

PRESS RELEASE



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Cascades Reports Solid Results for the Second Quarter of 2023 *Tissue Papers segment delivers strongest performance since 2020*

Kingsey Falls, Québec, August 3, 2023 - Cascades Inc. (TSX: CAS) reports its unaudited financial results for the three-month period ended June 30, 2023.

Q2 2023 Highlights

- Sales of \$1,168 million (compared with \$1,134 million in Q1 2023 and \$1,119 million in Q2 2022);
- Operating income of \$64 million (compared with an operating loss of \$(80) million in Q1 2023 and operating income of \$32 million in Q2 2022);
- Net earnings per common share of \$0.22 (compared with a net loss per common share of \$(0.75) in Q1 2023 and net earnings per common share of \$0.10 in Q2 2022);
- Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA (A)¹) of \$141 million (compared with \$134 million in Q1 2023 and \$91 million in Q2 2022);
- Adjusted net earnings per common share¹ of \$0.27 (compared with adjusted net earnings per common share¹ of \$0.32 in Q1 2023 and adjusted net earnings per common share¹ of \$0.10 in Q2 2022);
- Net debt¹ of \$2,076 million as of June 30, 2023 (compared with \$2,070 million as of March 31, 2023). Net debt to EBITDA (A) ratio¹ of 4.1x, down from 4.6x as of March 31, 2023;
- Total capital expenditures, net of disposals, of \$104 million in Q2 2023, compared to \$137 million in Q1 2023 and to \$116 million in Q2 2022. The Corporation's 2023 forecasted net capital expenditures of approximately \$325 million is unchanged.

Mario Plourde, President and CEO, commented: "We had a solid second quarter, with consolidated sales and EBITDA (A)¹ levels increasing 4% and 55%, respectively, year-over-year. Results were driven by the Tissue Papers segment, which had its strongest performance since Q2 2020, reflecting benefits from commercial and operational initiatives. The repositioning of our Tissue Papers platform announced at the end of April 2023 progressed as planned in the second quarter, with the closures completed as scheduled in June and July. We anticipate that these decisions, combined with the ongoing productivity optimization initiatives, which are also progressing as expected, will continue to strengthen the performance of our Tissue Papers business going forward. Slightly softer results in the Containerboard segment largely reflect lower index-linked selling prices, the effects of which more than offset the beneficial effect of lower raw material costs. As expected, Containerboard results include costs related to Bear Island as the facility continues to be ramped up. Lastly, results in the Specialty Packaging business decreased slightly year-over-year, as softer volumes and higher production costs more than offset higher selling prices."

Discussing near-term outlook, Mr. Plourde commented, "On a consolidated basis, we are expecting a stable operational performance sequentially in the third quarter, with the Containerboard and Specialty Packaging businesses generating stable results and the Tissue Papers segment delivering a slightly stronger performance. Additionally, we anticipate continued progress in the ramp up of the Bear Island Mill. More broadly, while we are remaining prudent on the demand-side, raw material pricing for our Tissue business and lower transportation costs for all of our businesses are expected to be tailwinds in the third quarter. Production cost levels are expected to be stable sequentially while continuing to be more elevated than last year. Lastly, we anticipate that our leverage ratio will continue to improve in the coming quarters.

We will be hosting a Bear Island Mill tour and institutional investor day in Virginia on September 14, 2023, and look forward to showcasing this modernized recycled containerboard facility and elaborating on our businesses and strategies to the financial community."

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.

Financial Summary

Selected consolidated information

(in millions of Canadian dollars, except amounts per common share) (unaudited)	Q2 2023	Q1 2023	Q2 2022
Sales	1,168	1,134	1,119
As Reported			
Operating income (loss)	64	(80)	32
Net income (loss)	22	(75)	10
per common share (basic)	\$0.22	(\$0.75)	\$0.10
Adjusted¹			
Earnings before interest, taxes, depreciation and amortization (EBITDA (A))	141	134	91
Net earnings	26	33	10
per common share (basic)	\$0.27	\$0.32	\$0.10
Margin (EBITDA (A) / Sales)	12.1%	11.8%	8.1%

Segmented sales

(in millions of Canadian dollars) (unaudited)	Q2 2023	Q1 2023	Q2 2022
Packaging Products			
Containerboard	562	561	569
Specialty Products	164	161	168
Inter-segment sales	(9)	(7)	(10)
	717	715	727
Tissue Papers	416	387	342
Inter-segment sales, Corporate, Recovery and Recycling activities	35	32	50
Sales	1,168	1,134	1,119

