnings attributable to Shareholders for the period	3	54	25	76
Results from discontinued operations	3	(24)	(5)	(38)
Results from discontinued operations attributable to non-controlling interests	(1)	10	2	16
Net earnings from continuing operations	5	40	22	54
Adjustments for:				
Financing expense and interest expense on employee future benefits	21	27	44	54
Depreciation and amortization	64	63	129	123
Loss on acquisitions, disposals and others	—	1	—	2
Impairment charges and restructuring costs	6	15	11	15
Unrealized loss on derivative financial instruments	5	—	13	—
Foreign exchange loss (gain) on long-term debt and financial instruments	(3)	(9)	(6)	8
Provision for income taxes	2	7	8	17
Share of results of associates and joint ventures	(5)	(3)	(7)	(6)
Net earnings attributable to non-controlling interests	3	2	6	7
Net financing expense paid	(4)	(7)	(44)	(23)
Net income taxes received (paid)	(1)	(1)	1	9
Dividends received	5	5	5	5
Provisions for contingencies and charges and other liabilities	(11)	(15)	(13)	(16)
	87	125	169	249
Changes in non-cash working capital components	(47)	(19)	(72)	(43)
	40	106	97	206
<b>Investing activities from continuing operations</b>				
Disposals (investments) in associates and joint ventures	1	(1)	1	(1)
Payments for property, plant and equipment	(66)	(37)	(137)	(101)
Proceeds from disposals of property, plant and equipment	1	1	1	2
Change in intangible and other assets	(7)	(3)	(11)	(4)
Cash received from business combinations	—	—	—	2
	(71)	(40)	(146)	(102)
<b>Financing activities from continuing operations</b>				
Bank loans and advances	1	—	(5)	(2)
Change in credit facilities	(1)	(40)	(1)	57
Increase in other long-term debt	5	—	5	—
Payments of other long-term debt, including lease obligations	(20)	(10)	(44)	(20)
Settlement of derivative financial instruments	—	1	—	1
Issuance of common shares upon exercise of stock options	—	4	—	7
Redemption of common shares	—	—	—	(5)
Payment of other liabilities	—	—	—	(121)
Dividends paid to non-controlling interests and acquisition of non-controlling interests	(4)	(4)	(8)	(7)
Dividends paid to the Corporation's Shareholders	(8)	(8)	(16)	(15)
	(27)	(57)	(69)	(105)
<b>Change in cash and cash equivalents during the period from continuing operations</b>	(58)	9	(118)	(1)
<b>Change in cash and cash equivalents from discontinued operations and reclassification of cash and cash equivalent as held for sale</b>	(98)	6	(88)	2
<b>Net change in cash and cash equivalents during the period</b>	(156)	15	(206)	1
<b>Currency translation on cash and cash equivalents</b>	(1)	(6)	(7)	6
<b>Cash and cash equivalents - Beginning of the period</b>	328	153	384	155
<b>Cash and cash equivalents - End of the period</b>	171	162	171	162

## 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. Intersegment 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 its most recent audited consolidated financial statements for the year ended December 31, 2020.

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 four segments: Containerboard, Boxboard Europe and Specialty Products (which constitutes the Corporation's Packaging Products), and Tissue Papers.

SALES TO										
For the 3-month periods ended June 30,										
(in millions of Canadian dollars) (unaudited)	Canada		United States		Italy		Other countries		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Packaging Products</b>										
Containerboard	301	268	196	186	—	—	—	—	497	454
Boxboard Europe	—	—	—	—	83	80	170	185	253	265
Specialty Products	58	42	73	78	—	—	—	—	131	120
Inter-segment sales	(3)	(4)	(4)	(1)	—	—	—	—	(7)	(5)
	356	306	265	263	83	80	170	185	874	834
<b>Tissue Papers</b>	58	65	239	359	—	—	—	—	297	424
<b>Inter-segment sales and Corporate Activities</b>	34	28	4	(1)	—	—	—	—	38	27
	448	399	508	621	83	80	170	185	1,209	1,285
Discontinued operations — Boxboard Europe	—	—	—	—	(83)	(80)	(170)	(185)	(253)	(265)
	448	399	508	621	—	—	—	—	956	1,020

