

PRESS RELEASE



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Cascades Continues its Solid Performance in the Third Quarter of 2019; Positive outlook in Tissue supported by operational improvements and recent strategic initiatives

Kingsey Falls, Quebec, November 8, 2019 - Cascades Inc. (TSX: CAS) reports its unaudited financial results for the three-month period ended September 30, 2019.

Q3 2019 Highlights

- Sales of \$1,264 million
(compared with \$1,275 million in Q2 2019 (-1%) and \$1,175 million in Q3 2018 (+8%))
- As reported (including specific items)
 - Operating income of \$135 million
(compared with \$82 million in Q2 2019 (+65%) and \$78 million in Q3 2018 (+73%))
 - Operating income before depreciation and amortization (OIBD)¹ of \$208 million
(compared with \$154 million in Q2 2019 (+35%) and \$139 million in Q3 2018 (+50%))
 - Net earnings per share of \$0.74
(compared with \$0.33 in Q2 2019 and \$0.38 in Q3 2018)
- Adjusted (excluding specific items)¹
 - Operating income of \$88 million
(compared with \$84 million in Q2 2019 (+5%) and \$76 million in Q3 2018 (+16%))
 - OIBD of \$161 million
(compared with \$156 million in Q2 2019 (+3%) and \$137 million in Q3 2018 (+18%))
 - Net earnings per share of \$0.30
(compared with \$0.28 in Q2 2019 and \$0.40 in Q3 2018)
- Completed acquisition of Orchids Paper Products² for total cash consideration of US\$237 million on September 13, 2019.
- On October 30, 2019, announced planned closure of two tissue converting facilities in the U.S. by March 2020.
- Net debt¹ of \$2,077 million as at September 30, 2019 (compared with \$1,861 million as at June 30, 2019) and net debt to adjusted OIBD ratio¹ at 3.7x. This includes the acquisition of Orchids, detailed above, with no related contribution to adjusted OIBD.

¹ For further details, please refer to the "Supplemental Information on non-IFRS Measures" section.

² Also referred to as Orchids acquisition.

Mr. Mario Plourde, President and Chief Executive Officer, commented: "Cascades delivered solid consolidated third quarter 2019 results, as demonstrated by the 24.9% OIBD margin realized by the Containerboard segment. In addition to our improved execution at the operational level, we benefited from favourable raw material pricing and customary seasonal demand levels across our platforms, notwithstanding some softness in Containerboard and European Boxboard end-pricing. The Tissue segment delivered very encouraging year-over-year and sequential financial improvements, with positive raw material costs and selling price levels providing additional support for the benefits being derived from ongoing growth investments and initiatives in this segment.

We concluded the acquisition of the Orchids activities during the third quarter, and subsequently announced, at the end of October, the closure of two tissue converting facilities in the U.S. by March 2020, as part of our strategic repositioning and optimization efforts in the Tissue segment. In a similar vein, we advanced our capital investments and projects across our operations, and continued to align our Specialty Products platform with the Company's longer-term strategic objectives via the sale of our European industrial packaging operations."

Discussing the outlook for Cascades, Mr. Plourde continued "After nine months, the Company is well positioned to generate solid annual adjusted OIBD in 2019, with results after the first three quarters 15% above full year 2017 performance and already equal to 92% of full year 2018 adjusted OIBD performance. On a consolidated basis we expect fourth quarter results to improve year-over-year, with operational enhancements in tissue and favourable raw material pricing mitigating the usual seasonal trends across our business platforms. On a segmented basis, near-term results in Containerboard are expected to decrease sequentially and be stable year-over-year reflecting a combination of usual seasonality and market dynamics. Tissue results are expected to show important year-over-year improvements in the fourth quarter, while sequential performance will be down reflecting the usual seasonal trends. European Boxboard performance is expected to slightly decrease sequentially, but improve year-over-year as a result of lower raw material costs and a modest recovery in volume. Lastly, we anticipate stable results in Specialty Products

year-over-year and a slight decrease sequentially, as the impact of lower recycled fibre prices on recovery operations and seasonality in packaging are expected to be offset by stable selling prices and beneficial raw material costs in packaging."