Segmented operating income (loss)

(in millions of Canadian dollars) (unaudited)	Q2 2023	Q1 2023	Q2 2022
Packaging Products			
Containerboard	62	38	69
Specialty Products	19	21	20
Tissue Papers	18	(92)	(23)
Corporate, Recovery and Recycling activities	(35)	(47)	(34)
Operating income (loss)	64	(80)	32

Segmented EBITDA (A)¹

(in millions of Canadian dollars) (unaudited)	Q2 2023	Q1 2023	Q2 2022
Packaging Products			
Containerboard	96	126	99
Specialty Products	24	27	25
Tissue Papers	44	16	(8)
Corporate, Recovery and Recycling activities	(23)	(35)	(25)
EBITDA (A)¹	141	134	91

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

Analysis of results for the three-month period ended June 30, 2023 (compared to the same period last year)

The second quarter sales of \$1,168 million increased by \$49 million compared with the same period last year. This increase reflects a net benefit of \$18 million that was driven by a beneficial impact from higher selling prices in Tissue Papers and Specialty Packaging, a favourable FX impact for all business segments, and higher volumes in Containerboard. These were partially offset by lower indexed selling prices in Containerboard and a lower contribution from Recovery and Recycling activities driven by recycled fibre material pricing changes.

The second quarter EBITDA (A)¹ totaled \$141 million, an increase of \$50 million, or 55%, from the \$91 million generated in the same period last year. This increase reflects stronger results in our Tissue Papers segment, the benefits of which were partially offset by slightly lower results in our Containerboard and Specialty Packaging businesses.

The main specific items, before income taxes, that impacted our second quarter 2023 operating income and/or net earnings were:

- \$2 million of impairment charges on US assets in the Tissue Papers segment (operating income and net earnings);
- \$6 million of restructuring costs related to the closure of Tissue Papers plants in the US (operating income and net earnings);
- \$1 million unrealized loss on financial instruments (operating income and net earnings);
- \$3 million foreign exchange gain on long-term debt and financial instruments (net earnings).

For the three-month period ended June 30, 2023, the Corporation posted net earnings of \$22 million, or \$0.22 per common share, compared to net earnings of \$10 million, or \$0.10 per common share, in the same period of 2022. On an adjusted basis¹, the Corporation posted net earnings of \$26 million in the second quarter of 2023, or \$0.27 per common share, compared to net earnings of \$10 million, or \$0.10 per common share, in the same period of 2022.

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

Dividend on common shares and normal course issuer bid

The Board of Directors of Cascades declared a quarterly dividend of \$0.12 per common share to be paid on September 1, 2023 to shareholders of record at the close of business on August 18, 2023. This dividend is an "eligible dividend" as per the Income Tax Act (R.C.S. (1985), Canada). During the second quarter of 2023, Cascades purchased no common shares for cancellation.

2023 Second Quarter Results Conference Call Details

Management will discuss the 2023 second quarter financial results during a conference call today at 9:00 a.m. EDT. The call can be accessed by dialing 1-888-390-0620 (international 1-416-764-8651). The conference call, including the investor presentation, will be broadcast live on the Cascades website (www.cascades.com) under the "Investors" section. A replay of the call will be available on the Cascades website and may also be accessed by phone until September 3, 2023 by dialing 1-888-390-0541 (international 1-416-764-8677), access code 259981.

Founded in 1964, Cascades offers sustainable, innovative and value-added packaging, hygiene and recovery solutions. The company employs approximately 10,000 women and men across a network of close to 80 facilities in North America. Driven by its participative management, half a century of experience in recycling, and continuous research and development efforts, Cascades continues to provide innovative products that customers have come to rely on, while contributing to the well-being of people, communities and the entire planet. Cascades' shares trade on the Toronto Stock Exchange under the ticker symbol CAS. Certain statements in this release, including statements regarding future results and performance, are forward-looking statements based on current expectations. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, decreases in demand for the Corporation's products, increases in raw material costs, fluctuations in selling prices and adverse changes in general market and industry conditions and other factors.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	41	102
Accounts receivable	537	556
Current income tax assets	11	11
Inventories	611	587
Current portion of financial assets	2	9
	1,202	1,265
Long-term assets		
Investments in associates and joint ventures	92	94
Property, plant and equipment	2,847	2,945
Intangible assets with finite useful life	63	73
Financial assets	1	4
Other assets	73	70
Deferred income tax assets	152	114
Goodwill and other intangible assets with indefinite useful life	482	488
	4,912	5,053
Liabilities and Equity		
Current liabilities		
Bank loans and advances	4	3
Trade and other payables	634	746
Current income tax liabilities	4	4
Current portion of long-term debt	75	134
Current portion of provisions for contingencies and charges	8	8
Current portion of financial liabilities and other liabilities	22	22
	747	917
Long-term liabilities		
Long-term debt	2,038	1,931
Provisions for contingencies and charges	41	41
Financial liabilities	7	7
Other liabilities	95	97
Deferred income tax liabilities	145	132
	3,073	3,125
Equity		
Capital stock	613	611
Contributed surplus	14	14
Retained earnings	1,138	1,212
Accumulated other comprehensive income	14	34
Equity attributable to Shareholders	1,779	1,871
Non-controlling interests	60	57
Total equity	1,839	1,928
	4,912	5,053