SALES TO										
For the 6-month periods ended June 30,										
(in millions of Canadian dollars) (unaudited)	Canada		United States		Italy		Other countries		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Packaging Products</b>										
Containerboard	600	528	400	383	—	—	—	1	1,000	912
Boxboard Europe	—	—	—	—	174	161	365	376	539	537
Specialty Products	105	77	148	154	—	—	—	2	253	233
Inter-segment sales	(7)	(7)	(7)	(1)	—	—	—	—	(14)	(8)
	698	598	541	536	174	161	365	379	1,778	1,674
<b>Tissue Papers</b>	115	135	474	734	—	—	—	1	589	870
<b>Inter-segment sales and Corporate Activities</b>	65	54	5	—	—	—	—	—	70	54
	878	787	1,020	1,270	174	161	365	380	2,437	2,598
Discontinued operations — Boxboard Europe	—	—	—	—	(174)	(161)	(365)	(376)	(539)	(537)
	878	787	1,020	1,270	—	—	—	4	1,898	2,061

## OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2021	2020	2021	2020
<b>Packaging Products</b>				
Containerboard	95	83	191	185
Boxboard Europe	11	42	34	73
Specialty Products	18	16	36	27
	124	141	261	285
<b>Tissue Papers</b>	(5)	48	13	93
<b>Corporate Activities</b>	(21)	(20)	(44)	(48)
<b>Operating income before depreciation and amortization before discontinued operations</b>	98	169	230	330
Discontinued operations — Boxboard Europe	(11)	(42)	(34)	(73)
<b>Operating income before depreciation and amortization</b>	87	127	196	257
Depreciation and amortization	(64)	(63)	(129)	(123)
Financing expense and interest expense on employee future benefits	(21)	(27)	(44)	(54)
Foreign exchange gain (loss) on long-term debt and financial instruments	3	9	6	(8)
Share of results of associates and joint ventures	5	3	7	6
<b>Earnings before income taxes</b>	10	49	36	78

## PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2021	2020	2021	2020
<b>Packaging Products</b>				
Containerboard	52	15	106	31
Boxboard Europe	10	4	17	9
Specialty Products	8	4	16	9
	70	23	139	49
<b>Tissue Papers</b>	4	15	12	39
<b>Corporate Activities</b>	7	5	11	11
Total acquisitions before discontinued operations	81	43	162	99
Discontinued operations — Boxboard Europe	(10)	(4)	(17)	(9)
Total acquisitions	71	39	145	90
Proceeds from disposals of property, plant and equipment	(1)	(1)	(1)	(2)
Right-of-use assets acquisitions and acquisitions included in other debts	(12)	(4)	(12)	(11)
	58	34	132	77
Acquisitions for property, plant and equipment included in "Trade and other payables"				
Beginning of period	49	32	46	52
End of period	(42)	(30)	(42)	(30)
<b>Payments for property, plant and equipment net of proceeds from disposals</b>	65	36	136	99

## **SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES SPECIFIC ITEMS**

The Corporation incurs some specific items that adversely or positively affect its operating results. We believe it is useful for readers to be aware of these items as they provide additional information to measure performance, compare the Corporation's results between periods, and assess operating results and liquidity, notwithstanding these specific items. Management believes these specific items are not necessarily reflective of the Corporation's underlying business operations in measuring and comparing its performance and analyzing future trends. Our definition of specific items may differ from those of other corporations and some of them may arise in the future and may reduce the Corporation's available cash.

They include, but are not limited to, charges for (reversals of) impairment of assets, restructuring gains or costs, loss on refinancing and repurchase of long-term debt, some deferred tax asset provisions or reversals, premiums paid on repurchase of long-term debt, gains or losses on the acquisition or sale of a business unit, gains or losses on the share of results of associates and joint ventures, unrealized gains or losses on derivative financial instruments that do not qualify for hedge accounting, unrealized gains or losses on interest rate swaps and option fair value revaluation, foreign exchange gains or losses on long-term debt and financial instruments, fair value revaluation gain or losses on investments, specific items of discontinued operations and other significant items of an unusual, non-cash or non-recurring nature.