Financial Summary

Selected consolidated information

(in millions of Canadian dollars, except amounts per share) (unaudited)

	Q3 2019	Q2 2019	Q3 2018
Sales	1,264	1,275	1,175
As reported			
Operating income before depreciation and amortization (OIBD) ¹	208	154	139
Operating income	135	82	78
Net earnings	70	31	36
per share	\$ 0.74	\$ 0.33	\$ 0.38
Adjusted¹			
Operating income before depreciation and amortization (OIBD)	161	156	137
Operating income	88	84	76
Net earnings	28	26	38
per share	\$ 0.30	\$ 0.28	\$ 0.40
Margin (OIBD)	12.7%	12.2%	11.7%

1 - Refer to the "Supplemental Information on Non-IFRS Measures" section.

Segmented OIBD as reported

(in millions of Canadian dollars) (unaudited)

	Q3 2019	Q2 2019	Q3 2018
Packaging Products			
Containerboard	120	114	116
Boxboard Europe	25	30	19
Specialty Products	12	13	15
Tissue Papers	76	17	5
Corporate Activities	(25)	(20)	(16)
OIBD as reported	208	154	139

Segmented adjusted OIBD¹

(in millions of Canadian dollars) (unaudited)

	Q3 2019	Q2 2019	Q3 2018
Packaging Products			
Containerboard	118	113	117
Boxboard Europe	25	30	19
Specialty Products	14	13	14
Tissue Papers	24	18	5
Corporate Activities	(20)	(18)	(18)
Adjusted OIBD	161	156	137

1 - Refer to the "Supplemental Information on Non-IFRS Measures" section.

Analysis of results for the three-month period ended September 30, 2019 (compared to the same period last year)

Sales of \$1,264 million increased by \$89 million, or 8%, compared with the same period last year, attaining a record level for the third quarter. Specifically, Tissue sales increased by \$23 million, or 6%, reflecting a higher average selling price, the addition of Orchids Paper assets as of mid-September and a more favourable exchange rate. These benefits were partially offset by slightly lower volume following the previously announced closure of two paper machines in Ontario. European Boxboard sales increased by \$46 million, or 22%, compared with the previous year, largely driven by the business acquisition in Spain at the end of 2018. Year-over-year results similarly benefited from slightly higher comparable volume, while less favourable selling price and mix and Canadian dollar - euro exchange rate negatively impacted results in the

current period. The Specialty Products segment generated a 7% or \$12 million sales improvement year-over-year, reflecting 2018 acquisitions and a slight improvement in pricing and sales mix. Combined, these benefits more than offset lower results from the Recovery & Recycling sub-segment due to price erosion of recycled material. Lastly, sales in the Containerboard Packaging group increased by \$1 million year-over-year, as improved volume and more favourable exchange rate were largely offset by less favourable average selling price and sales mix year-over-year.

The Corporation generated an operating income before depreciation and amortization (OIBD) of \$208 million in the third quarter of 2019. This compares with the \$139 million generated in the same period last year. This increase reflects a \$52 million gain in the Tissue segment related to the acquisition of Orchids Paper assets, more favourable raw material prices across all four businesses, slightly higher volumes in all segments with the exception of Tissue, and business acquisitions completed in the last twelve months. More favourable selling prices and sales mix in Tissue also contributed to the year-over-year improvement, the benefits of which were partially offset by adverse average selling price trends in Containerboard and European Boxboard during the period. Operating results for 2019 also include the beneficial impact of IFRS 16 accounting for leases, which increased third quarter 2019 OIBD by approximately \$7 million. On an adjusted basis¹, third quarter 2019 OIBD stood at \$161 million, versus \$137 million in the previous year.

The main specific items, before income taxes, that impacted our third quarter 2019 OIBD and/or net earnings were:

- \$52 million gain in Tissue Papers related to the acquisition of Orchids(OIBD and net earnings)
- \$4 million charge in Corporate Activities associated with transaction fees paid for the Orchids' asset acquisition (OIBD and net earnings)
- \$2 million gain in Containerboard Packaging related to the sale of a building and land (OIBD and net earnings)
- \$2 million loss following the conclusion of the sale of the Specialty Products operations in France and the closure of a facility in the second quarter (OIBD and net earnings)
- \$7 million unrealized loss on the fair value revaluation of an option granted in the Bear Island project (net earnings)

For the 3-month period ended September 30, 2019, the Corporation posted net earnings of \$70 million, or \$0.74 per share, compared with net earnings of \$36 million, or \$0.38 per share, for the same period in 2018. On an adjusted basis¹, the Corporation generated net earnings of \$28 million in the third quarter of 2019, or \$0.30 per share, compared with net earnings of \$38 million, or \$0.40 per share, for the same period in 2018.

