Leading the way.

Quarterly Report 2

for the three-month and six-month periods ended June 30, 2022 and 2021

Cascades

Source of possibilities

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FORWARD-LOOKING STATEMENTS

The following document 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 and six-month periods ended June 30, 2022 and 2021, together with the most recent Audited Consolidated Financial Statements. Information contained herein includes any significant developments as of August 3, 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 the SEDAR website 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 $1,119 million
  (compared with $1,038 million in Q1 2022 and $956 million in Q2 2021)

- As reported (including specific items)
  - Operating income (loss) of $32 million
    (compared with $(4) million in Q1 2022 and $23 million in Q2 2021)
  - Operating income before depreciation and amortization (OIBD) of $95 million
    (compared with $56 million in Q1 2022 and $87 million in Q2 2021)
  - Net earnings per common share of $0.10
    (compared with net loss per common share of ($0.15) in Q1 2022 and net earnings per common share of $0.02 in Q2 2021)

- Adjusted (excluding specific items[1])
  - Operating income (loss) of $28 million
    (compared with $(2) million in Q1 2022 and $34 million in Q2 2021)
  - Operating income before depreciation and amortization (OIBD) of $91 million
    (compared with $58 million in Q1 2022 and $98 million in Q2 2021)
  - Net earnings per common share of $0.10
    (compared with net loss per common share of ($0.15) in Q1 2022 and net earnings per common share of $0.07 in Q2 2021)

- Net debt[1] of $1,712 million as of June 30, 2022 (compared with $1,549 million as of March 31, 2022); Net debt to adjusted OIBD ratio[1] at 5.4x, up from 4.8x as of March 31, 2022.
- Total capital expenditures, net of disposals, of $116 million in Q2 2022, and $212 million in the first half of 2022.

FINANCIAL SUMMARY

SELECTED CONSOLIDATED INFORMATION

(in millions of Canadian dollars, except per common share amounts) (unaudited)	**Q2 2022**	Q1 2022	Q2 2021
Sales	**1,119**	1,038	956
As reported			
Operating income before depreciation and amortization (OIBD)	**95**	56	87
Operating income (loss)	**32**	(4)	23
Net earnings (loss)	**10**	(15)	3
per common share	**$0.10**	($0.15)	$0.02
Margin (OIBD)	**8.5%**	5.4%	9.1%
Adjusted[1]			
Operating income before depreciation and amortization (OIBD)	**91**	58	98
Operating income (loss)	**28**	(2)	34
Net earnings (loss)	**10**	(15)	8
per common share	**$0.10**	($0.15)	$0.07
Margin (OIBD)	**8.1%**	5.6%	10.3%

1 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)	**Q2 2022**	Q1 2022	Q2 2021
Packaging Products			
Containerboard	**98**	72	95
Specialty Products	**25**	28	18
Tissue Papers	**(4)**	(18)	(5)
Corporate Activities	**(24)**	(26)	(21)
OIBD as reported	**95**	56	87

SEGMENTED ADJUSTED OIBD[1]

(in millions of Canadian dollars) (unaudited)	**Q2 2022**	Q1 2022	Q2 2021
Packaging Products			
Containerboard	**99**	80	100
Specialty Products	**25**	22	18
Tissue Papers	**(8)**	(17)	1
Corporate Activities	**(25)**	(27)	(21)
Adjusted OIBD[1]	**91**	58	98

The main variances[2] in adjusted OIBD[1] are shown below:

(in millions of Canadian dollars) (unaudited)	**Q2 2022 vs Q1 2022**	Q2 2022 vs Q2 2021	2022 vs 2021 (6 months)
Pricing and mix	**51**	147	233
Freight and production costs	**(25)**	(84)	(143)
Volume, foreign exchange & others	**8**	(2)	(6)
Raw material & energy	**(1)**	(68)	(155)
Variances in adjusted OIBD[1]	**33**	(7)	(71)

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

2 *For definitions of certain operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the three-month periods ended June 30, 2022, and 2021" section for more details.*

Our packaging businesses delivered good sequential performances in the second quarter, with improved pricing and sales mix, higher volumes, and lower raw material costs in the case of Containerboard outweighing the impact of continued cost inflation. Sequentially, results in our Tissue Papers business highlight the momentum being generated by the profitability initiatives underway. While pricing and mix improvements realized to date helped to mitigate the unprecedented headwinds on the cost side, these initiatives are trailing the pace of the current high inflation environment. These initiatives remain on track to generate important contributions in the back half of 2022, and are being closely monitored and regularly adapted to address the changing cost environment.

/s/ Mario Plourde

MARIO PLOURDE
President and Chief Executive Officer
August 3, 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 facilities[1] and approximately 10,000 employees[1] across Canada and the United States. The Corporation currently operates three business segments:

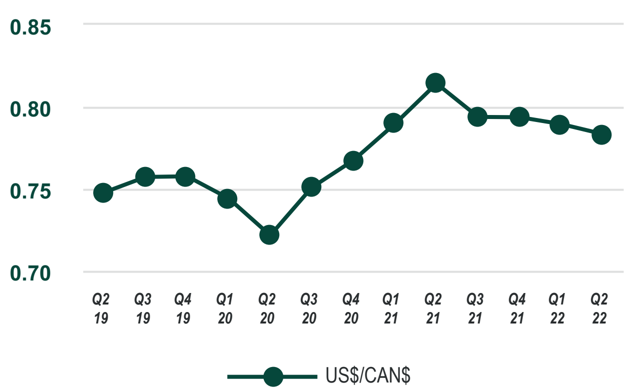
(Business segments) (unaudited)	Number of Facilities[1]	Q2 2022 Sales[2] (in $M)	Q2 2022 Operating Income (loss) Before Depreciation and Amortization (OIBD)[2] (in $M)	Q2 2022 Adjusted OIBD[2, 3] (in $M)	Q2 2022 Adjusted OIBD Margin[2, 3] (%)
PACKAGING PRODUCTS					
Containerboard	25	569	98	99	17.4%
Specialty Products	20	168	25	25	14.9%
TISSUE PAPERS	15	342	(4)	(8)	(2.3%)

BUSINESS DRIVERS

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

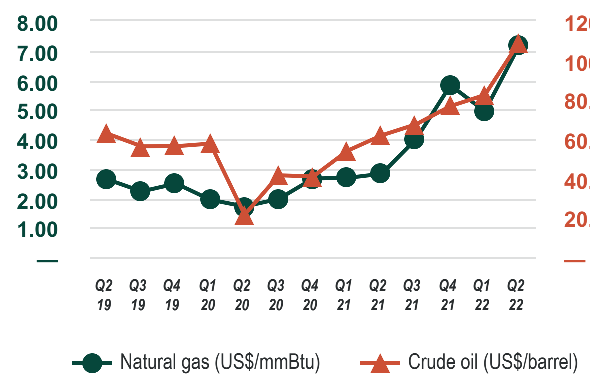
EXCHANGE RATES

Sequentially, the average value of the Canadian dollar decreased by 1% compared to the US dollar in the second quarter of 2022. On a year-over-year basis, the average value of the Canadian dollar decreased by 4% compared to the US dollar.



ENERGY COSTS

During the second quarter, the average price of natural gas increased by 45% sequentially and increased by 153% compared to the same period of last year. In the case of crude oil, the average price was 32% higher sequentially and 76% higher year-over-year, respectively.



					2020					2021			**2022**
(unaudited)	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**YTD[4]**
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**	**$0.78**	**$0.79**
US$/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**	**$0.78**	**$0.78**
Natural Gas Henry Hub - US$/ mmBtu	$1.95	$1.72	$1.98	$2.67	$2.08	$2.69	$2.83	$4.01	$5.83	$3.84	**$4.95**	**$7.17**	**$6.06**
Crude oil (US$/barrel)	$57.78	$21.65	$41.67	$41.07	$40.54	$54.16	$62.01	$67.60	$76.84	$65.15	**$82.49**	**$109.25**	**$95.87**

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.*

4 *YTD (year-to-date).*

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIALS

	2020					2021		2022	Q2 2022 vs. Q2 2021		Q2 2022 vs.Q1 2022	
These indexes should only be used as trend indicators; they may differ from our actual selling prices and purchasing costs. (unaudited)	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Change**	**%**	**Change**	**%**
Selling prices (average)												
PACKAGING PRODUCTS												
Containerboard (US$/short ton)												
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	723	772	825	858	875	833	**895**	**935**	**110**	**13%**	**40**	**4%**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	623	675	735	775	795	745	**818**	**865**	**130**	**18%**	**47**	**6%**
Specialty Products (US$/short ton)												
Uncoated recycled boxboard - 20-pt. bending chip (series B)	708	740	793	867	980	845	**1,027**	**1,067**	**274**	**35%**	**40**	**4%**
TISSUE PAPERS (US$/short ton)												
Parent rolls, recycled fibres (transaction)	1,120	1,115	1,159	1,170	1,178	1,156	**1,213**	**1,271**	**112**	**10%**	**58**	**5%**
Parent rolls, virgin fibres (transaction)	1,428	1,453	1,550	1,544	1,511	1,515	**1,504**	**1,597**	**47**	**3%**	**93**	**6%**
Raw materials prices (average)												
RECYCLED PAPER												
North America (US$/short ton)												
Sorted residential papers, No. 56 (SRP - Northeast average)	24	44	59	108	108	80	**98**	**107**	**48**	**81%**	**9**	**9%**
Old corrugated containers, No. 11 (OCC - Northeast average)	61	79	102	162	167	127	**140**	**137**	**35**	**34%**	**(3)**	**(2%)**
Sorted office papers, No. 37 (SOP - Northeast average)	109	94	117	153	173	134	**205**	**235**	**118**	**101%**	**30**	**15%**
VIRGIN PULP (US$/metric ton)												
Northern bleached softwood kraft, Canada	1,141	1,302	1,598	1,542	1,472	1,478	**1,527**	**1,743**	**145**	**9%**	**216**	**14%**
Bleached hardwood kraft, mixed, Canada/US	883	1,037	1,297	1,320	1,262	1,229	**1,312**	**1,517**	**220**	**17%**	**205**	**16%**

Sources: 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 June 30, 2022				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**69**	**20**	**(23)**	**(34)**	**32**
Depreciation and amortization	**29**	**5**	**19**	**10**	**63**
Operating income (loss) before depreciation and amortization	**98**	**25**	**(4)**	**(24)**	**95**
Specific items:					
Gain on acquisitions, disposals and others	**—**	**—**	**(4)**	**—**	**(4)**
Unrealized loss (gain) on derivative financial instruments	**1**	**—**	**—**	**(1)**	**—**
	1	**—**	**(4)**	**(1)**	**(4)**
Adjusted operating income (loss) before depreciation and amortization	**99**	**25**	**(8)**	**(25)**	**91**
Adjusted operating income (loss)	**70**	**20**	**(27)**	**(35)**	**28**

	For the 3-month period ended June 30, 2021				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	64	14	(22)	(33)	23
Depreciation and amortization	31	4	17	12	64
Operating income (loss) before depreciation and amortization	95	18	(5)	(21)	87
Specific items:					
Impairment charges	—	—	1	—	1
Restructuring costs	—	—	5	—	5
Unrealized loss on derivative financial instruments	5	—	—	—	5
	5	—	6	—	11
Adjusted operating income (loss) before depreciation and amortization	100	18	1	(21)	98
Adjusted operating income (loss)	69	14	(16)	(33)	34

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
	For the 6-month period ended June 30, 2022				
Operating income (loss)	**113**	**44**	**(58)**	**(71)**	**28**
Depreciation and amortization	**57**	**9**	**36**	**21**	**123**
Operating income (loss) before depreciation and amortization	**170**	**53**	**(22)**	**(50)**	**151**
Specific items:					
Gain on acquisitions, disposals and others	**—**	**(6)**	**(4)**	**—**	**(10)**
Restructuring costs	**—**	**—**	**1**	**—**	**1**
Unrealized loss (gain) on derivative financial instruments	**9**	**—**	**—**	**(2)**	**7**
	9	**(6)**	**(3)**	**(2)**	**(2)**
Adjusted operating income (loss) before depreciation and amortization	**179**	**47**	**(25)**	**(52)**	**149**
Adjusted operating income (loss)	**122**	**38**	**(61)**	**(73)**	**26**

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
	For the 6-month period ended June 30, 2021[1]				
Operating income (loss)	129	29	(22)	(69)	67
Depreciation and amortization	62	7	35	25	129
Operating income (loss) before depreciation and amortization	191	36	13	(44)	196
Specific items:					
Impairment charges	—	—	1	—	1
Restructuring costs	3	—	7	—	10
Unrealized loss (gain) on derivative financial instruments	14	—	—	(1)	13
	17	—	8	(1)	24
Adjusted operating income (loss) before depreciation and amortization	208	36	21	(45)	220
Adjusted operating income (loss)	146	29	(14)	(70)	91