## **RECONCILIATION OF NON-IFRS MEASURES**

To provide more information for evaluating the Corporation's performance, the financial information included in this analysis contains certain data that are not performance measures under IFRS ("non-IFRS measures"), which are also calculated on an adjusted basis to exclude specific items. We believe that providing certain key performance measures and non-IFRS measures is useful to both Management and investors, as they provide additional information to measure the performance and financial position of the Corporation. This also increases the transparency and clarity of the financial information. The following non-IFRS measures are used in our financial disclosures:

- Operating income before depreciation and amortization (OIBD): Used to assess operating performance and the contribution of each segment when excluding depreciation and amortization. OIBD is widely used by investors as a measure of a corporation's ability to incur and service debt and as an evaluation metric.
- Adjusted OIBD: Used to assess operating performance and the contribution of each segment on a comparable basis.
- Adjusted operating income: Used to assess operating performance of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Adjusted free cash flow: Used to assess the Corporation's capacity to generate cash flows to meet financial obligations and/or discretionary items such as share repurchase, dividend increase and strategic investments.
- Net debt to adjusted OIBD ratio: Used to measure the Corporation's credit performance and evaluate financial leverage.
- Net debt to adjusted OIBD ratio on a pro-forma basis: Used to measure the Corporation's credit performance and evaluate the financial leverage on a comparable basis, including significant business acquisitions and excluding significant business disposals, if any.

Non-IFRS measures are mainly derived from the consolidated financial statements, but do not have meanings prescribed by IFRS. These measures have limitations as an analytical tool and should not be considered on their own or as a substitute for an analysis of our results as reported under IFRS. In addition, our definitions of non-IFRS measures may differ from those of other corporations. Any such modification or reformulation may be significant.

The reconciliation of operating income (loss) to OIBD, to adjusted operating income (loss) and to adjusted OIBD by business segment is as follows:

							Q2 2021
Including Discontinued Operations						Exclusion of Discontinued Operations <sup>1</sup>	As reported
(in millions of Canadian dollars) (unaudited)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
<b>Operating income (loss)</b>	64	(1)	14	(22)	(33)	1	23
Depreciation and amortization	31	12	4	17	12	(12)	64
<b>Operating income (loss) before depreciation and amortization</b>	<b>95</b>	<b>11</b>	<b>18</b>	<b>(5)</b>	<b>(21)</b>	<b>(11)</b>	<b>87</b>
Specific items:							
Loss on acquisitions, disposals and others	—	2	—	—	—	(2)	—
Impairment charges	—	—	—	1	—	—	1
Restructuring costs	—	—	—	5	—	—	5
Unrealized loss (gain) on derivative financial instruments	5	(2)	—	—	—	2	5
	5	—	—	6	—	—	11
<b>Adjusted operating income (loss) before depreciation and amortization</b>	<b>100</b>	<b>11</b>	<b>18</b>	<b>1</b>	<b>(21)</b>	<b>(11)</b>	<b>98</b>
<b>Adjusted operating income (loss)</b>	<b>69</b>	<b>(1)</b>	<b>14</b>	<b>(16)</b>	<b>(33)</b>	<b>1</b>	<b>34</b>

							Q1 2021
As reported in 2021						Exclusion of Discontinued Operations <sup>1</sup>	As reported
(in millions of Canadian dollars) (unaudited)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
<b>Operating income (loss)</b>	65	12	15	—	(36)	(12)	44
Depreciation and amortization	31	11	3	18	13	(11)	65
<b>Operating income (loss) before depreciation and amortization</b>	<b>96</b>	<b>23</b>	<b>18</b>	<b>18</b>	<b>(23)</b>	<b>(23)</b>	<b>109</b>
Specific items :							
Restructuring costs	3	—	—	2	—	—	5
Unrealized loss (gain) on derivative financial instruments	9	—	—	—	(1)	—	8
	12	—	—	2	(1)	—	13
<b>Adjusted operating income (loss) before depreciation and amortization</b>	<b>108</b>	<b>23</b>	<b>18</b>	<b>20</b>	<b>(24)</b>	<b>(23)</b>	<b>122</b>
<b>Adjusted operating income (loss)</b>	<b>77</b>	<b>12</b>	<b>15</b>	<b>2</b>	<b>(37)</b>	<b>(12)</b>	<b>57</b>