¹ For further details, please refer to the "Supplemental Information on non-IFRS Measures" section.

Dividend on common shares and normal course issuer bid

The Board of Directors of Cascades declared a quarterly dividend of \$0.08 per share to be paid on December 5, 2019 to shareholders of record at the close of business on November 21, 2019. This dividend is an "eligible dividend" as per the Income Tax Act (R.C.S. (1985), Canada). During the third quarter of 2019, Cascades purchased 203,000 shares for cancellation at a weighted average price of \$11.46.

2019 Third Quarter Results Conference Call Details

Management will discuss the 2019 third quarter financial results during a conference call today at 9:00 a.m. ET. The call can be accessed by dialing 1-888-231-8191 (international dial-in 1-647-427-7450). 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 December 8, 2019 by dialing 1-855-859-2056, access code 6979777.

Founded in 1964, Cascades offers sustainable, innovative and value-added packaging, hygiene and recovery solutions. The company employs 11,000 women and men across a network of over 90 facilities in North America and Europe. Driven by its participative management, half a century of experience in recycling, and continuous research and development efforts, Cascades continues to provide innovative products that customers have come to rely on, while contributing to the well-being of people, communities and the entire planet. Cascades' shares trade on the Toronto Stock Exchange under the ticker symbol CAS. Certain statements in this release, including statements regarding future results and performance, are forward-looking statements (as such term is defined under the Private Securities Litigation Reform Act of 1995) based on current expectations. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, decreases in demand for the Corporation's products, increases in raw material costs, fluctuations in selling prices and adverse changes in general market and industry conditions and other factors listed in the Corporation's Securities and Exchange Commission filings.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	September 30, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	138	123
Accounts receivable	714	635
Current income tax assets	32	29
Inventories	578	606
Current portion of financial assets	12	10
	1,474	1,403
Long-term assets		
Investments in associates and joint ventures	82	81
Property, plant and equipment	2,879	2,505
Intangible assets with finite useful life	184	204
Financial assets	18	20
Other assets	40	42
Deferred income tax assets	145	134
Goodwill and other intangible assets with indefinite useful life	547	556
	5,369	4,945
Liabilities and Equity		
Current liabilities		
Bank loans and advances	14	16
Trade and other payables	788	781
Current income tax liabilities	26	23
Current portion of long-term debt	87	55
Current portion of provisions for contingencies and charges	6	6
Current portion of financial liabilities and other liabilities	114	101
	1,035	982
Long-term liabilities		
Long-term debt	2,114	1,821
Provisions for contingencies and charges	44	42
Financial liabilities	7	14
Other liabilities	197	202
Deferred income tax liabilities	220	200
	3,617	3,261
Equity		
Capital stock	490	490
Contributed surplus	15	16
Retained earnings	1,085	997
Accumulated other comprehensive income (loss)	(12)	2
Equity attributable to Shareholders	1,578	1,505
Non-controlling interests	174	179
Total equity	1,752	1,684
	5,369	4,945