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2023	2022	2023	2022
Sales	1,168	1,119	2,302	2,157
Supply chain and logistic	690	713	1,353	1,380
Wages and employee benefits expenses	270	250	543	491
Depreciation and amortization	68	63	130	123
Maintenance and repair	60	50	118	106
Other	7	15	13	31
Impairment charges	2	—	154	—
Gain on acquisitions, disposals and others	—	(4)	(2)	(10)
Restructuring costs	6	—	7	1
Unrealized loss on derivative financial instruments	1	—	2	7
Operating income (loss)	64	32	(16)	28
Financing expense	31	21	54	36
Share of results of associates and joint ventures	(3)	(6)	(15)	(10)
Earnings (loss) before income taxes	36	17	(55)	2
Provision for (recovery of) income taxes	9	3	(15)	(1)
Net earnings (loss) including non-controlling interests for the period	27	14	(40)	3
Net earnings attributable to non-controlling interests	5	4	13	8
Net earnings (loss) attributable to Shareholders for the period	22	10	(53)	(5)
Net earnings (loss) per common share				
Basic	\$0.22	\$0.10	(\$0.53)	(\$0.05)
Diluted	\$0.22	\$0.10	(\$0.53)	(\$0.05)
Weighted average basic number of common shares outstanding	100,447,357	100,588,470	100,404,729	100,705,048
Weighted average number of diluted common shares	100,860,684	101,083,826	100,781,402	101,344,843

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2023	2022	2023	2022
Net earnings (loss) including non-controlling interests for the period	27	14	(40)	3
Other comprehensive income (loss)				
Items that may be reclassified subsequently to earnings				
Translation adjustments				
Change in foreign currency translation of foreign subsidiaries	(22)	32	(24)	21
Change in foreign currency translation related to net investment hedging activities	8	(9)	9	(6)
Cash flow hedges				
Change in fair value of commodity derivative financial instruments	1	1	(5)	7
Recovery of (provision for) income taxes	(1)	1	—	(1)
	(14)	25	(20)	21
Items that are not released to earnings				
Actuarial gain on employee future benefits	2	12	3	31
Provision for income taxes	(1)	(3)	(1)	(8)
	1	9	2	23
Other comprehensive income (loss)	(13)	34	(18)	44
Comprehensive income (loss) including non-controlling interests for the period	14	48	(58)	47
Comprehensive income attributable to non-controlling interests for the period	5	5	13	9
Comprehensive income (loss) attributable to Shareholders for the period	9	43	(71)	38

CONSOLIDATED STATEMENTS OF EQUITY

For the 6-month period ended June 30, 2023

(in millions of Canadian dollars) (unaudited)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON- CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of period	611	14	1,212	34	1,871	57	1,928
Comprehensive income (loss)							
Net earnings (loss)	—	—	(53)	—	(53)	13	(40)
Other comprehensive income (loss)	—	—	2	(20)	(18)	—	(18)
Dividends	—	—	(51)	(20)	(71)	13	(58)
Dividends	—	—	(24)	—	(24)	(9)	(33)
Issuance of common shares upon exercise of stock options	2	—	—	—	2	—	2
Acquisition of non-controlling interests	—	—	1	—	1	(1)	—
Balance - End of period	613	14	1,138	14	1,779	60	1,839