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

	For the 3-month periods ended June 30,		**For the 6-month periods ended June 30,**	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021[1]
Net earnings (loss) attributable to Shareholders for the period	**10**	3	**(5)**	25
Net earnings attributable to non-controlling interests	**4**	2	**8**	8
Results from discontinued operations	**—**	3	**—**	(5)
Provision for (recovery of) income taxes	**3**	2	**(1)**	8
Share of results of associates and joint ventures	**(6)**	(5)	**(10)**	(7)
Foreign exchange loss (gain) on long-term debt and financial instruments	**3**	(3)	**2**	(6)
Financing expense and interest expense on employee future benefits and other liabilities	**18**	21	**34**	44
Operating income	**32**	23	**28**	67
Specific items:				
Gain on acquisitions, disposals and others	**(4)**	—	**(10)**	—
Impairment charges	**—**	1	**—**	1
Restructuring costs	**—**	5	**1**	10
Unrealized loss on derivative financial instruments	**—**	5	**7**	13
	(4)	11	**(2)**	24
Adjusted operating income	**28**	34	**26**	91
Depreciation and amortization	**63**	64	**123**	129
Adjusted operating income before depreciation and amortization	**91**	98	**149**	220

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 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:

	NET EARNINGS (LOSS)				NET EARNINGS (LOSS) PER COMMON SHARE[1]			
	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,		For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
As per IFRS	**10**	3	**(5)**	25	**$0.10**	$0.02	**($0.05)**	$0.24
Specific items:								
Gain on acquisitions, disposals and others	**(4)**	—	**(10)**	—	**($0.03)**	—	**($0.08)**	—
Impairment charges	**—**	1	**—**	1	**—**	$0.01	**—**	$0.01
Restructuring costs	**—**	5	**1**	10	**—**	$0.04	**$0.01**	$0.07
Unrealized loss on derivative financial instruments	**—**	5	**7**	13	**—**	$0.03	**$0.05**	$0.09
Foreign exchange loss (gain) on long-term debt and financial instruments	**3**	(3)	**2**	(6)	**$0.03**	($0.03)	**$0.02**	($0.05)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**1**	(3)	**—**	(6)	**—**	—	**—**	—
	—	5	**—**	12	**—**	$0.05	**—**	$0.12
Adjusted	**10**	8	**(5)**	37	**$0.10**	$0.07	**($0.05)**	$0.36
Weighted average basic number of common shares outstanding					**100,588,470**	102,281,072	**100,705,048**	102,280,243

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

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021[2]
Cash flow from (used by) operating activities from continuing operations	**22**	40	**(51)**	97
Changes in non-cash working capital components	**59**	47	**151**	72
Depreciation and amortization	**(63)**	(64)	**(123)**	(129)
Net income taxes paid (received)	**3**	1	**4**	(1)
Net financing expense paid	**4**	4	**34**	44
Gain on acquisitions, disposals and others	**4**	—	**10**	—
Impairment charges and restructuring costs	**—**	(6)	**(1)**	(11)
Unrealized loss on derivative financial instruments	**—**	(5)	**(7)**	(13)
Provisions for contingencies and charges and other liabilities, net of dividends received	**3**	6	**11**	8
Operating income	**32**	23	**28**	67
Depreciation and amortization	**63**	64	**123**	129
Operating income before depreciation and amortization	**95**	87	**151**	196

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

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.

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:

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	**2022**	2021	**2022**	2021[1]
Cash flow from (used by) operating activities from continuing operations	**22**	40	**(51)**	97
Changes in non-cash working capital components	**59**	47	**151**	72
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	**81**	87	**100**	169
Restructuring costs paid	**—**	2	**7**	6
Adjusted cash flow from operating activities from continuing operations	**81**	89	**107**	175
Capex expenditures	**(117)**	(66)	**(219)**	(137)
Change in intangible and other assets	**(2)**	(7)	**(3)**	(11)
Lease obligation payments	**(13)**	(11)	**(26)**	(23)
Proceeds from disposals of property, plant and equipment	**1**	1	**7**	1
	(50)	6	**(134)**	5
Dividends paid to non-controlling interests	**(2)**	(3)	**(6)**	(7)
Dividends paid to the Corporation's Shareholders	**(12)**	(8)	**(24)**	(16)
Adjusted free cash flow used	**(64)**	(5)	**(164)**	(18)
Adjusted free cash flow used per common share (in Canadian dollars)	**($0.64)**	($0.05)	**($1.63)**	($0.18)
Weighted average basic number of common shares outstanding	**100,588,470**	102,281,072	**100,705,048**	102,280,243

The following table reconciles working capital as reported:

(in millions of Canadian dollars, except ratios) (unaudited)	**June 30, 2022**	December 31, 2021	December 31, 2020
Accounts receivables	**605**	510	659
Inventories	**584**	494	569
Trade and other payables	**(696)**	(707)	(861)
Working capital	**493**	297	367

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)	**June 30, 2022**	December 31, 2021	December 31, 2020
Long-term debt	**1,710**	1,450	1,949
Current portion of long-term debt	**71**	74	102
Bank loans and advances	**1**	1	12
Total debt	**1,782**	1,525	2,063
Less: Cash and cash equivalents	**70**	174	384
Net debt as reported	**1,712**	1,351	1,679
Last twelve months adjusted OIBD (before discontinued operations for the year ended December 31, 2020)	**318**	389	675
Net debt / Adjusted OIBD ratio	**5.4x**	3.5x	2.5x

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.

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

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

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2022

In the second quarter, the Tissue Papers segment recorded a $4 million gain from the settlement of a supply agreement.

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.

IMPAIRMENT CHARGES

2021

In the second quarter, the Tissue Papers segment recorded an impairment charge of $1 million on spare parts related to closed plants.

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 second quarter, the Tissue Papers segment recorded additional costs totaling $5 million related to asset relocation and severances.

In the first quarter, the Containerboard Packaging segment recorded severance charges totaling $3 million as part of a 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 half of 2022, the Corporation recorded an unrealized loss of $7 million (nil in the second quarter), compared to an unrealized loss of $13 million in the same period of 2021 (unrealized loss of $5 million in the second quarter), on certain derivative financial instruments not designated for hedge accounting. The unrealized loss in the first half of 2022 is due to a steam contract embedded derivatives related to our Niagara Falls containerboard complex.

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

In the first half of 2022, the Corporation recorded a loss of $2 million (loss of $3 million in the second quarter) on its US$ denominated debt and related financial instruments, compared to a gain of $6 million in the same period of 2021 (gain of $3 million in the second quarter). This is composed of a loss of $2 million in the first half of 2022 (loss of $3 million in the second quarter), compared to a gain of $5 million in the same period of 2021 (gain of $2 million in the second quarter), on foreign exchange forward contracts not designated for hedge accounting. It also includes a gain of $1 million in the first half of 2021 (gain of $1 million in the second quarter) on the US$ denominated long-term debt, net of our net investment hedges in the US, as well as forward exchange contracts designated as hedging instruments.

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - FIRST HALF OF 2022

For the 3-month period ended June 30, 2022, the Corporation posted net earnings of $10 million, or $0.10 per common share, compared to net earnings of $3 million, or $0.02 per common share, in the same period of 2021. On an adjusted basis[1], the Corporation generated net earnings of $10 million in the second quarter of 2022, or $0.10 per common share, compared to net earnings of $8 million, or $0.07 per common share, in the same period of 2021.

For the 3-month period ended June 30, 2022, consolidated sales totaled $1,119 million, an increase of $163 million, or 17%, compared to $956 million in the same period of 2021. This largely reflects higher prices and a favourable foreign exchange rate for all segments.

For the 3-month period ended June 30, 2022, the Corporation recorded an operating income before depreciation and amortization (OIBD) of $95 million, compared to $87 million in the same period of 2021. On an adjusted basis[1], operating income before depreciation and amortization stood at $91 million in the second quarter of 2022, compared to $98 million in the same period of 2021. This largely reflects the general inflationary pressure on all costs, which were partly counterbalanced by higher selling prices that benefited all segments.

For the 6-month period ended June 30, 2022, the Corporation posted a net loss of $(5) million, or ($0.05) per common share, compared to net earnings of $25 million, or $0.24 per common share, in the same period of 2021. On an adjusted basis[1], the Corporation generated a net loss of $(5) million in the first half of 2022, or ($0.05) per common share, compared to net earnings of $37 million, or $0.36 per common share, in the same period of 2021.

For the 6-month period ended June 30, 2022, consolidated sales totaled $2,157 million, an increase of $259 million, or 14%, compared to $1,898 million in the same period of 2021[2]. This largely reflects higher sales in all segments as a result of improved selling prices and sales mix, as well as the positive impact of the foreign exchange rate and increased volumes in the Tissue Papers and Specialty Products segments. This was partially offset by lower volume in the Containerboard segment after a strong first half in 2021.

For the 6-month period ended June 30, 2022, the Corporation recorded an operating income before depreciation and amortization (OIBD) of $151 million, compared to $196 million in the same period of 2021[2]. On an adjusted basis[1], operating income before depreciation and amortization stood at $149 million in the first half of 2022, compared to $220 million in the same period of 2021[2]. This largely reflects the significant inflationary pressure on all costs and lower volume in the Containerboard Packaging segment, which were counterbalanced by higher selling prices that benefited all segments.

FINANCIAL OVERVIEW - 2021

In 2021, the Corporation posted net earnings of $162 million, or $1.60 per common share, compared to net earnings of $198 million, or $2.04 per common share, in 2020. On an adjusted basis[1], the Corporation generated net earnings of $27 million during 2021, or $0.26 per common share, compared to net earnings of $187 million, or $1.95 per common share, in 2020.

Annual consolidated sales reached $3,956 million in 2021[2], a decrease of $149 million, or 4%, compared to 2020[2]. This largely reflects the sales decrease of 21% in both the 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 2021[2], compared to $543 million in 2020[2]. On an adjusted basis[1], operating income before depreciation and amortization stood at $389 million in 2021[2], compared to $546 million in 2020[2]. 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:

					2020[6]					2021			2022	LTM[7]
(unaudited)	Q1	Q2	Q3	Q4	YEAR	Q1[6]	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**YTD[8]**	
OPERATIONAL														
Total shipments (in '000 s.t.)[1]														
Packaging Products														
Containerboard	374	360	411	399	1,544	391	385	377	368	1,521	**372**	**379**	**751**	***1,496***
Tissue Papers	181	167	145	152	645	123	138	148	145	554	**131**	**133**	**264**	***557***
Total	555	527	556	551	2,189	514	523	525	513	2,075	**503**	**512**	**1,015**	***2,053***
Integration rate[2]														
Containerboard	57%	57%	53%	55%	56%	57%	57%	58%	58%	58%	**57%**	**57%**	**57%**	***58%***
Tissue Papers	72%	73%	76%	79%	75%	79%	69%	71%	76%	74%	**79%**	**82%**	**81%**	***77%***
Manufacturing capacity utilization rate[3]														
Containerboard	98%	92%	98%	97%	96%	97%	96%	94%	89%	94%	**93%**	**96%**	**94%**	***93%***
Tissue Papers	88%	87%	73%	86%	83%	80%	78%	84%	85%	82%	**84%**	**81%**	**82%**	***84%***
Consolidated total	95%	90%	90%	93%	92%	92%	90%	91%	88%	90%	**90%**	**92%**	**91%**	***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**	**493**	**493**	
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%**	**9.6%**	**9.6%**	

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).