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2019	2018	2019	2018
Sales	1,264	1,175	3,769	3,453
Cost of sales and expenses				
Cost of sales (including depreciation and amortization of \$73 million for 3-month period (2018 — \$61 million) and \$212 million for 9-month period (2018 — \$174 million))	1,071	1,004	3,210	2,953
Selling and administrative expenses	105	96	320	301
Gain on acquisitions, disposals and others	(49)	—	(56)	(66)
Impairment charges and restructuring costs	1	—	11	—
Foreign exchange gain	—	(1)	(1)	(2)
Loss (gain) on derivative financial instruments	1	(2)	(4)	4
	1,129	1,097	3,480	3,190
Operating income	135	78	289	263
Financing expense	24	21	74	60
Interest expense on employee future benefits and other liabilities	24	3	48	10
Foreign exchange gain on long-term debt and financial instruments	—	(3)	(7)	(4)
Fair value revaluation gain on investments	—	—	—	(5)
Share of results of associates and joint ventures	(2)	(3)	(6)	(7)
Earnings before income taxes	89	60	180	209
Provision for income taxes	12	17	30	57
Net earnings including non-controlling interests for the period	77	43	150	152
Net earnings attributable to non-controlling interests	7	7	25	28
Net earnings attributable to Shareholders for the period	70	36	125	124
Net earnings per common share				
Basic	\$ 0.74	\$ 0.38	\$ 1.33	\$ 1.31
Diluted	\$ 0.73	\$ 0.37	\$ 1.31	\$ 1.27
Weighted average basic number of common shares outstanding	93,860,367	94,469,465	93,886,909	94,704,999
Weighted average number of diluted common shares	95,519,226	96,780,412	95,437,252	97,194,029

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2019	2018	2019	2018
Net earnings including non-controlling interests for the period	77	43	150	152
Other comprehensive income (loss)				
Items that may be reclassified subsequently to earnings				
Translation adjustments				
Change in foreign currency translation of foreign subsidiaries	1	(26)	(57)	24
Change in foreign currency translation related to net investment hedging activities	(3)	15	32	(15)
Cash flow hedges				
Change in fair value of foreign exchange forward contracts	—	—	1	(1)
Change in fair value of interest rate swaps	—	—	(1)	1
Change in fair value of commodity derivative financial instruments	1	2	(1)	5
Recovery of (provision for) income taxes	—	(2)	—	1
	(1)	(11)	(26)	15
Items that are not released to earnings				
Actuarial gain (loss) on employee future benefits	2	8	(13)	13
Recovery (provision) of income taxes	—	(2)	3	(3)
	2	6	(10)	10
Other comprehensive income (loss)	1	(5)	(36)	25
Comprehensive income including non-controlling interests for the period	78	38	114	177
Comprehensive income attributable to non-controlling interests for the period	4	3	13	28
Comprehensive income attributable to Shareholders for the period	74	35	101	149

CONSOLIDATED STATEMENTS OF EQUITY

For the 9-month period ended September 30, 2019

(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	490	16	1,000	2	1,508	180	1,688
Business combination	—	—	(3)	—	(3)	(4)	(7)
Adjusted Balance - Beginning of period	490	16	997	2	1,505	176	1,681
New IFRS adoption	—	—	(9)	—	(9)	—	(9)
Adjusted balance - Beginning of period	490	16	988	2	1,496	176	1,672
Comprehensive income							
Net earnings	—	—	125	—	125	25	150
Other comprehensive loss	—	—	(10)	(14)	(24)	(12)	(36)
	—	—	115	(14)	101	13	114
Dividends	—	—	(15)	—	(15)	(14)	(29)
Issuance of common shares upon exercise of stock options	5	(1)	—	—	4	—	4
Redemption of common shares	(5)	—	(3)	—	(8)	—	(8)
Disposal of a subsidiary	—	—	—	—	—	(1)	(1)
Balance - End of period	490	15	1,085	(12)	1,578	174	1,752

For the 9-month period ended September 30, 2018

(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	492	16	982	(35)	1,455	146	1,601
New IFRS adoption	—	—	(2)	2	—	—	—
Adjusted Balance - Beginning of period	492	16	980	(33)	1,455	146	1,601
Comprehensive income							
Net earnings	—	—	124	—	124	28	152
Other comprehensive income	—	—	10	15	25	—	25
	—	—	134	15	149	28	177
Dividends	—	—	(11)	—	(11)	(12)	(23)
Stock options expense	—	1	—	—	1	—	1
Issuance of common shares upon exercise of stock options	5	(1)	—	—	4	—	4
Redemption of common shares	(7)	—	(12)	—	(19)	—	(19)
Capital contribution from a non-controlling interest	—	—	—	—	—	1	1
Balance - End of period	490	16	1,091	(18)	1,579	163	1,742