For the 6-month period ended June 30, 2022

(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	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
Dividends	—	—	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	(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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2023	2022	2023	2022
Operating activities				
Net earnings (loss) attributable to Shareholders for the period	22	10	(53)	(5)
Adjustments for:				
Financing expense	31	21	54	36
Depreciation and amortization	68	63	130	123
Impairment charges	2	—	154	—
Gain on acquisitions, disposals and others	—	(4)	(2)	(10)
Restructuring costs	6	—	7	1
Unrealized loss on derivative financial instruments	1	—	2	7
Provision for (recovery of) income taxes	9	3	(15)	(1)
Share of results of associates and joint ventures	(3)	(6)	(15)	(10)
Net earnings attributable to non-controlling interests	5	4	13	8
Net financing expense paid	(18)	(4)	(62)	(34)
Net income taxes paid	(5)	(3)	(7)	(4)
Dividends received	6	5	7	5
Provisions for contingencies and charges and other liabilities	(7)	(8)	(7)	(16)
	117	81	206	100
Changes in non-cash working capital components	(30)	(59)	(76)	(151)
	87	22	130	(51)
Investing activities				
Disposals in associates and joint ventures	—	—	10	—
Payments for property, plant and equipment	(104)	(117)	(244)	(219)
Proceeds from disposals of property, plant and equipment	—	1	3	7
Change in intangible and other assets	1	(2)	(1)	(3)
	(103)	(118)	(232)	(215)
Financing activities				
Bank loans and advances	3	(6)	2	—
Change in credit facilities	44	191	166	248
Payments of other long-term debt, including lease obligations	(34)	(40)	(91)	(49)
Issuance of common shares upon exercise of stock options	2	1	2	1
Redemption of common shares	—	—	—	(5)
Dividends paid to non-controlling interests	(6)	(2)	(9)	(6)
Acquisition of non-controlling interests	(3)	(2)	(3)	(2)
Dividends paid to the Corporation's Shareholders	(12)	(12)	(24)	(24)
	(6)	130	43	163
Net change in cash and cash equivalents during the period	(22)	34	(59)	(103)
Currency translation on cash and cash equivalents	(1)	(1)	(2)	(1)
Cash and cash equivalents - Beginning of the period	64	37	102	174
Cash and cash equivalents - End of the period	41	70	41	70

SEGMENTED INFORMATION

The Corporation's operations are managed in three segments: Containerboard and Specialty Products (which constitutes the Corporation's Packaging Products) and Tissue Papers. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in Note 2.

The Corporation's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The Chief Executive Officer has authority for resource allocation and management of the Corporation's performance and is therefore the CODM. The CODM assesses the performance of each reportable segment based on sales and earnings before interest, taxes, depreciation and amortization, adjusted to exclude specific items (EBITDA (A)). The CODM considers EBITDA (A) to be the best performance measure of the Corporation's activities.

Sales 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.

EBITDA (A) does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view EBITDA (A) as an alternative measure to, for example, net earnings, or as a measure of operating results, which are IFRS measures.

Sales by country by business segment are presented in the following table:

(in millions of Canadian dollars) (unaudited)	SALES TO							
	For the 3-month periods ended June 30,							
	Canada		United States		Other countries		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Packaging Products								
Containerboard	329	337	233	232	—	—	562	569
Specialty Products	58	65	105	103	1	—	164	168
Inter-segment sales	(4)	(5)	(5)	(5)	—	—	(9)	(10)
Tissue Papers	383	397	333	330	1	—	717	727
Inter-segment sale, Corporate, Recovery and Recycling activities	136	105	280	237	—	—	416	342
	23	44	7	6	5	—	35	50
	542	546	620	573	6	—	1,168	1,119

(in millions of Canadian dollars) (unaudited)	SALES TO							
	For the 6-month periods ended June 30,							
	Canada		United States		Other countries		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Packaging Products								
Containerboard	658	665	464	438	1	—	1,123	1,103
Specialty Products	114	122	209	203	2	—	325	325
Inter-segment sales	(8)	(9)	(8)	(9)	—	—	(16)	(18)
Tissue Papers	764	778	665	632	3	—	1,432	1,410
Inter-segment sale, Corporate, Recovery and Recycling activities	262	200	541	456	—	—	803	656
	48	81	13	10	6	—	67	91
	1,074	1,059	1,219	1,098	9	—	2,302	2,157

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

For the 3-month period ended June 30, 2023

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	62	19	18	(35)	64
Depreciation and amortization	34	5	18	11	68
Impairment charges	—	—	2	—	2
Restructuring costs	—	—	6	—	6
Unrealized loss on derivative financial instruments	—	—	—	1	1
EBITDA (A)	96	24	44	(23)	141