8 YTD (year to date).

HISTORICAL FINANCIAL INFORMATION

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	2020[2]					2021					2022			LTM[3]
	Q1	Q2	Q3	Q4	YEAR	Q1[2]	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**YTD[4]**	
Sales														
Packaging Products														
Containerboard	458	454	506	500	1,918	503	497	507	502	2,009	**534**	**569**	**1,103**	***2,112***
Specialty Products	113	120	117	123	473	122	131	144	151	548	**157**	**168**	**325**	***620***
Inter-segment sales	(3)	(5)	(4)	(6)	(18)	(7)	(7)	(10)	(8)	(32)	**(8)**	**(10)**	**(18)**	***(36)***
	568	569	619	617	2,373	618	621	641	645	2,525	**683**	**727**	**1,410**	***2,696***
Tissue Papers	446	424	364	381	1,615	292	297	344	339	1,272	**314**	**342**	**656**	***1,339***
Inter-segment sales and Corporate Activities	27	27	31	32	117	32	38	45	44	159	**41**	**50**	**91**	***180***
Total	1,041	1,020	1,014	1,030	4,105	942	956	1,030	1,028	3,956	**1,038**	**1,119**	**2,157**	***4,215***
Operating income (loss)														
Packaging Products														
Containerboard	74	54	71	122	321	65	64	58	43	230	**44**	**69**	**113**	***214***
Specialty Products	8	11	11	12	42	15	14	13	17	59	**24**	**20**	**44**	***74***
	82	65	82	134	363	80	78	71	60	289	**68**	**89**	**157**	***288***
Tissue Papers	28	31	3	10	72	—	(22)	29	(115)	(108)	**(35)**	**(23)**	**(58)**	***(144)***
Corporate Activities	(40)	(32)	(31)	(40)	(143)	(36)	(33)	(27)	(35)	(131)	**(37)**	**(34)**	**(71)**	***(133)***
Total	70	64	54	104	292	44	23	73	(90)	50	**(4)**	**32**	**28**	***11***
Operating income (loss) before depreciation and amortization (OIBD)	130	127	123	163	543	109	87	136	(30)	302	**56**	**95**	**151**	***257***
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%**	**8.5%**	**7.0%**	***6.1%***
Adjusted OIBD[1]														
Packaging Products														
Containerboard	99	94	100	110	403	108	100	94	70	372	**80**	**99**	**179**	***343***
Specialty Products	12	17	16	15	60	18	18	17	21	74	**22**	**25**	**47**	***85***
	111	111	116	125	463	126	118	111	91	446	**102**	**124**	**226**	***428***
Tissue Papers	45	54	36	40	175	20	1	12	(6)	27	**(17)**	**(8)**	**(25)**	***(19)***
Corporate Activities	(25)	(22)	(19)	(26)	(92)	(24)	(21)	(16)	(23)	(84)	**(27)**	**(25)**	**(52)**	***(91)***
Total	131	143	133	139	546	122	98	107	62	389	**58**	**91**	**149**	***318***
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%**	**8.1%**	**6.9%**	***7.5%***
Net earnings (loss)	22	54	49	73	198	22	3	32	105	162	**(15)**	**10**	**(5)**	***132***
Adjusted[1]	39	58	48	42	187	29	8	(1)	(9)	27	**(15)**	**10**	**(5)**	***(15)***
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)**	**$0.10**	**($0.05)**	***($0.85)***
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	**—**	**—**	**—**	***$2.16***
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)**	**$0.10**	**($0.05)**	***$1.31***
Diluted	$0.23	$0.57	$0.50	$0.72	$2.02	$0.22	$0.02	$0.32	$1.03	$1.59	**($0.15)**	**$0.10**	**($0.05)**	***$1.30***
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)**	**$0.10**	**($0.05)**	***($0.15)***
Cash flow from operating activities (excluding changes in non-cash working capital components)[2]	124	125	78	131	458	82	87	58	20	247	**19**	**81**	**100**	***178***
Net debt[1]	2,212	2,077	1,982	1,679	1,679	1,654	1,707	1,760	1,351	1,351	**1,549**	**1,712**	**1,712**	

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).

4 YTD (year to date).

BUSINESS HIGHLIGHTS

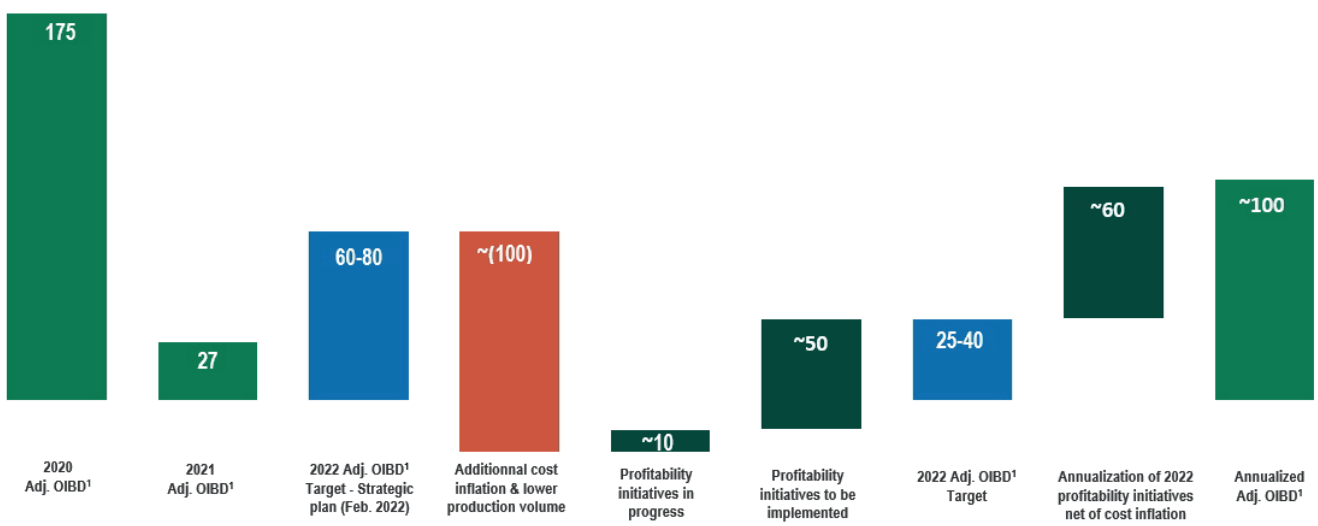
STRATEGIC PLAN 2022-2024

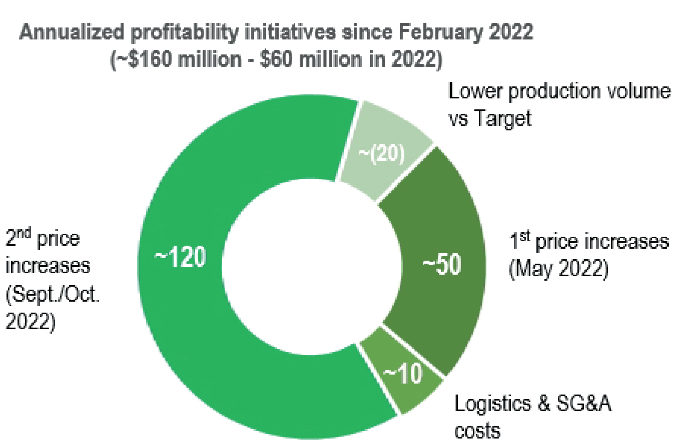
As part of the annual review of its corporate strategy, the Corporation analyzes its overall business and the environment in which it competes, sets objectives for the following year and the years ahead and approves its budgets, all with a view to enhancing shareholder value. On February 24, 2022, Management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

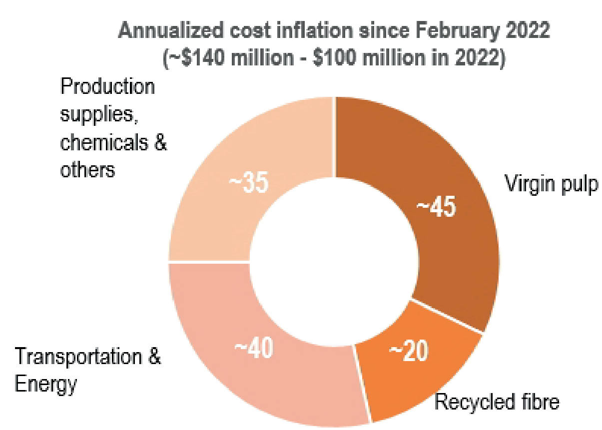
TISSUE PAPERS SEGMENT PROFITABILITY PLAN

The plan is closely monitored by Management and is progressing with initiatives directed towards production efficiency, net revenue management and cost savings. These initiatives will mitigate significant and unprecedented cost headwinds that this segment is facing, while also solidifying the Corporation's foundation for future success. Some of these profitability initiatives are already implemented but are expected to generate more significant results in the second half of 2022 and throughout 2023. The unprecedented and persistent escalation in cost headwinds combined with lower than anticipated sales volumes resulting mainly from lower productivity and short-term delays in the implementation of industry announced price increases, has resulted in a downward revision to the 2022 annual OIBD target for this segment from a previously disclosed range of $60 to $80 million to $25 to $40 million currently. Notwithstanding this, based on current market conditions and 2022 expected sales volume, the OIBD contribution of the Tissue segment on an annualized basis amounts to approximately $100 million.

(in millions of Canadian dollars)







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

The annualized impacts of additional cost headwinds at the end of June 2022 reflect the following:

- Raw materials – virgin pulp price index (NBHK) has increased by approximately 27%, or US$345/ton, from December 2021;
- Raw materials – white grades recycled fibre index has increased by approximately 32%, or US$60/ton, from December 2021;
- Energy – natural gas has increased by approximately 63%, or US$3.46/mmBtu, from December 2021;
- Higher transportation cost including fuel surcharge, chemical products and production supplies.

The expected annualized benefits from ongoing profitability initiatives are summarized as follows:

- Price increases (Retail/Away-from-Home tissue) – May 2022: ~$50 million;
- Price increases announced for July 2022 (Retail/Away-from-Home tissue) now expected in September/October 2022: ~$120 million;
- Logistics and SG&A cost savings: ~$10 million;
- Sales volume target of 65 to 70 million cases for 2022 is revised down to approximately 60 million cases in 2022: negative annualized contribution impact of approximately $20 million.

Looking further ahead, our continued focus is on carrying out our profitability plan and growing our annual sales volume, and we remain confident that we will achieve our $150 million OIBD 2024 target disclosed in our February 24, 2022 strategic update.

BEAR ISLAND PROJECT

The Bear Island strategic investment in the conversion of assets to recycled containerboard production is progressing well despite the current environment of important cost inflation and delays in the completion of certain construction milestones due to labour and material availability. The initial total investment of $475 million (US$380 million) was revised upward in the first quarter of 2022 to a range of $530 - $565 million (US$425 - US$450 million) following continued inflationary pressure on costs. The persistence of these factors and short-term construction interruptions caused by delivery delays of construction materials, have further impacted the total cost of the project, which is now forecast to total $595 - $615 million (US$470 - US$485 million).

The announced start-up date of the facility is December 14, 2022. However, the timing of some critical construction milestones may be at risk due to labour, supply chain and material availability which may in turn delay the start-up of paper production to the first quarter of 2023. The Corporation is working closely with contractors to mitigate the potential delay caused by these elements in order to meet the targeted mid-December 2022 start date.

Since 2018 we have invested a total of $322 million (2022 - $81 million in the second quarter and $64 million in the first quarter). The project incurred $4 million of operational costs in the first half of 2022 ($2 million in the second quarter of 2022, $8 million on a last twelve months basis and $2 million in the six months of 2021).

The elevated capital investments for this project combined with our lower consolidated financial results in the first half led to a notable increase in our net debt / adjusted OIBD ratio[1]. This course is expected to be reversed with improved business performance in the coming months and positive cash flows from the Bear Island project following the facility's start-up.

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.

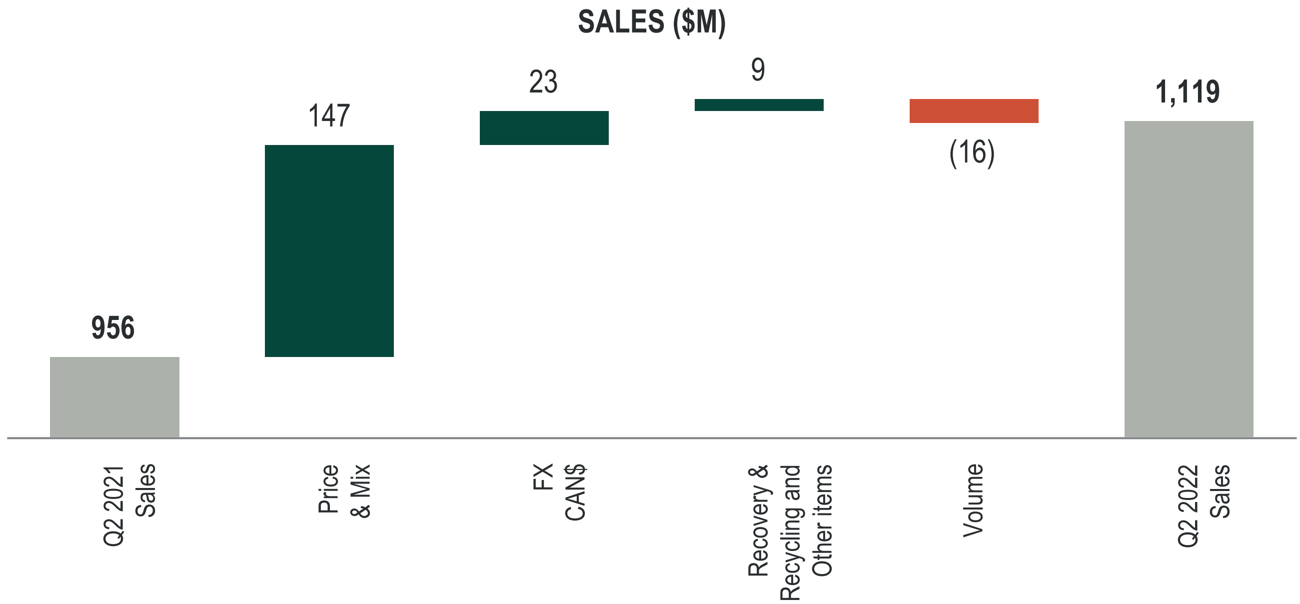
1 *Please refer to the “Supplemental Information on Non-IFRS Measures and Other Financial Measures” section for a complete reconciliation.*

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2022, AND 2021

SALES

Sales of $1,119 million increased by $163 million, or 17%, in the second quarter of 2022 compared to $956 million in the same period of 2021. Higher selling prices and a favourable foreign exchange rate had a positive impact on sales. These were partially offset by lower volume in the Containerboard and Tissue Papers segments after a strong second quarter in 2021.