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2019	2018	2019	2018
Operating activities				
Net earnings attributable to Shareholders for the period	70	36	125	124
Adjustments for:				
Financing expense and interest expense on employee future benefits and other liabilities	48	24	122	70
Depreciation and amortization	73	61	212	174
Gain on acquisitions, disposals and others	(53)	—	(59)	(66)
Impairment charges and restructuring costs	1	—	6	—
Unrealized loss (gain) on derivative financial instruments	1	(2)	(4)	5
Foreign exchange gain on long-term debt and financial instruments	—	(3)	(7)	(4)
Provision for income taxes	12	17	30	57
Fair value revaluation gain on investments	—	—	—	(5)
Share of results of associates and joint ventures	(2)	(3)	(6)	(7)
Net earnings attributable to non-controlling interests	7	7	25	28
Net financing expense paid	(42)	(39)	(101)	(94)
Net income taxes paid	(12)	(6)	(14)	(4)
Dividends received	1	3	3	4
Employee future benefits and others	—	(3)	(22)	(10)
	104	92	310	272
Changes in non-cash working capital components	53	42	(13)	16
	157	134	297	288
Investing activities				
Investments in associates and joint ventures	—	—	1	(2)
Payments for property, plant and equipment	(66)	(124)	(185)	(274)
Proceeds from disposals of property, plant and equipment	19	—	21	82
Change in intangible and other assets	(1)	(4)	(3)	(11)
Net cash acquired (paid) in business combinations	(300)	—	(314)	3
Proceeds on disposals of a subsidiary, net of cash disposed	9	—	9	—
	(339)	(128)	(471)	(202)
Financing activities				
Bank loans and advances	(2)	(1)	(2)	(16)
Change in credit facilities	252	5	317	15
Increase in other long-term debt	—	54	7	65
Payments of other long-term debt	(15)	(7)	(94)	(62)
Settlement of derivative financial instruments	—	—	—	(1)
Issuance of common shares upon exercise of stock options	4	—	4	4
Redemption of common shares	(3)	(7)	(8)	(19)
Dividends paid to non-controlling interests	(4)	(2)	(14)	(12)
Capital contribution from non-controlling interests	—	—	—	1
Dividends paid to the Corporation's Shareholders	(8)	(3)	(15)	(11)
	224	39	195	(36)
Change in cash and cash equivalents during the period	42	45	21	50
Currency translation on cash and cash equivalents	(2)	(3)	(6)	—
Cash and cash equivalents - Beginning of the period	98	97	123	89
Cash and cash equivalents - End of the period	138	139	138	139

SEGMENTED INFORMATION

The Corporation analyzes the performance of its operating segments based on their operating income before depreciation and amortization, which is not a measure of performance under International Financial Reporting Standards (IFRS); however, the chief operating decision-maker (CODM) uses this performance measure to assess the operating performance of each reportable segment. Earnings for each segment are prepared on the same basis as those of the Corporation. Intersegment operations are recorded on the same basis as sales to third parties, which are at fair market value. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in its most recent audited consolidated financial statements for the year ended December 31, 2018.

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

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

(in millions of Canadian dollars) (unaudited)	SALES			
	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2019	2018	2019	2018
Packaging Products				
Containerboard	473	472	1,376	1,368
Boxboard Europe	256	210	805	688
Specialty Products	176	164	565	487
Intersegment sales	(16)	(21)	(53)	(68)
	889	825	2,693	2,475
Tissue Papers	387	364	1,112	1,012
Intersegment sales and Corporate Activities	(12)	(14)	(36)	(34)
	1,264	1,175	3,769	3,453

(in millions of Canadian dollars) (unaudited)	OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION			
	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2019	2018	2019	2018
Packaging Products				
Containerboard	120	116	345	359
Boxboard Europe	25	19	84	77
Specialty Products	12	15	36	31
	157	150	465	467
Tissue Papers	76	5	97	25
Corporate Activities	(25)	(16)	(61)	(55)
Operating income before depreciation and amortization	208	139	501	437
Depreciation and amortization	(73)	(61)	(212)	(174)
Financing expense and interest expense on employee future benefits and other liabilities	(48)	(24)	(122)	(70)
Foreign exchange gain on long-term debt and financial instruments	—	3	7	4
Fair value revaluation gain on investments	—	—	—	5
Share of results of associates and joint ventures	2	3	6	7
Earnings before income taxes	89	60	180	209