For the 3-month period ended June 30, 2022

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	69	20	(23)	(34)	32
Depreciation and amortization	29	5	19	10	63
Gain on acquisitions, disposals and others	—	—	(4)	—	(4)
Unrealized loss (gain) on derivative financial instruments	1	—	—	(1)	—
EBITDA (A)	99	25	(8)	(25)	91

For the 6-month period ended June 30, 2023

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	100	40	(74)	(82)	(16)
Depreciation and amortization	64	10	35	21	130
Impairment charges	59	1	94	—	154
Gain on acquisitions, disposals and others	—	—	(2)	—	(2)
Restructuring costs	—	—	7	—	7
Unrealized loss (gain) on derivative financial instruments	(1)	—	—	3	2
EBITDA (A)	222	51	60	(58)	275

For the 6-month period ended June 30, 2022

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	113	44	(58)	(71)	28
Depreciation and amortization	57	9	36	21	123
Gain on acquisitions, disposals and others	—	(6)	(4)	—	(10)
Restructuring costs	—	—	1	—	1
Unrealized loss (gain) on derivative financial instruments	9	—	—	(2)	7
EBITDA (A)	179	47	(25)	(52)	149

Payments for property, plant and equipment by business segment are presented in the following table:

(in millions of Canadian dollars) (unaudited)	PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT			
	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2023	2022	2023	2022
Packaging Products				
Containerboard	66	84	155	159
Specialty Products	7	6	11	17
	73	90	166	176
Tissue Papers	8	17	17	22
Corporate, Recovery and Recycling activities	10	7	13	15
Total acquisitions	91	114	196	213
Right-of-use assets acquisitions	(7)	(12)	(15)	(33)
	84	102	181	180
Acquisitions for property, plant and equipment included in "Trade and other payables"				
Beginning of the period	63	51	106	75
End of the period	(43)	(36)	(43)	(36)
Payments for property, plant and equipment	104	117	244	219
Proceeds from disposals of property, plant and equipment	—	(1)	(3)	(7)
Payments for property, plant and equipment net of proceeds from disposals	104	116	241	212

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES AND OTHER FINANCIAL MEASURES

SPECIFIC ITEMS

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

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

RECONCILIATION AND USES OF NON-IFRS AND OTHER FINANCIAL MEASURES

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

Non-IFRS measures

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

Other financial measures

- Total debt: Used to calculate all the Corporation's debt, including long-term debt and bank loans. Often put in relation to equity to calculate the debt-to-equity ratio.
- Net debt: Used to calculate the Corporation's total debt less cash and cash equivalents. Often put in relation to EBITDA (A) to calculate net debt to EBITDA (A) ratio.

Non-IFRS ratios

- Net debt to EBITDA (A) ratio: Ratio used to assess the Corporation's ability to pay its debt and evaluate financial leverage.
- EBITDA (A) margin: Ratio used to assess operating performance and the contribution of each segment on a comparable basis calculated as a percentage of sales.
- Adjusted net earnings per common share: Ratio used to assess the Corporation's consolidated financial performance on a comparable basis.
- Net debt / Net debt + Shareholders' equity: Ratio used to evaluate the Corporation's financial leverage and thus the risk to Shareholders.
- Working capital as a percentage of sales: Ratio used to assess the Corporation's operating liquidity performance.
- Adjusted cash flow per common share: Ratio used to assess the Corporation's financial flexibility.
- Free cash flow ratio: Ratio used to measure the liquidity and efficiency of how much more cash the Corporation generates than it uses to run the business by subtracting capital expenditures (excluding strategic projects) from the EBITDA (A) calculated as a percentage of sales.

Non-IFRS 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 CODM assesses the performance of each reportable segment based on sales and earnings before interest, taxes, depreciation and amortization, adjusted to exclude specific items (EBITDA (A)¹). The CODM considers EBITDA (A)¹ to be the best performance measure of the Corporation's activities.

EBITDA (A)¹ by business segment is reconciled to IFRS measure, namely operating income (loss), and is presented in the following table:

	Q2 2023				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	62	19	18	(35)	64
Depreciation and amortization	34	5	18	11	68
Impairment charges	—	—	2	—	2
Restructuring costs	—	—	6	—	6
Unrealized loss on derivative financial instruments	—	—	—	1	1
EBITDA (A)¹	96	24	44	(23)	141

	Q1 2023				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	38	21	(92)	(47)	(80)
Depreciation and amortization	30	5	17	10	62
Impairment charges	59	1	92	—	152
Gain on acquisitions, disposals and others	—	—	(2)	—	(2)
Restructuring costs	—	—	1	—	1
Unrealized loss (gain) on derivative financial instruments	(1)	—	—	2	1
EBITDA (A)¹	126	27	16	(35)	134