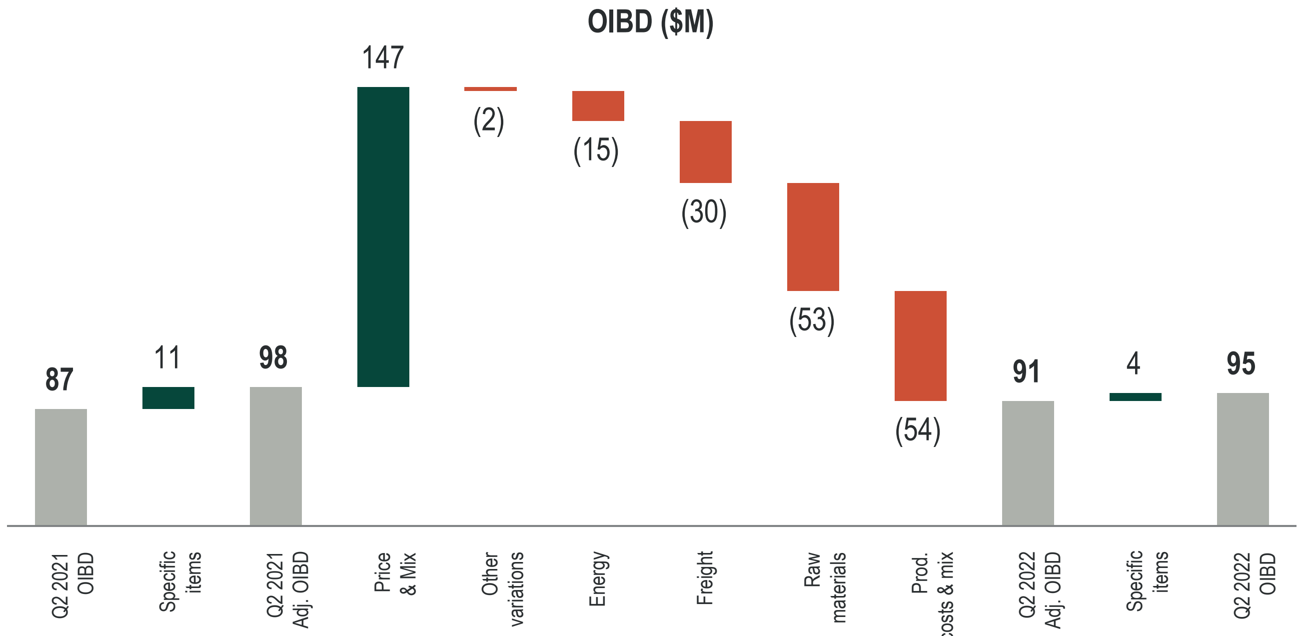
The main variances in sales in the second quarter of 2022, compared to the same period of 2021, are shown below:
(in millions of Canadian dollars)



OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an operating income before depreciation and amortization (OIBD) of $95 million in the second quarter of 2022, an increase of $8 million, or 9%, compared to $87 million in the second quarter of 2021. Specific items[1] recorded in the second quarter of 2022 positively impacted OIBD by $4 million, compared to the negative impact of $11 million recorded in the same period of 2021. Excluding specific items, the $7 million adjusted OIBD[1] decrease reflects higher selling prices which were more than offset by significant inflationary pressure on all costs, namely, energy, freight and logistics, raw materials, labour, chemicals and production supplies. Selling price increases are being implemented to offset these higher costs.

The main variances in OIBD in the second quarter of 2022, compared to the same period of 2021, 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$ on 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 second quarters of 2022 and 2021 that adversely or positively affected its operating results[1].

1 *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

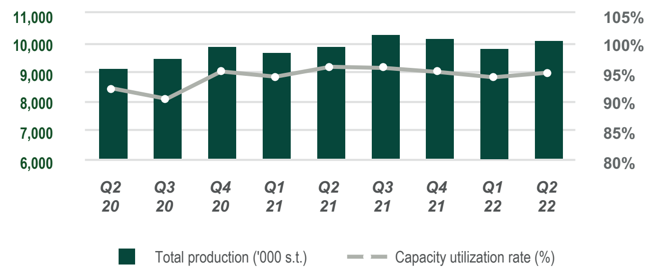
Our Industry

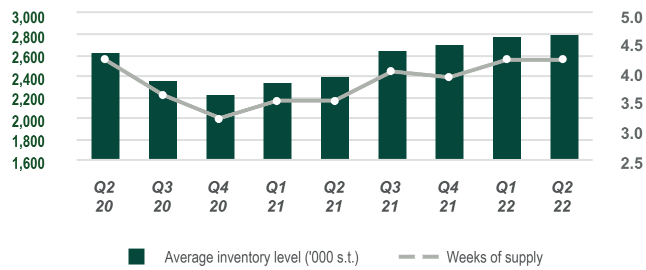
U.S. containerboard industry production and capacity utilization rate [1]

During the second quarter of 2022, total U.S. containerboard production amounted to 10.1 million short tons, a sequential increase of 2% and a year-over-year increase of 2%. The industry registered an average capacity utilization rate of 95% during the quarter.

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

The average inventory level increased 1% sequentially and 17% year-over-year during the second quarter of 2022. Inventory levels stood at approximately 2.9 million short tons at the end of June 2022, representing 4.2 weeks of supply.



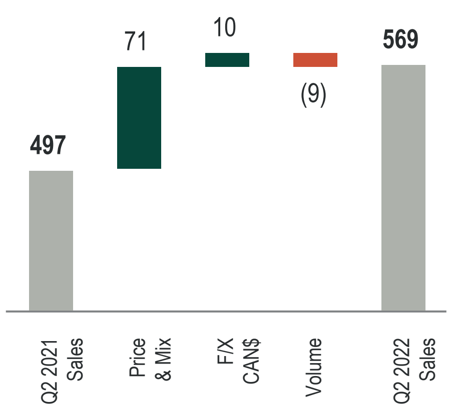


1 Source: RISI
2 Source: Fibre Box Association

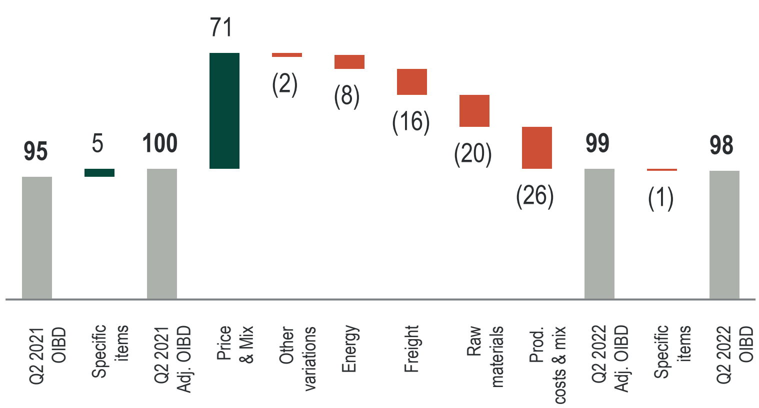
Our Performance

The main variances[1] in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the second quarter of 2022, compared to the same period of 2021, are shown below:

SALES ($M)



OIBD ($M)



The Corporation incurred certain specific items in the second quarters of 2022 and 2021 that adversely or positively affected its operating results[2].

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 June 30, 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.

	Q2 2021	Q2 2022	Change in %
Shipments[2] ('000 s.t.)	385	379	-2%
Average Selling Price (CAN$/unit)	1,286	1,503	17%
Sales ($M)	497	569	14%
OIBD ($M) (as reported)	95	98	3%
% of sales	19%	17%	
OIBD ($M) (adjusted)[1]	100	99	-1%
% of sales	20%	17%	
Operating income ($M) (as reported)	64	69	8%
Operating income ($M) (adjusted)[1]	69	70	1%

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 3.5 billion square feet in the second quarter of 2022 compared to 3.6 billion square feet in the same period of 2021, a decrease of 3%.

3 Including sales to other partners in Greenpac.

Shipments decreased by 6,000 s.t., or 2%, in the second quarter of 2022 compared to the same period of 2021.

This reflected a 1,000 s.t., or 1%, decrease in external parent roll shipments compared to the same period of 2021, driven by transportation availability constraints. The manufacturing utilization rate was stable year-over-year at 96%, as was the mill integration rate of 57%. Including sales to other partners[3], the integration rate also remained stable at 74%, year-over-year.

Shipments from converting activities decreased by 5,000 s.t., or 3%, compared to the same period of 2021. This reflect an 5% underperformance by our Canadian activities compared to the market which is up by 1% compared to the second quarter of 2021. The impacts from erosion of some customer accounts related to profitability initiatives and lower demand of some key customers explains lower volume for the quarter. For the US activities, performance is stronger with a 3% increase compared to last year.

The average selling price increased by 17% in the second quarter of 2022 compared to the same period of 2021. This reflected increases of 24% for parent rolls and 15% for converted products.

Sales increased by $72 million in the second quarter of 2022 compared to the same period of 2021. This reflected a $74 million benefit from higher average selling prices and a $10 million benefit related to the depreciation of the Canadian dollar, offset by a $3 million impact related to a less favourable sales mix and a $9 million impact due to lower volumes.

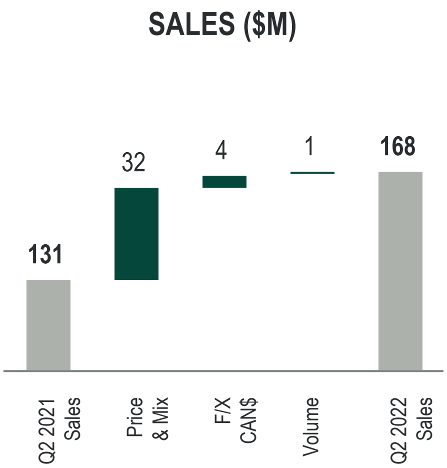
Operating income before depreciation and amortization (OIBD) increased by $3 million, or 3%, in the second quarter of 2022 compared to the same period of 2021. Excluding specific items[1] in both years, the $1 million, or 1%, adjusted OIBD[1] decrease reflects the impact of inflationary pressure on our production and supply chain costs in addition to transportation capacity challenges, including persistent railway shipping availability limitations in 2022. All in all, inflationary pressure on freight, energy, labour and other production costs contributed to the $50 million costs increase, which also includes $2 million of operational expense related to the Bear Island project in the second quarter of 2022 compared to $1 million for the same period in 2021. Other impacts include a 2% decrease in volume and higher raw material prices year-over-year that negatively impacted profitability levels by $4 million and $20 million, respectively. On the other hand, a higher average selling price combined with a slightly less favourable mix of products sold had a net positive impact of $71 million.

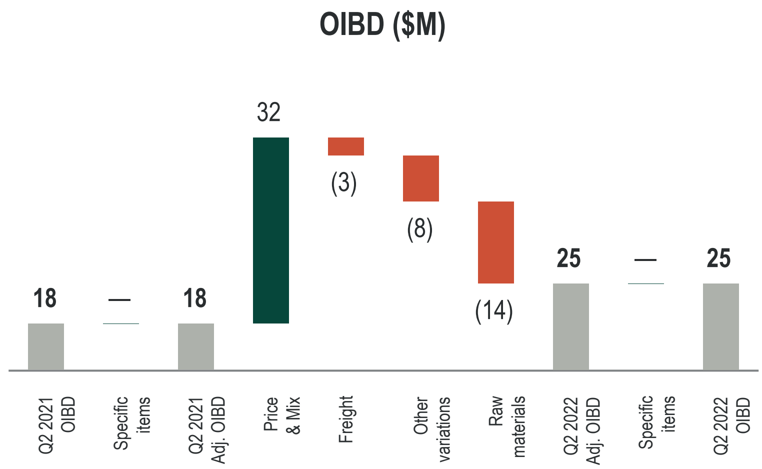
The segment incurred some specific items[1] in the second quarter of 2022 and 2021 that affected OIBD.

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Performance

The main variances[1] in sales and operating income before depreciation and amortization for the Specialty Products segment in the second quarter of 2022, compared to the same period of 2021, are shown below:





The Corporation incurred certain specific items in the second quarters of 2022 and 2021 that adversely or positively affected its operating results[2].