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2019	2018	2019	2018
Packaging Products				
Containerboard	19	76	55	216
Boxboard Europe	13	15	41	23
Specialty Products	12	8	26	25
	44	99	122	264
Tissue Papers	27	29	74	57
Corporate Activities	11	4	25	13
Total acquisitions	82	132	221	334
Proceeds from disposals of property, plant and equipment	(19)	—	(21)	(82)
Right-of-use assets and included in other debts and liabilities	(9)	(2)	(42)	(68)
	54	130	158	184
Acquisitions for property, plant and equipment included in "Trade and other payables"				
Beginning of period	24	14	37	28
End of period	(31)	(20)	(31)	(20)
Payments for property, plant and equipment net of proceeds from disposals	47	124	164	192

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

SPECIFIC ITEMS

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

They include, but are not limited to, charges for (reversals of) impairment of assets, restructuring gains or costs, loss on refinancing and repurchase of long-term debt, some deferred tax asset provisions or reversals, premiums paid on long-term debt refinancing, 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, foreign exchange gains or losses on long-term debt and financial instruments, specific items of discontinued operations and other significant items of an unusual, non-cash or non-recurring nature.

RECONCILIATION OF NON-IFRS MEASURES

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

- Operating income before depreciation and amortization (OIBD): Used to assess operating performance and the contribution of each segment when excluding depreciation and amortization. OIBD is widely used by investors as a measure of a corporation's ability to incur and service debt and as an evaluation metric.
- Adjusted OIBD: Used to assess operating performance and the contribution of each segment on a comparable basis.
- Adjusted operating income: Used to assess operating performance of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation's consolidated financial performance on a comparable basis.

- Adjusted free cash flow: Used to assess the Corporation's capacity to generate cash flows to meet financial obligations and/or discretionary items such as share repurchase, dividend increase and strategic investments.
- Net debt to adjusted OIBD ratio: Used to measure the Corporation's credit performance and evaluate financial leverage.
- Net debt to adjusted OIBD ratio on a pro-forma basis: Used to measure the Corporation's credit performance and evaluate the financial leverage on a comparable basis, including significant business acquisitions and excluding significant business disposals, if any.

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

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

	Q3 2019					
(in millions of Canadian dollars) (unaudited)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	91	14	4	61	(35)	135
Depreciation and amortization	29	11	8	15	10	73
Operating income (loss) before depreciation and amortization	120	25	12	76	(25)	208
Specific items:						
Loss (gain) on acquisitions, disposals and others	(2)	—	1	(52)	4	(49)
Impairment charges	—	—	1	—	—	1
Unrealized loss on financial instruments	—	—	—	—	1	1
	(2)	—	2	(52)	5	(47)
Adjusted operating income (loss) before depreciation and amortization	118	25	14	24	(20)	161
Adjusted operating income (loss)	89	14	6	9	(30)	88

	Q2 2019					
(in millions of Canadian dollars) (unaudited)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	84	19	6	1	(28)	82
Depreciation and amortization	30	11	7	16	8	72
Operating income (loss) before depreciation and amortization	114	30	13	17	(20)	154
Specific items :						
Loss on acquisitions, disposals and others	—	—	—	—	3	3
Restructuring costs	—	—	—	1	—	1
Unrealized gain on derivative financial instruments	(1)	—	—	—	(1)	(2)
	(1)	—	—	1	2	2
Adjusted operating income (loss) before depreciation and amortization	113	30	13	18	(18)	156
Adjusted operating income (loss)	83	19	6	2	(26)	84

(in millions of Canadian dollars) (unaudited)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	94	10	9	(11)	(24)	78
Depreciation and amortization	22	9	6	16	8	61
Operating income (loss) before depreciation and amortization	116	19	15	5	(16)	139
Specific items:						
Restructuring costs (gain)	1	—	(1)	—	—	—
Unrealized gain on financial instruments	—	—	—	—	(2)	(2)
	1	—	(1)	—	(2)	(2)
Adjusted operating income (loss) before depreciation and amortization	117	19	14	5	(18)	137
Adjusted operating income (loss)	95	10	8	(11)	(26)	76