	Q2 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate, Recovery and Recycling activities	Consolidated
Operating income (loss)	69	20	(23)	(34)	32
Depreciation and amortization	29	5	19	10	63
Gain on acquisitions, disposals and others	—	—	(4)	—	(4)
Unrealized loss (gain) on derivative financial instruments	1	—	—	(1)	—
EBITDA (A)¹	99	25	(8)	(25)	91

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

The following table reconciles net earnings (loss) and net earnings (loss) per common share, as reported, with adjusted net earnings¹ and adjusted net earnings per common share¹:

	NET EARNINGS (LOSS)			NET EARNINGS (LOSS) PER COMMON SHARE ²		
	Q2 2023	Q1 2023	Q2 2022	Q2 2023	Q1 2023	Q2 2022
(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)						
As reported	22	(75)	10	\$0.22	(\$0.75)	\$0.10
Specific items:						
Impairment charges	2	152	—	\$0.02	\$1.14	—
Gain on acquisitions, disposals and others	—	(2)	(4)	—	(\$0.01)	(\$0.03)
Restructuring costs	6	1	—	\$0.04	\$0.01	—
Unrealized loss on derivative financial instruments	1	1	—	\$0.01	—	—
Foreign exchange loss (gain) on long-term debt and financial instruments	(3)	—	3	(\$0.02)	—	\$0.03
Share of results of associates and joint ventures	—	(9)	—	—	(\$0.07)	—
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest ²	(2)	(35)	1	—	—	—
	4	108	—	\$0.05	\$1.07	—
Adjusted¹	26	33	10	\$0.27	\$0.32	\$0.10
Weighted average basic number of common shares outstanding				100,447,357	100,361,627	100,588,470

The following table reconciles cash flow from operating activities with EBITDA (A)¹:

	Q2 2023	Q1 2023	Q2 2022
(in millions of Canadian dollars) (unaudited)			
Cash flow from operating activities	87	43	22
Changes in non-cash working capital components	30	46	59
Net income taxes paid	5	2	3
Net financing expense paid	18	44	4
Provisions for contingencies and charges and other liabilities, net of dividends received	1	(1)	3
EBITDA (A)¹	141	134	91

The following table reconciles cash flow from operating activities with cash flow from operating activities (excluding changes in non-cash working capital components) and adjusted cash flow from operating activities¹. It also reconciles adjusted cash flow from operating activities¹ to adjusted cash flow used¹, which is also calculated on a per common share basis:

	Q2 2023	Q1 2023	Q2 2022
(in millions of Canadian dollars, except per common share amounts or otherwise noted) (unaudited)			
Cash flow from operating activities	87	43	22
Changes in non-cash working capital components	30	46	59
Cash flow from operating activities (excluding changes in non-cash working capital components)	117	89	81
Restructuring costs paid	5	1	—
Adjusted cash flow from operating activities¹	122	90	81
Payments for property, plant and equipment	(104)	(140)	(117)
Change in intangible and other assets	1	(2)	(2)
Lease obligation payments	(15)	(14)	(13)
Proceeds from disposals of property, plant and equipment	—	3	1
	4	(63)	(50)
Dividends paid to non-controlling interests	(6)	(3)	(2)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(12)	(12)	(12)
Adjusted cash flow used¹	(14)	(78)	(64)
Adjusted cash flow used per common share¹ (in Canadian dollars)	(\$0.14)	(\$0.78)	(\$0.64)
Weighted average basic number of common shares outstanding	100,447,357	100,361,627	100,588,470

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

² Specific amounts per common share are calculated on an after-tax basis and are net of the portion attributable to non-controlling interests. Per share amounts in line item "Tax effect on specific items, other tax adjustments and attributable to non-controlling interests" only include the effect of tax adjustments.

The following table reconciles total debt¹ and net debt¹ with the ratio of net debt to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA (A))¹:

(in millions of Canadian dollars) (unaudited)	June 30, 2023	March 31, 2023	June 30, 2022
Long-term debt	2,038	2,044	1,710
Current portion of long-term debt	75	88	71
Bank loans and advances	4	2	1
Total debt¹	2,117	2,134	1,782
Less: Cash and cash equivalents	(41)	(64)	(70)
Net debt¹ as reported	2,076	2,070	1,712
Last twelve months EBITDA (A) ¹	502	452	318
Net debt / EBITDA (A) ratio¹	4.1x	4.6x	5.4x

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

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