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 June 30, 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.*

	Q2 2021	Q2 2022	Change in %
Sales ($M)	131	168	28%
OIBD ($M) (as reported)	18	25	39%
% of sales	14%	15%	
(adjusted)[1]	18	25	39%
% of sales	14%	15%	
Operating income ($M) (as reported)	14	20	43%
(adjusted)[1]	14	20	43%

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

Sales increased by $37 million, or 28%, in the second quarter of 2022 compared to the same period of 2021. All sub-segments delivered higher average selling prices, which added $32 million to sales. In addition, the 4% depreciation of the Canadian dollar compared to the US dollar benefited sales levels by $4 million.

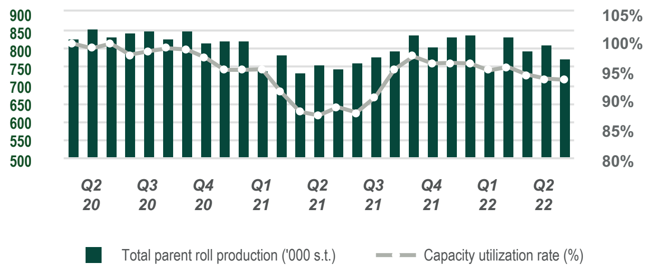
Operating income before depreciation and amortization (OIBD) increased by $7 million, or 39%, in the second quarter of 2022 compared to the same period of 2021. This strong performance is the result of higher realized spreads (selling price less raw materials), which positively impacted our results by $18 million. These were partially offset by higher transportation, operating costs, labour and other costs largely attributable to general inflationary pressure, which negatively impacted results by a total amount of $11 million.

TISSUE PAPERS

Our Industry

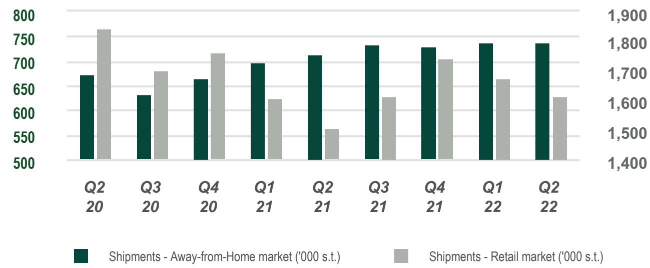
U.S. tissue paper industry production (parent rolls) and capacity utilization rate[1]

During the second quarter of 2022, parent roll production amounted to 2.4 million tons, down by 1% sequentially and up by 7% compared to the same period last year. The average capacity utilization rate for the quarter stood at 94%, down by 2% sequentially and up by 7% compared to the second quarter of 2021.



U.S. tissue paper industry converted product shipments[1]

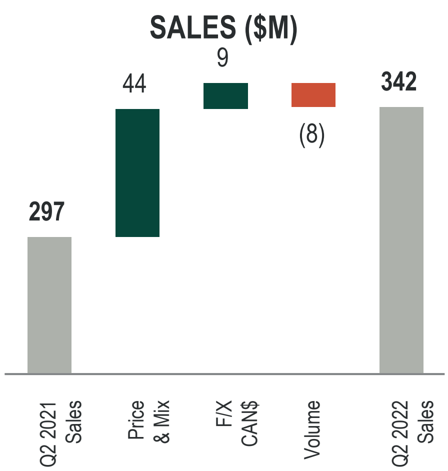
Shipments in the Away-from-Home market was stable sequentially and up by 3% year-over-year in the second quarter of 2022. Shipments in the Retail market decreased by 3% compared to the previous quarter and increased by 7% versus the same period of 2021.

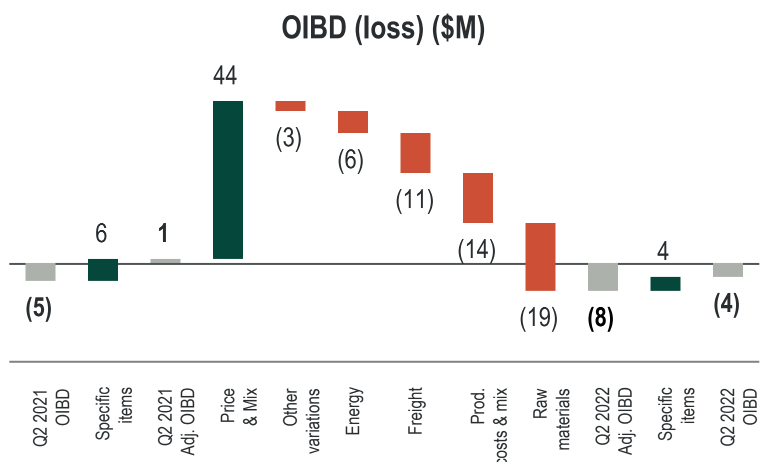


1 Source: RISI

Our Performance

The main variances[1] in sales and operating income (loss) before depreciation and amortization for the Tissue Papers segment in the second quarter of 2022, compared to the same period of 2021, are shown below:





The Corporation incurred certain specific items in the second quarters of 2022 and 2021 that adversely or positively affected its operating results[2].

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 June 30, 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.

	Q2 2021	Q2 2022	Change in %
Shipments[2] ('000 s.t.)	138	133	-4%
Average Selling Price (CAN$/unit)	2,160	2,568	19%
Sales ($M)	297	342	15%
OIBD (loss) ($M) (as reported)	(5)	(4)	20%
% of sales	(2)%	(1%)	
(adjusted)[1]	1	(8)	-900%
% of sales	—%	(2)%	
Operating income (loss) ($M) (as reported)	(22)	(23)	-5%
(adjusted)[1]	(16)	(27)	-69%

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 11,000 s.t., or 11%, on a year-over-year basis. In terms of cases, shipments increased by 1.5 million cases, or 11%, to 14.7 million cases in the second quarter of 2022. This was mainly driven by higher demand in the Away-from-Home market (+14%) and Consumer Products (+9%) due to lower demand in 2021 related to Covid-19. External manufacturing shipments decreased by 16,000 s.t., or 42%, in the second quarter of 2022 compared to the same period of 2021 as our integration rate increased to 82% compared to 69%.

The 19% increase in the average selling price was primarily due to price increase initiatives in both the Away-from-Home and Consumer Products markets, an average depreciation of the Canadian dollar compared to the US dollar of 4% and a favourable mix of products sold due to a lower proportion of parent roll sales.

Sales increased by $45 million, or 15%, in the second quarter of 2022 compared to the same period of 2021. This reflects a positive impact of $44 million related to selling price increase initiatives and a lower proportion of parent rolls in the sales mix, and the depreciation of the Canadian dollar, with a positive impact of $9 million. These were partially offset by lower total volumes, which had a negative impact of $8 million.

Operating income (loss) before depreciation and amortization (OIBD) increased by $1 million in the second quarter of 2022 compared to the same period of 2021. Excluding specific items[1] in both years, the adjusted OIBD[1] decreased by $9 million, mainly due to a $19 million impact from higher raw material costs, an $11 million impact from higher transportation costs and an $14 million impact from higher production and other costs stemming mostly from inflationary pressure. Higher selling prices were not sufficient to fully offset these increasing costs. Additional selling price increases are being implemented and will contribute positively to this segment's performance.

The segment incurred some specific items[1] in the second quarters of 2022 and 2021 that affected OIBD.

CORPORATE ACTIVITIES

Corporate Activities incurred some specific items[1] in the first halves of 2022 and 2021 that affected OIBD. Corporate Activities recorded an adjusted OIBD[1] loss of $52 million in the first half of 2022 (loss of $25 million in the second quarter), compared to a loss of $45 million in the same period of 2021 (loss of $21 million in the second quarter). The OIBD of our Recovery and Recycling activities was lower by $2 million in the first half of 2022 year-over-year (lower by $2 million in the second quarter). Corporate Activities also incurred additional costs to support the profitability improvement initiatives in the Tissue Papers segment.

In the first half of 2022, Corporate Activities recorded an unrealized gain on derivative financial instruments of $2 million (an unrealized gain of $1 million in the second quarter), compared to an unrealized gain of $1 million in the same period of 2021 (nil in the second quarter).

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to $2 million in the first half of 2022 ($1 million in the second quarter), compared to $4 million in the same period of 2021 ($1 million in the second quarter). 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 $6 million to $123 million in the first half of 2022 ($63 million in the second quarter), compared to $129 million in the same period of 2021[2] ($64 million in the second quarter). The decrease is mainly caused by the fact that the Corporation recorded impairment charges on certain assets in 2021 partially offset by revised useful life on certain assets during the second quarter.

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 $34 million in the first half of 2022 ($18 million in the second quarter), compared to $44 million in the same period of 2021[2] ($21 million in the second quarter), a decrease of $10 million. The variance is mainly attributable to higher capitalized interests on major investment projects and a lower nominal debt following the partial repurchase of unsecured senior notes in the fourth quarter of 2021.

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

In the first half of 2022, the Corporation recorded a loss of $2 million (loss of $3 million in the second quarter) on its US$ denominated debt and related financial instruments, compared to a gain of $6 million in the same period of 2021 (gain of $3 million in the second quarter). 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 $10 million in the first half 2022 ($6 million in the second quarter), compared to $7 million in the same period of 2021 ($5 million in the second quarter). 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 half of 2022, the Corporation recorded a recovery of income taxes of $1 million (provision for income taxes of $3 million in the second quarter), which compares to a provision for income taxes of $8 million in the same period of 2021[2] (provision for income taxes of $2 million in the second quarter).

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 24.5% in the first half 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 $5 million in the first half of 2021[1] ($(3) million in the second quarter). Results from discontinued operations attributable to Shareholders amounted to $3 million in the first half of 2021[1] ($(2) million in the second quarter). 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 $100 million in the first half of 2022 ($81 million in the second quarter), compared to $169 million in the same period of 2021[1] ($87 million in the second quarter). 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 $51 million in liquidity in the first half of 2022 ($22 million generated in the second quarter), compared to $97 million generated in the same period of 2021[1] ($40 million generated in the second quarter). The decrease is driven by lower profitability compared to the first half of 2021. Other elements include payments totaling $7 million in the first half of 2022 (nil in the second quarter) for severances and other restructuring costs related to closures and margin improvement initiatives, compared to $6 million in the same period of 2021 ($2 million in the second quarter). The Corporation paid $34 million of financing expense in the first half of 2022 ($4 million in the second quarter), compared to $44 million in the same period of 2021[1] ($4 million in the second quarter). The Corporation also paid $4 million of income taxes in the first half of 2022 ($3 million paid in the second quarter), compared to $1 million received in the same period of 2021[1] ($1 million paid in the second quarter).

Changes in non-cash working capital components used $151 million in liquidity in the first half of 2022 ($59 million used in the second quarter), compared to $72 million used in the same period of 2021[1] ($47 million used in the second quarter) due to higher inventory and accounts receivable compared to 2021 year-end. As of June 30, 2022, average quarterly LTM working capital as a percentage of LTM sales[2] stood at 9.6%, which compares to 8.6% as of December 31, 2021.

INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investing activities from continuing operations used $215 million in the first half of 2022 ($118 million used in the second quarter), compared to $146 million used in the same period of 2021[1] ($71 million used in the second quarter).

DISPOSALS IN ASSOCIATES AND JOINT VENTURES

In the first half of 2021, the Corporation sold its participation in an associate for an amount of $1 million.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021[1]
Total acquisitions	**114**	71	**213**	145
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	**15**	7	**39**	4
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	**(12)**	(12)	**(33)**	(12)
Payments for property, plant and equipment	**117**	66	**219**	137
Proceeds from disposals of property, plant and equipment	**(1)**	(1)	**(7)**	(1)
Payments for property, plant and equipment net of proceeds from disposals	**116**	65	**212**	136

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 half 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 half 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).

SPECIALTY PRODUCTS

- Investment in equipment to increase pulp and converting capacity in cardboard operations.

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 half of 2022, the Corporation invested $2 million, compared to $10 million in the same period of 2021, in its ERP information technology system and other software developments. In the first half of 2022, the Corporation invested an additional $1 million ($1 million in 2021) for other assets, including deposits.

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

Financing activities from continuing operations generated $163 million in liquidity in the first half of 2022 ($130 million generated in the second quarter), compared to $69 million used in the same period of 2021[1] ($27 million used in the second quarter), including $24 million ($16 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 355,686 common shares at an average price of $4.47 as a result of the exercise of stock options in the first half of 2022, representing an aggregate amount of $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 half of 2022 (in the same period of 2021 - none).

DIVIDENDS PAID TO NON-CONTROLLING INTERESTS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Dividends paid to non-controlling interests in Greenpac and Falcon Packaging (distributor in the Specialty Products segment) amounted to $6 million in the first half of 2022 ($7 million in the same period of 2021). In 2022, the Corporation also increased its participation in Falcon Packaging for a contribution of $2 million ($2 million in 2021).

CASH FLOWS FROM DISCONTINUED OPERATIONS

In the first quarter of 2021[1], the Boxboard Europe segment received $4 million from the sale of the land of a closed plant.

In the second quarter of 2021, the Boxboard Europe segment received €5 million ($7 million) from the sale of its French subsidiary which produces virgin based boxboard. The €7 million ($11 million) cash balance of this subsidiary was also disposed resulting in a net cash balance decrease of €2 million ($4 million).