<sup>1</sup> 2021 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

(in millions of Canadian dollars) (unaudited)	As reported in 2020					Exclusion of Discontinued Operations <sup>1</sup>	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
<b>Operating income (loss)</b>	54	30	11	31	(32)	(30)	64
Depreciation and amortization	29	12	5	17	12	(12)	63
<b>Operating income (loss) before depreciation and amortization</b>	83	42	16	48	(20)	(42)	127
Specific items:							
Loss on acquisitions, disposals and others	—	—	1	—	—	—	1
Impairment charges	8	—	—	5	—	—	13
Restructuring costs	1	—	—	1	—	—	2
Unrealized loss (gain) on derivative financial instruments	2	1	—	—	(2)	(1)	—
	11	1	1	6	(2)	(1)	16
<b>Adjusted operating income (loss) before depreciation and amortization</b>	94	43	17	54	(22)	(43)	143
<b>Adjusted operating income (loss)</b>	65	31	12	37	(34)	(31)	80

<sup>1</sup> 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

Net earnings, as per IFRS, is reconciled below with operating income, adjusted operating income and adjusted operating income before depreciation and amortization:

(in millions of Canadian dollars) (unaudited)	Q2 2021 <sup>1</sup>	Q1 2021 <sup>1</sup>	Q2 2020 <sup>1</sup>
<b>Net earnings attributable to Shareholders for the period</b>	3	22	54
Net earnings attributable to non-controlling interests	2	6	12
Results from discontinued operations	3	(8)	(24)
Provision for income taxes	2	6	7
Share of results of associates and joint ventures	(5)	(2)	(3)
Foreign exchange gain on long-term debt and financial instruments	(3)	(3)	(9)
Financing expense and interest expense on employee future benefits	21	23	27
<b>Operating income</b>	23	44	64
Specific items:			
Loss on acquisitions, disposals and others	—	—	1
Impairment charges	1	—	13
Restructuring costs	5	5	2
Unrealized loss on derivative financial instruments	5	8	—
	11	13	16
<b>Adjusted operating income</b>	34	57	80
Depreciation and amortization	64	65	63
<b>Adjusted operating income before depreciation and amortization</b>	98	122	143

<sup>1</sup> 2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

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

(in millions of Canadian dollars, except amounts per share) (unaudited)	NET EARNINGS			NET EARNINGS PER SHARE <sup>1</sup>		
	Q2 2021 <sup>1</sup>	Q1 2021	Q2 2020	Q2 2021 <sup>1</sup>	Q1 2021	Q2 2020
<b>As per IFRS</b>	<b>3</b>	22	54	<b>\$0.02</b>	\$0.22	\$0.57
Specific items:						
Loss on acquisitions, disposals and others	—	—	1	—	—	—
Impairment charges	1	—	13	\$0.01	—	\$0.10
Restructuring costs	5	5	2	\$0.04	\$0.03	\$0.02
Unrealized loss on derivative financial instruments	5	8	—	\$0.03	\$0.06	—
Foreign exchange gain on long-term debt and financial instruments	(3)	(3)	(9)	(\$0.03)	(\$0.02)	(\$0.09)
Included in discontinued operations, net of tax	—	—	1	—	—	\$0.01
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest <sup>1</sup>	(3)	(3)	(4)	—	—	—
	<b>5</b>	7	4	<b>\$0.05</b>	\$0.07	\$0.04
<b>Adjusted</b>	<b>8</b>	29	58	<b>\$0.07</b>	\$0.29	\$0.61

<sup>1</sup> Specific amounts per share are calculated on an after-tax basis and are net of the portion attributable to non-controlling interests. Per share amounts in line item "Tax effect on specific items, other tax adjustments and attributable to non-controlling interests" only include the effect of tax adjustments.