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

(in millions of Canadian dollars) (unaudited)	Q3 2019	Q2 2019	Q3 2018
Net earnings attributable to Shareholders	70	31	36
Net earnings attributable to non-controlling interests	7	9	7
Provision for income taxes	12	10	17
Share of results of associates and joint ventures	(2)	(2)	(3)
Foreign exchange gain on long-term debt and financial instruments	—	(1)	(3)
Financing expense, interest expense on employee future benefits and other liabilities	48	35	24
Operating income	135	82	78
Specific items:			
Loss (gain) on acquisitions, disposals and others	(49)	3	—
Impairment charges	1	—	—
Restructuring costs	—	1	—
Unrealized loss (gain) on derivative financial instruments	1	(2)	(2)
	(47)	2	(2)
Adjusted operating income	88	84	76
Depreciation and amortization	73	72	61
Adjusted operating income before depreciation and amortization	161	156	137

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

(in millions of Canadian dollars, except amounts per share) (unaudited)	NET EARNINGS			NET EARNINGS PER SHARE ¹		
	Q3 2019	Q2 2019	Q3 2018	Q3 2019	Q2 2019	Q3 2018
As per IFRS	70	31	36	\$ 0.74	\$ 0.33	\$ 0.38
Specific items:						
Loss (gain) on acquisitions, disposals and others	(49)	3	—	\$ (0.53)	\$ 0.03	—
Impairment charges	1	—	—	\$ 0.01	—	—
Restructuring costs	—	1	—	—	\$ 0.01	—
Unrealized loss (gain) on derivative financial instruments	1	(2)	(2)	\$ 0.01	\$ (0.02)	\$ (0.02)
Unrealized loss (gain) on interest rate swaps and option fair value	7	(6)	—	\$ 0.07	\$ (0.06)	—
Foreign exchange gain on long-term debt and financial instruments	—	(1)	(3)	—	\$ (0.01)	\$ (0.02)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest ¹	(2)	—	7	—	—	\$ 0.06
	(42)	(5)	2	\$ (0.44)	\$ (0.05)	\$ 0.02
Adjusted	28	26	38	\$ 0.30	\$ 0.28	\$ 0.40

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

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

(in millions of Canadian dollars)	Q3 2019	Q2 2019	Q3 2018
Cash flow from operating activities	157	88	134
Changes in non-cash working capital components	(53)	36	(42)
Depreciation and amortization	(73)	(72)	(61)
Net income taxes paid	12	2	6
Net financing expense paid	42	16	39
Gain (loss) on acquisitions, disposals and others	53	(3)	—
Impairment charges and restructuring costs	(1)	—	—
Unrealized gain (loss) on derivative financial instruments	(1)	2	2
Dividend received, employee future benefits and others	(1)	13	—
Operating income	135	82	78
Depreciation and amortization	73	72	61
Operating income before depreciation and amortization	208	154	139

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 activities. It also reconciles adjusted cash flow from operating activities to adjusted free cash flow, which is also calculated on a per share basis:

(in millions of Canadian dollars, except amount per common share or otherwise mentioned)	Q3 2019	Q2 2019	Q3 2018
Cash flow from operating activities	157	88	134
Changes in non-cash working capital components	(53)	36	(42)
Cash flow from operating activities (excluding changes in non-cash working capital components)	104	124	92
Specific items, net of current income taxes if applicable:	4	1	—
Adjusted cash flow from operating activities	108	125	92
Capital expenditures & other assets ¹ and right-of-use assets payments, net of disposals	(58)	(64)	(129)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(12)	(9)	(5)
Adjusted free cash flow	38	52	(42)
Adjusted free cash flow per share	\$ 0.40	\$ 0.56	\$ (0.44)
Weighted average basic number of shares outstanding	93,860,367	93,636,771	94,469,465

¹ Excluding increase in investments

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)	September 30, 2019	June 30, 2019	September 30, 2018
Long-term debt	2,114	1,866	1,648
Current portion of long-term debt	87	77	44
Bank loans and advances	14	16	20
Total debt	2,215	1,959	1,712
Less: Cash and cash equivalents	138	98	139
Net debt	2,077	1,861	1,573
Adjusted OIBD (last twelve months)	565	541	481
Net debt / Adjusted OIBD ratio	3.7	3.4	3.3

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