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 JUNE 30, 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)	**June 30, 2022**	December 31, 2021	December 31, 2020
Cash and cash equivalents	**70**	174	384
Total assets	**4,802**	4,566	5,412
Total debt[2]	**1,782**	1,525	2,063
Net debt[2]	**1,712**	1,351	1,679
Equity attributable to Shareholders	**1,891**	1,879	1,753
Non-controlling interests	**50**	48	204
Total equity	**1,941**	1,927	1,957
Total equity and net debt[2]	**3,653**	3,278	3,636
Ratio of net debt[2]/(total equity and net debt[2])	**46.9%**	41.2%	46.2%
Shareholders' equity per common share (in Canadian dollars)	**$18.75**	$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)
June 30, 2022	**Baa3/Ba2/Ba3 (stable)**	**BB+/BB-/BB- (stable)**

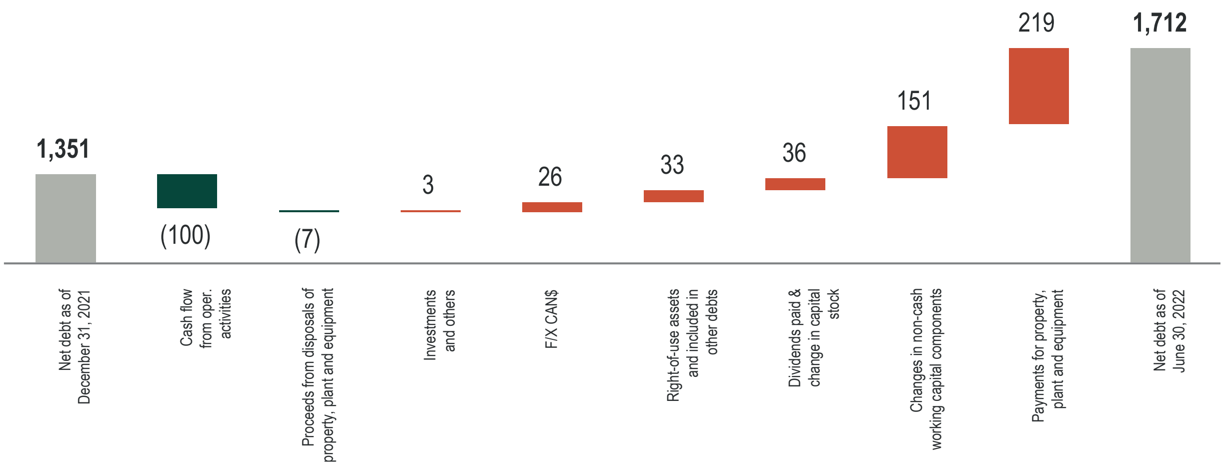
During the first quarter of 2022, STANDARD & POOR'S revised the Corporation's outlook to stable from positive on cost headwinds and reaffirmed its 'BB-' rating.

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 DEBT[1] RECONCILIATION

The variances in the net debt[1] (total debt[1] less cash and cash equivalents) in the first half of 2022 are shown below, with the applicable financial ratios included.
(in millions of Canadian dollars)



389	Adjusted OIBD[1] (last twelve months) ($M)	**318**
3.5x	Net debt[1]/Adjusted OIBD[1]	**5.4x**

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 $450 - $470 million, encompassing $310 - $330 million for the Bear Island containerboard conversion project in Virginia, USA. As of June 30, 2022, the Corporation had $481 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 June 30, 2022 are comprised as follows: $35 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and $35 million in unrestricted subsidiaries, mainly Greenpac.

NEAR-TERM OUTLOOK

At the operations level, we are forecasting sequentially stable results in our packaging businesses in the third quarter, during which favourable pricing momentum is expected to mitigate continued cost inflation. As we have previously stated, the Tissue Papers business is expected to return to a trajectory of positive contribution in the upcoming quarters as meaningful benefits from implementation of the profitability initiatives begin to be realized.

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 June 30, 2022, Cascades' common share price fluctuated between $9.16 and $14.14. During the same period, 34.4 million Cascades common shares were traded on the Toronto Stock Exchange. On June 30, 2022, Cascades' common shares closed at $10.13. This compares with a closing price of $15.26 on the same closing day last year.

COMMON SHARES OUTSTANDING

As of June 30, 2022, the Corporation's issued and outstanding capital stock consisted of 100,822,027 common shares (100,860,362 as of December 31, 2021) and 2,803,262 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 355,686 stock options were exercised and 785,532 options were granted.

As of August 3, 2022, issued and outstanding capital stock consisted of 100,822,027 common shares and 2,803,262 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 August 3, 2022, the Corporation purchased no common shares for cancellation.

DIVIDEND POLICY

On August 3, 2022, Cascades' Board of Directors declared a quarterly dividend of $0.12 per common share to be paid on September 1, 2022 to shareholders of record at the close of business on August 17, 2022. On August 3, 2022, dividend yield was 5.1%.

				2020				2021		**2022**
TSX Ticker: CAS	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**	**Q2**
Common shares outstanding (in millions)[1]	94.3	95.0	95.0	102.3	102.3	102.3	100.9	100.9	**100.5**	**100.8**
Closing price (in Canadian dollars)[1]	$12.57	$14.79	$16.84	$14.55	$15.73	$15.26	$15.67	$13.97	**$12.82**	**$10.13**
Average daily volume[2]	256,827	298,267	257,710	363,795	342,616	433,394	278,277	272,438	**250,944**	**301,874**
Dividend yield[1]	2.5%	2.2%	1.9%	2.2%	2.0%	2.1%	3.1%	3.4%	**3.7%**	**4.7%**

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 JUNE 30, 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 CONTROLS 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 June 30, 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) a general decrease in consumer spending from lower confidence levels; (ii) severe price inflation; (iii) disruptions in capital and financial markets; and (iv) an increase in cyber security risk.

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.

APPENDIX
INFORMATION FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

FINANCIAL RESULTS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

SALES

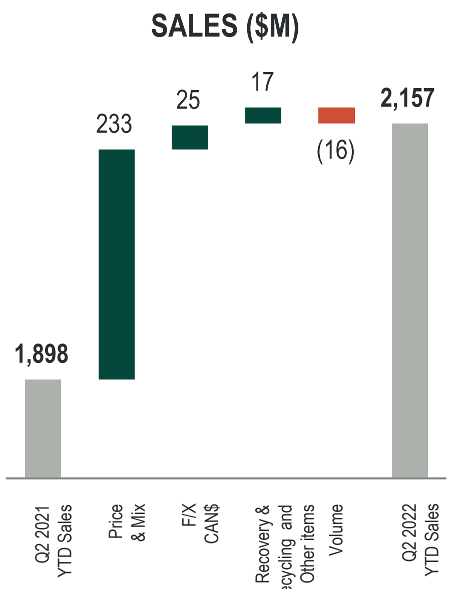
Sales increased by $259 million, or 14%, to $2,157 million in the first half of 2022, compared with $1,898 million in the same period of 2021[1]. Higher selling prices and a favourable foreign exchange rate for all segments had a positive impact on sales. Recovery & Recycling activities also had a positive impact compared to last year. These were partially offset by lower volume in the Containerboard segment after a strong first half in 2021.

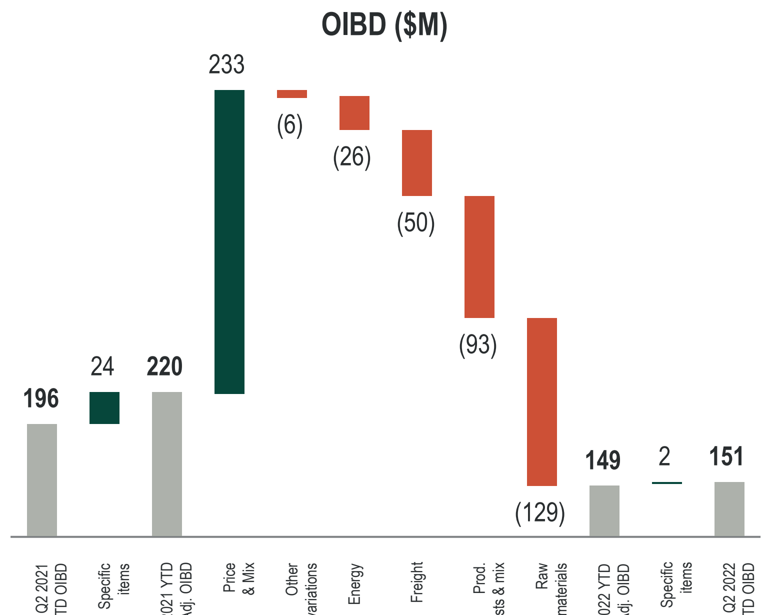
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an OIBD of $151 million in the first half of 2022, compared with $196 million in the same period of 2021[1], a decrease of $45 million. Specific items[2] recorded in both periods impacted the OIBD respectively. Excluding specific items, the $71 million adjusted OIBD[2] decrease reflects higher selling prices, which were more than offset by lower volume in Containerboard and significant inflationary pressure on all costs, namely, energy, freight and logistics, raw materials, labour, chemicals and production supplies. Selling price increases have been implemented in all of our business segments. Further increases are announced to offset persistent inflationary costs.

Adjusted OIBD[2] was $149 million in the first half of 2022, compared with $220 million in the same period of 2021[1], a decrease of $71 million.

The main variances[3] in sales and in OIBD in the first half of 2022, compared to the same period of 2021[1], are shown below:
(in millions of Canadian dollars)





The sales and OIBD variances analysis by segment is shown in each business segment review (please refer to pages 34 to 39 for more details).

The Corporation incurred certain specific items in the first halves of 2022 and 2021 that adversely or positively affected its operating results[2].

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.

3 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 June 30, 2022, and 2021" section for more details.

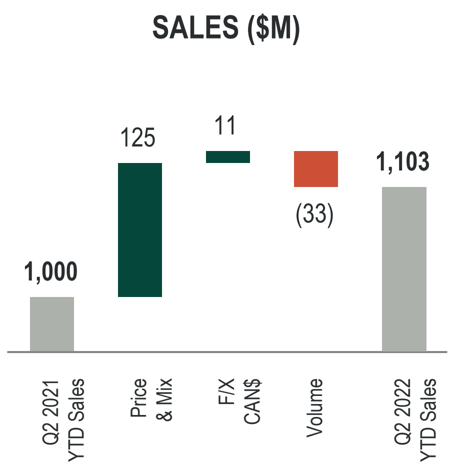
APPENDIX (CONTINUED)
INFORMATION FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

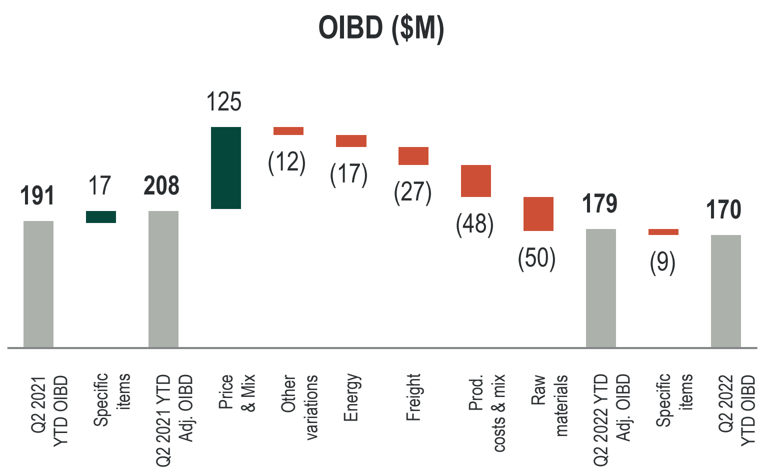
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

Our Performance (Q2 2021 YTD vs. Q2 2022 YTD)

The main variances[1] in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the first half of 2022, compared to the same period of 2021, are shown below:





The Corporation incurred certain specific items in the first halves of 2022 and 2021 that adversely or positively affected its operating results[2].

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 June 30, 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.*

	Q2 2021 YTD	Q2 2022 YTD	Change in %
Shipments[2] ('000 s.t.)	776	751	-3%
Average Selling Price (CAN$/unit)	1,287	1,469	14%
Sales ($M)	1,000	1,103	10%
OIBD ($M) (as reported)	191	170	-11%
% of sales	19%	15%	
(adjusted)[1]	208	179	-14%
% of sales	21%	16%	
Operating income ($M) (as reported)	129	113	-12%
(adjusted)[1]	146	122	-16%

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 6.9 billion square feet in 2022 compared to 7.2 billion square feet in 2021, an decrease of 4%.

3 Including sales to other partners in Greenpac.

Shipments decreased by 25,000 s.t., or 3%, in 2022 compared to 2021.