The following table reconciles cash flow from operating activities from continuing operations with operating income and operating income before depreciation and amortization:

(in millions of Canadian dollars) (unaudited)	Q2 2021 <sup>1</sup>	Q1 2021 <sup>1</sup>	Q2 2020 <sup>1</sup>
<b>Cash flow from operating activities from continuing operations</b>	<b>40</b>	57	106
Changes in non-cash working capital components	47	25	19
Depreciation and amortization	(64)	(65)	(63)
Net income taxes paid (received)	1	(2)	1
Net financing expense paid	4	40	7
Loss on acquisitions, disposals and others	—	—	(1)
Impairment charges and restructuring costs	(6)	(5)	(15)
Unrealized loss on derivative financial instruments	(5)	(8)	—
Provisions for contingencies and charges and other liabilities	6	2	10
<b>Operating income</b>	<b>23</b>	44	64
Depreciation and amortization	64	65	63
<b>Operating income before depreciation and amortization</b>	<b>87</b>	109	127

<sup>1</sup> 2021 and 2020 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations.

The following table reconciles cash flow from operating activities from continuing operations with cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components) and adjusted cash flow from operating activities from continuing operations. It also reconciles adjusted cash flow from operating activities from continuing operations to adjusted free cash flow, which is also calculated on a per share basis:

(in millions of Canadian dollars, except amount per share or otherwise mentioned) (unaudited)	Q2 2021 <sup>1</sup>	Q1 2021 <sup>2</sup>	Q2 2020 <sup>2</sup>
<b>Cash flow from operating activities from continuing operations</b>	<b>40</b>	57	106
Changes in non-cash working capital components	47	25	19
<b>Cash flow from operating activities from continuing operations(excluding changes in non-cash working capital components)</b>	<b>87</b>	82	125
Specific items paid	2	4	—
<b>Adjusted cash flow from operating activities from continuing operations</b>	<b>89</b>	86	125
Capital expenditures & other assets <sup>1</sup> and right-of-use assets payments, net of disposals	(83)	(86)	(47)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(10)	(12)	(12)
<b>Adjusted free cash flow generated (used)</b>	<b>(4)</b>	(12)	66
<b>Adjusted free cash flow generated (used) per share (in Canadian dollars)</b>	<b>(\$0.04)</b>	(\$0.12)	\$0.70
<b>Weighted average basic number of shares outstanding</b>	<b>102,281,072</b>	102,279,404	94,459,257

<sup>1</sup> Excluding increase in investments

<sup>2</sup> 2021 and 2020 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations.

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) (unaudited)	June 30, 2021	March 31, 2021	June 30, 2020
Long-term debt	1,799	1,889	1,975
Current portion of long-term debt	72	87	255
Bank loans and advances	7	6	9
<b>Total debt</b>	<b>1,878</b>	1,982	2,239
Less: Cash and cash equivalents	171	328	162
<b>Net debt as reported</b>	<b>1,707</b>	1,654	2,077
Net debt of discontinued operations classified as held for sale <sup>1</sup>	(6)	11	—
Net debt - before reclassification as held for sale <sup>1</sup>	1,701	1,665	2,077
Adjusted OIBD including \$90 million (June 30, 2021), \$122 million (March 31, 2021) and \$122 million (June 30, 2020) from discontinued operations (last twelve months) <sup>1</sup>	582	659	660
<b>Net debt / Adjusted OIBD<sup>1</sup></b>	<b>2.9x</b>	2.5x	3.1x
<b>Net debt as reported</b>	<b>1,707</b>	1,654	2,077
Expected net proceeds of disposal of RDM <sup>1</sup>	(461)	—	—
Pro forma net debt	1,246	1,654	2,077
Adjusted OIBD as reported on a last twelve months basis	492	659	660
<b>Pro forma net debt / Adjusted OIBD<sup>1</sup></b>	<b>2.5x</b>	2.5x	3.1x

<sup>1</sup> Net debt / Adjusted OIBD before discontinued operations in the Boxboard Europe segment.

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