This reflects a 7,000 s.t., or 2%, decrease in external parent roll shipments compared to 2021. This was mainly driven by railway transportation availability challenges that negatively impacted parent roll shipments. The manufacturing utilization rate decreased by 2% to 94%. The mill integration rate remained stable at 57%. Including sales to other partners[3], the integration rate was 74% in 2022, up from 73% in 2021.

Shipments from converting activities decreased by 18,000 s.t., or 4%. This reflects an 7% underperformance by our Canadian activities compared to the market which is up by 1% compared to the first half of 2021. The volume decrease compared to last year reflects strong industry demand in the first half of 2021, the impacts from erosion of some customer accounts related to profitability initiatives and lower demand of some key customers.

The average selling price denominated in Canadian dollars increased by 14% in 2022. This reflected a 17% increase for parent rolls and a 14% for converted products.

Sales increased by $103 million, or 10%, in 2022 compared to 2021. The higher average selling price added $131 million to sales while the 2% average depreciation of the Canadian dollar against the US dollar positively impacted sales by $11 million. These benefits were partly offset by lower volume that had a negative impact of $33 million on sales and an unfavourable sales mix of $6 million.

Operating income before depreciation and amortization (OIBD) decreased by $21 million, or 11%, in 2022 compared to 2021. Excluding specific items[1] in both years, adjusted OIBD[1] decreased by $29 million, or 14%, reflecting the impact of inflationary pressure on our operations and our supply chain costs combined with railway transportation capacity challenges. Higher average selling price and a slightly less favourable sales mix had a net positive impact of $125 million. This was offset by a negative raw material cost impact of $50 million and higher logistic and distribution costs that subtracted an additional $27 million. Other variations include a $14 million negative impact related to the 3% volume decrease and the depreciation of the Canadian dollar which added $2 million. Other production costs, including chemicals, repair and maintenance, labour and other costs, had a combined negative impact of $48 million. This amount also includes operational costs of $4 million related to the Bear Island project in 2022 compared to $2 million for the same period in 2021. Higher energy prices subtracted $17 million of OIBD compared to last year.

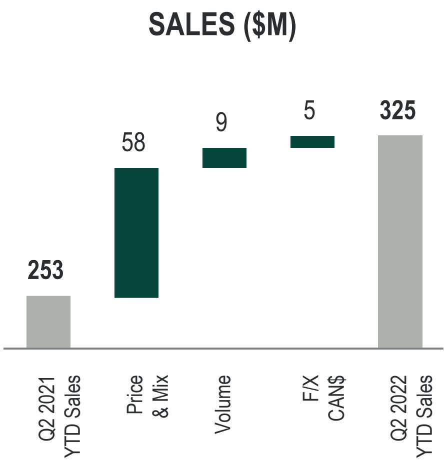
The segment incurred some specific items[1] in 2022 and 2021 that affected OIBD.

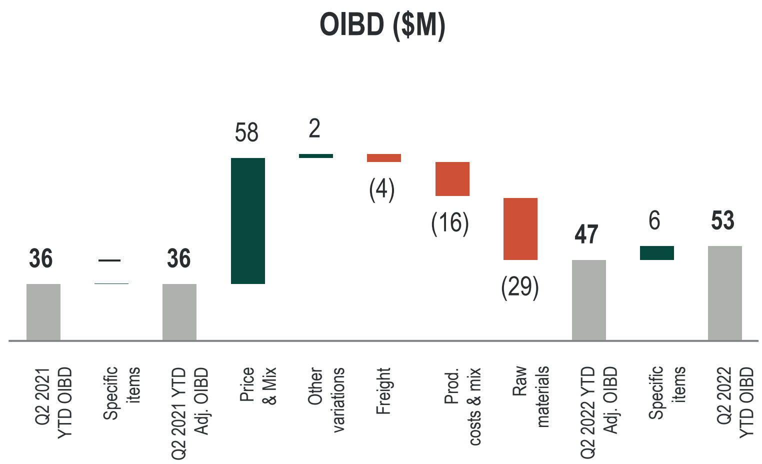
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Performance (Q2 2021 YTD vs. Q2 2022 YTD)

The main variances[1] in sales and operating income before depreciation and amortization for the Specialty Products segment in the first half of 2022, compared to the same period of 2021, are shown below:





The Corporation incurred certain specific items in the first halves of 2022 and 2021 that adversely or positively affected its operating results[2].

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 June 30, 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.

	Q2 2021 YTD	Q2 2022 YTD	Change in %
Sales ($M)	253	325	28%
OIBD ($M) (as reported)	36	53	47%
% of sales	14%	16%	
(adjusted)[1]	36	47	31%
% of sales	14%	14%	
Operating income ($M) (as reported)	29	44	52%
(adjusted)[1]	29	38	31%

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

Sales increased by $72 million, or 28%, in 2022 compared to 2021. Higher volume in cardboard sub-segments and higher average selling prices for all sub-segments increased sales levels by $67 million in the period. In addition, the 2% average depreciation of the Canadian dollar compared to the US dollar had a positive impact of $5 million on sales.

Operating income before depreciation and amortization (OIBD) increased by $17 million, or 47%, in 2022 compared to 2021. Excluding specific items[1] in 2022, the adjusted OIBD[1] increased by $11 million, or 31%. The segment's solid performance reflects higher realized spreads (selling price less raw materials), which positively impacted results by $29 million. This was partially offset by higher transportation, operating costs, maintenance and other costs, which negatively impacted results by $20 million.

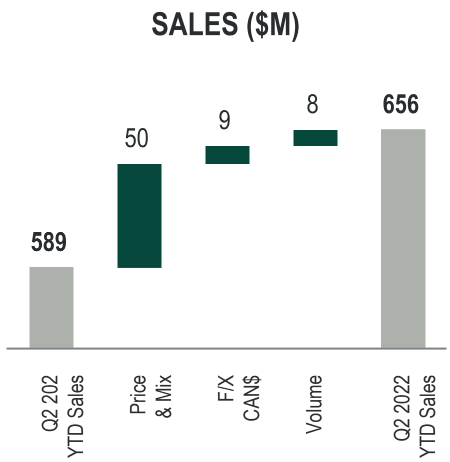
The segment incurred some specific items[1] in 2022 that affected OIBD.

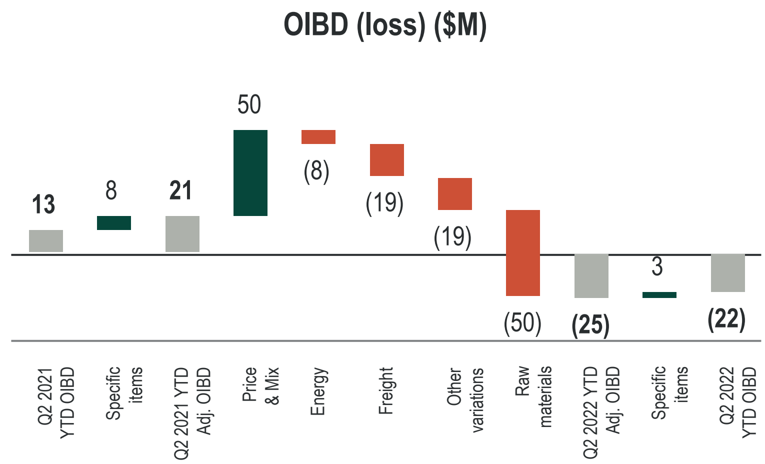
BUSINESS SEGMENT REVIEW

TISSUE PAPERS

Our Performance (Q2 2021 YTD vs. Q2 2022 YTD)

The main variances[1] in sales and operating income (loss) before depreciation and amortization for the Tissue Papers segment in the first half of 2022, compared to the same period of 2021, are shown below:





The Corporation incurred certain specific items in the first halves of 2022 and 2021 that adversely or positively affected its operating results[2].

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 June 30, 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.*

	Q2 2021 YTD	Q2 2022 YTD	Change in %
Shipments[2] ('000 s.t.)	261	264	1%
Average Selling Price (CAN$/unit)	2,260	2,484	10%
Sales ($M)	589	656	11%
OIBD (loss) ($M) (as reported)	13	(22)	-269%
% of sales	2%	(3)%	
(adjusted)[1]	21	(25)	-219%
% of sales	4%	(4)%	
Operating income (loss) ($M) (as reported)	(22)	(58)	-164%
(adjusted)[1]	(14)	(61)	-336%

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 17,000 s.t., or 9%. In terms of cases, shipments increased by 1.9 million cases, or 7%, to 28.5 million cases in the first half of 2022. This is the result of higher demand in the Consumer Products (+15%) and Away-from-Home (+4%) due to lower demand in 2021 related to Covid-19. External manufacturing shipments of parent rolls decreased by 14,000 s.t., or 22%, in 2022 compared to 2021 mainly due to better integration. The integration rate was 81% during the period, compared to 74% in the same period of 2021.

The 10% increase in the average selling price was primarily due to price increase initiatives in both the Away-from-home and Consumer Products markets, the 2% average depreciation of the Canadian dollar compared to the US dollar and a favourable sales mix due to a lower proportion of parent rolls.

Sales increased by $67 million, or 11%, in 2022 compared to 2021. This was driven by higher volumes, which impacted sales by $8 million, a $9 million impact related to the favourable exchange rate and a $50 million impact due to higher average selling price & mix, as explained above.

Operating income (loss) before depreciation and amortization (OIBD) decreased by $35 million to negative $22 million, in 2022 compared to 2021. Excluding specific items[1] in both years, the adjusted OIBD[1] decreased by $46 million, or 219%, and was mainly due to a $50 million impact from higher raw material costs, a $19 million impact from higher transportation costs and an $19 million impact from higher production and other costs stemming in part from inflationary pressure. Higher energy prices also subtracted $8 million compared to last year. On the other hand, the price increase initiatives implemented partially offset the impact of these headwinds, as stated above.

The segment incurred some specific items[1] in 2022 and 2021 that affected OIBD.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	NOTE	**June 30, 2022**	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		**70**	174
Accounts receivable		**605**	510
Current income tax assets		**10**	19
Inventories		**584**	494
Current portion of financial assets	5	**5**	1
		1,274	1,198
Long-term assets			
Investments in associates and joint ventures		**92**	87
Property, plant and equipment		**2,657**	2,522
Intangible assets with finite useful life		**80**	88
Financial assets	5	**9**	6
Other assets		**56**	54
Deferred income tax assets		**156**	138
Goodwill and other intangible assets with indefinite useful life		**478**	473
		4,802	4,566
Liabilities and Equity			
Current liabilities			
Bank loans and advances		**1**	1
Trade and other payables		**696**	707
Current income tax liabilities		**6**	12
Current portion of long-term debt	4	**71**	74
Current portion of provisions for contingencies and charges		**8**	12
Current portion of financial liabilities and other liabilities	5	**16**	16
		798	822
Long-term liabilities			
Long-term debt	4	**1,710**	1,450
Provisions for contingencies and charges		**46**	47
Financial liabilities	5	**12**	6
Other liabilities		**88**	122
Deferred income tax liabilities		**207**	192
		2,861	2,639
Equity			
Capital stock	6	**614**	614
Contributed surplus		**14**	14
Retained earnings		**1,266**	1,274
Accumulated other comprehensive loss		**(3)**	(23)
Equity attributable to Shareholders		**1,891**	1,879
Non-controlling interests		**50**	48
Total equity		**1,941**	1,927
		4,802	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)	NOTE	For the 3-month periods ended June 30, 2022	2021	For the 6-month periods ended June 30, 2022	2021
Sales		**1,119**	956	**2,157**	1,898
Cost of sales and expenses					
Cost of sales (including depreciation and amortization of $63 million for 3-month period (2021 — $64 million) and $123 million for 6-month period (2021 — $129 million))		**1,001**	834	**1,952**	1,631
Selling and administrative expenses		**93**	87	**181**	174
Gain on acquisitions, disposals and others	7	**(4)**	—	**(10)**	—
Impairment charges and restructuring costs	7	**—**	6	**1**	11
Foreign exchange loss (gain)		**(3)**	1	**(2)**	2
Loss on derivative financial instruments		**—**	5	**7**	13
		1,087	933	**2,129**	1,831
Operating income		**32**	23	**28**	67
Financing expense		**17**	20	**32**	42
Interest expense on employee future benefits and other liabilities		**1**	1	**2**	2
Foreign exchange loss (gain) on long-term debt and financial instruments		**3**	(3)	**2**	(6)
Share of results of associates and joint ventures		**(6)**	(5)	**(10)**	(7)
Earnings before income taxes		**17**	10	**2**	36
Provision for (recovery of) income taxes		**3**	2	**(1)**	8
Net earnings from continuing operations including non-controlling interests for the period		**14**	8	**3**	28
Results from discontinued operations		**—**	(3)	**—**	5
Net earnings including non-controlling interests for the period		**14**	5	**3**	33
Net earnings attributable to non-controlling interests		**4**	2	**8**	8
Net earnings (loss) attributable to Shareholders for the period		**10**	3	**(5)**	25
Net earnings (loss) from continuing operations per common share					
Basic		**$0.10**	$0.04	**($0.05)**	$0.21
Diluted		**$0.10**	$0.04	**($0.05)**	$0.21
Net earnings (loss) per common share					
Basic		**$0.10**	$0.02	**($0.05)**	$0.24
Diluted		**$0.10**	$0.02	**($0.05)**	$0.24
Weighted average basic number of common shares outstanding		**100,588,470**	102,281,072	**100,705,048**	102,280,243
Weighted average number of diluted common shares		**101,083,826**	103,285,361	**101,344,843**	103,360,930
Net earnings (loss) attributable to Shareholders:					
Continuing operations		**10**	5	**(5)**	22
Discontinued operations		**—**	(2)	**—**	3
Net earnings (loss)		**10**	3	**(5)**	25

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021
Net earnings including non-controlling interests for the period	**14**	5	**3**	33
Other comprehensive income (loss)				
Items that may be reclassified subsequently to earnings				
Translation adjustments				
Change in foreign currency translation of foreign subsidiaries	**32**	(14)	**21**	(29)
Change in foreign currency translation of foreign subsidiaries from discontinued operations	**—**	(1)	**—**	(20)
Change in foreign currency translation related to net investment hedging activities	**(9)**	9	**(6)**	18
Change in foreign currency translation related to net investment hedging activities from discontinued operations	**—**	—	**—**	12
Cash flow hedges				
Change in fair value of commodity derivative financial instruments	**1**	2	**7**	3
Recovery of (provision for) income taxes	**1**	(2)	**(1)**	(3)
Provision for income taxes from discontinued operations	**—**	—	**—**	(2)
	25	(6)	**21**	(21)
Items that are not released to earnings				
Actuarial gain on employee future benefits	**12**	4	**31**	21
Provision for income taxes	**(3)**	(1)	**(8)**	(6)
	9	3	**23**	15
Other comprehensive income (loss)	**34**	(3)	**44**	(6)
Comprehensive income including non-controlling interests for the period	**48**	2	**47**	27
Comprehensive income (loss) attributable to non-controlling interests for the period	**5**	2	**9**	(1)
Comprehensive income attributable to Shareholders for the period	**43**	—	**38**	28
Comprehensive income attributable to Shareholders:				
Continuing operations	**43**	3	**38**	27
Discontinued operations	**—**	(3)	**—**	1
Comprehensive income	**43**	—	**38**	28

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

CONSOLIDATED STATEMENTS OF EQUITY

For the 6-month period ended June 30, 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								
Net earnings (loss)		**—**	**—**	**(5)**	**—**	**(5)**	**8**	**3**
Other comprehensive income		**—**	**—**	**23**	**20**	**43**	**1**	**44**
		—	**—**	**18**	**20**	**38**	**9**	**47**
Dividends		**—**	**—**	**(24)**	**—**	**(24)**	**(6)**	**(30)**
Stock options expense		**—**	**1**	**—**	**—**	**1**	**—**	**1**
Issuance of common shares upon exercise of stock options		**2**	**(1)**	**—**	**—**	**1**	**—**	**1**
Redemption of common shares	8	**(2)**	**—**	**(3)**	**—**	**(5)**	**—**	**(5)**
Acquisition of non-controlling interests		**—**	**—**	**1**	**—**	**1**	**(1)**	**—**
Balance - End of period		**614**	**14**	**1,266**	**(3)**	**1,891**	**50**	**1,941**

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
Balance - Beginning of period	622	13	1,146	(28)	1,753	204	1,957
Comprehensive income (loss)							
Net earnings	—	—	25	—	25	8	33
Other comprehensive income (loss)	—	—	15	(12)	3	(9)	(6)
	—	—	40	(12)	28	(1)	27
Dividends	—	—	(16)	—	(16)	(7)	(23)
Dividends paid to non-controlling interests from discontinued operations	—	—	—	—	—	(3)	(3)
Acquisition of non-controlling interests	—	—	1	—	1	(1)	—
Balance - End of period	622	13	1,171	(40)	1,766	192	1,958

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 June 30, 2022	2021	For the 6-month periods ended June 30, 2022	2021
Operating activities from continuing operations					
Net earnings (loss) attributable to Shareholders for the period		**10**	3	**(5)**	25
Results from discontinued operations		**—**	3	**—**	(5)
Results from discontinued operations attributable to non-controlling interests		**—**	(1)	**—**	2
Net earnings (loss) from continuing operations		**10**	5	**(5)**	22
Adjustments for:					
Financing expense and interest expense on employee future benefits and other liabilities		**18**	21	**34**	44
Depreciation and amortization		**63**	64	**123**	129
Gain on acquisitions, disposals and others	7	**(4)**	—	**(10)**	—
Impairment charges and restructuring costs	7	**—**	6	**1**	11
Unrealized loss on derivative financial instruments		**—**	5	**7**	13
Foreign exchange loss (gain) on long-term debt and financial instruments		**3**	(3)	**2**	(6)
Provision for (recovery of) income taxes		**3**	2	**(1)**	8
Share of results of associates and joint ventures		**(6)**	(5)	**(10)**	(7)
Net earnings attributable to non-controlling interests		**4**	3	**8**	6
Net financing expense paid		**(4)**	(4)	**(34)**	(44)
Net income taxes received (paid)		**(3)**	(1)	**(4)**	1
Dividends received		**5**	5	**5**	5
Provisions for contingencies and charges and other liabilities		**(8)**	(11)	**(16)**	(13)
		81	87	**100**	169
Changes in non-cash working capital components		**(59)**	(47)	**(151)**	(72)
		22	40	**(51)**	97
Investing activities from continuing operations					
Disposals in associates and joint ventures		**—**	1	**—**	1
Payments for property, plant and equipment		**(117)**	(66)	**(219)**	(137)
Proceeds from disposals of property, plant and equipment		**1**	1	**7**	1
Change in intangible and other assets		**(2)**	(7)	**(3)**	(11)
		(118)	(71)	**(215)**	(146)
Financing activities from continuing operations					
Bank loans and advances		**(6)**	2	**—**	(4)
Change in credit facilities		**191**	(1)	**248**	(1)
Increase in other long-term debt		**—**	5	**—**	5
Payments of other long-term debt, including lease obligations		**(40)**	(20)	**(49)**	(44)
Issuance of common shares upon exercise of stock options	6	**1**	—	**1**	—
Redemption of common shares	6	**—**	—	**(5)**	—
Dividends paid to non-controlling interests		**(2)**	(3)	**(6)**	(7)
Acquisition of non-controlling interests		**(2)**	(2)	**(2)**	(2)
Dividends paid to the Corporation's Shareholders		**(12)**	(8)	**(24)**	(16)
		130	(27)	**163**	(69)
Change in cash and cash equivalents during the period from continuing operations		**34**	(58)	**(103)**	(118)
Change in cash and cash equivalents from discontinued operations		**—**	(99)	**—**	(94)
Net change in cash and cash equivalents during the period		**34**	(157)	**(103)**	(212)
Currency translation on cash and cash equivalents		**(1)**	—	**(1)**	(1)
Cash and cash equivalents - Beginning of the period		**37**	328	**174**	384
Cash and cash equivalents - End of the period		**70**	171	**70**	171

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 June 30,					
	Canada		United States		Total	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021	**2022**	2021
Packaging Products						
Containerboard	**337**	309	**232**	188	**569**	497
Specialty Products	**65**	49	**103**	82	**168**	131
Inter-segment sales	**(5)**	(3)	**(5)**	(4)	**(10)**	(7)
	397	355	**330**	266	**727**	621
Tissue Papers	**74**	58	**268**	239	**342**	297
Inter-segment sales and Corporate Activities	**44**	34	**6**	4	**50**	38
	515	447	**604**	509	**1,119**	956

	SALES TO					
	For the 6-month periods ended June 30,					
	Canada		United States		Total	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021	**2022**	2021
Packaging Products						
Containerboard	**665**	614	**438**	386	**1,103**	1,000
Specialty Products	**122**	96	**203**	157	**325**	253
Inter-segment sales	**(9)**	(7)	**(9)**	(7)	**(18)**	(14)
	778	703	**632**	536	**1,410**	1,239
Tissue Papers	**139**	115	**517**	474	**656**	589
Inter-segment sales and Corporate Activities	**81**	65	**10**	5	**91**	70
	998	883	**1,159**	1,015	**2,157**	1,898

	OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION			
	For the 3-month periods ended June 30,		**For the 6-month periods ended June 30,**	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021
Packaging Products				
Containerboard	**98**	95	**170**	191
Specialty Products	**25**	18	**53**	36
	123	113	**223**	227
Tissue Papers	**(4)**	(5)	**(22)**	13
Corporate Activities	**(24)**	(21)	**(50)**	(44)
Operating income before depreciation and amortization	**95**	87	**151**	196
Depreciation and amortization	**(63)**	(64)	**(123)**	(129)
Financing expense and interest expense on employee future benefits and other liabilities	**(18)**	(21)	**(34)**	(44)
Foreign exchange gain (loss) on long-term debt and financial instruments	**(3)**	3	**(2)**	6
Share of results of associates and joint ventures	**6**	5	**10**	7
Earnings before income taxes	**17**	10	**2**	36

	PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT			
	For the 3-month periods ended June 30,		**For the 6-month periods ended June 30,**	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021
Packaging Products				
Containerboard	**84**	52	**159**	106
Specialty Products	**6**	8	**17**	16
	90	60	**176**	122
Tissue Papers	**17**	4	**22**	12
Corporate Activities	**7**	7	**15**	11
Total acquisitions	**114**	71	**213**	145
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	**(12)**	(12)	**(33)**	(12)
	102	59	**180**	133
Acquisitions for property, plant and equipment included in “Trade and other payables”				
Beginning of the period	**51**	34	**75**	31
End of the period	**(36)**	(27)	**(36)**	(27)
Payments for property, plant and equipment	**117**	66	**219**	137
Proceeds from disposals of property, plant and equipment	**(1)**	(1)	**(7)**	(1)
Payments for property, plant and equipment net of proceeds from disposals	**116**	65	**212**	136

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 under the ticker symbol “CAS”.

The Board of Directors approved the Unaudited Condensed Interim Consolidated Financial Statements on August 3, 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 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
LONG-TERM DEBT

(in millions of Canadian dollars)	MATURITY	**June 30, 2022**	December 31, 2021
Revolving credit facility, weighted average interest rate of 3.27% as of June 30, 2022 and consists of US$199 million (December 31, 2021 - US$4 million)	2025	**255**	**6**
5.125% Unsecured senior notes of $175 million	2025	**175**	**175**
5.125% Unsecured senior notes of US$206 million as of June 30, 2022 (December 31, 2021 - US$206 million)	2026	**265**	**260**
5.375% Unsecured senior notes of US$445 million and $7 million of unamortized premium as of June 30, 2022 (December 31, 2021 - US$445 million and $7 million of unamortized premium)	2028	**580**	**570**
Term loan of US$160 million, interest rate of 3.77% as of June 30, 2022 (December 31, 2021 - US$160 million)	2025	**206**	**202**
Lease obligations with recourse to the Corporation		**172**	**161**
Other debts with recourse to the Corporation		**33**	**35**
Lease obligations without recourse to the Corporation		**6**	**9**
Other debts without recourse to the Corporation		**99**	**117**
		1,791	**1,535**
Less: Unamortized financing costs		**10**	**11**
Total long-term debt		**1,781**	**1,524**
Less:			
Current portion of lease obligations with recourse to the Corporation		**41**	**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**
		71	**74**
		1,710	**1,450**

As of June 30, 2022, the long-term debt had a fair value of $1,688 million (December 31, 2021 – $1,558 million).

NOTE 5
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 a 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 June 30, 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 June 30, 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	**14**	**—**	**14**	**—**
	16	**2**	**14**	**—**
Financial liabilities				
Derivative financial liabilities	**(13)**	**—**	**(13)**	**—**
	(13)	**—**	**(13)**	**—**

				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 6
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 June 30, 2022, the Corporation redeemed no common shares under this program.

NOTE 7
GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

For the 6-month period ended June 30, 2022, the Corporation recorded the following gains:

	For the 3-month period ended June 30, 2022					
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Settlement of a supply agreement	—	—	—	(4)	—	(4)
Gain on disposal of assets	—	—	—	—	—	—
	—	—	—	(4)	—	(4)

	For the 6-month period ended June 30, 2022					
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Settlement of a supply agreement	—	—	—	(4)	—	(4)
Gain on disposal of assets	—	(6)	(6)	—	—	(6)
	—	(6)	(6)	(4)	—	(10)

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

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 6-month period ended June 30, 2022, the Corporation recorded the following restructuring costs:

	For the 6-month period ended June 30, 2022					
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Restructuring costs	—	—	—	1	—	1

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

NOTE 8
COMMITMENTS

CAPITAL EXPENDITURES
Major capital expenditures contracted at the end of the reporting period but not yet incurred total $203 million, including $171 million for the Bear Island project.

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

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