

# PRESS RELEASE



**Cascades Inc.**  
404 Marie-Victorin Blvd., P.O. Box 30  
Kingsey Falls (Québec) Canada J0A 1B0  
www.cascades.com

Telephone: 819-363-5100  
Fax: 819-363-5155

## **Cascades Reports Results for the Third Quarter of 2021** **Good packaging market dynamics and improved performance in tissue** **partially mitigate continued inflationary pressure on costs**

**Kingsey Falls, Québec, November 11, 2021** - Cascades Inc. (TSX: CAS) reports its unaudited financial results for the three-month period ended September 30, 2021.

### **Q3 2021 Highlights (comparative figures have been restated to reflect discontinued operations<sup>2</sup>)**

- Sales of \$1,030 million (compared with \$956 million in Q2 2021 (+8%) and \$1,014 million in Q3 2020 (+2%))
- As reported (including specific items)
  - Operating income of \$73 million (compared with \$23 million in Q2 2021 (+217%) and \$54 million in Q3 2020 (+35%))
  - Operating income before depreciation and amortization (OIBD)<sup>1</sup> of \$136 million (compared with \$87 million in Q2 2021 (+56%) and \$123 million in Q3 2020 (+11%))
  - Net earnings per common share of \$0.32 (compared with \$0.02 in Q2 2021 and \$0.51 in Q3 2020)
- Adjusted (excluding specific items<sup>1</sup>)
  - Operating income of \$44 million (compared with \$34 million in Q2 2021 (+29%) and \$64 million in Q3 2020 (-31%))
  - OIBD of \$107 million (compared with \$98 million in Q2 2021 (+9%) and \$133 million in Q3 2020 (-20%))
  - Net loss per common share of \$0.01 (compared with net earnings per common share of \$0.07 in Q2 2021 and net earnings per common share of \$0.50 in Q3 2020)
- Following the July 2021 announcement regarding the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for €1.45 per share, or \$461 million including foreign exchange contracts and before related transaction fees of \$11 million, financial information for the Boxboard Europe segment is presented as discontinued operations. The transaction closed on October 26, 2021<sup>2</sup>.
- Net debt<sup>1</sup> of \$1,760 million as at September 30, 2021 (compared with \$1,707 million as at June 30, 2021). Net debt to adjusted OIBD ratio<sup>1</sup> of 3.8x up from 3.5x as at June 30, 2021. Taking into account the monetization of our investment in RDM, net debt to adjusted OIBD ratio<sup>1</sup> would have been 2.8x.
- During the third quarter, the Corporation purchased 1,651,600 common shares for cancellation at a weighted average price of \$15.45.
- Total capital expenditures, net of disposals, of \$4 million in Q3 2021, compared to \$65 million in Q2 2021 and to \$39 million in Q3 2020<sup>2</sup>; Forecasted 2021 net capital expenditures of between \$275 million and \$300 million, encompassing \$155 million for the Bear Island containerboard conversion project in Virginia, USA.

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

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

Mario Plourde, President and CEO, commented: "Our third quarter performance reflects the ongoing dynamic nature of the North American macro environment and the announced production impact in our containerboard segment related to water effluent treatment system issues at our Niagara Falls complex. We are encouraged with our results given this context, and with the sequential improvement in our tissue business. We continued to see inflationary pressures on input costs, notably raw materials, but also in labour, transportation and energy, across our operations in the third quarter, the effects of which were partially offset by the roll-out of announced price increases and our continued cost management initiatives. Sequentially, in containerboard, good demand levels and realized benefits from the continued roll-out of price increases helped to offset higher raw material prices and the impact from reduced production at our Niagara Falls complex, which reduced our sequential OIBD by \$26 million and \$10 million, respectively. Specialty packaging results reflected solid demand and incremental benefits from price increases which, combined, largely mitigated higher costs. On the tissue side, demand and pricing trends were more positive sequentially, while higher input costs, notably raw materials and transportation, remained headwinds.

At the corporate level, we successfully completed the monetization of our majority 57.6% equity position in Reno de Medici in late October. Our exit from European boxboard markets, recent 50% dividend increase and ongoing share buy-back program through which 1.65 million shares were repurchased in the third quarter, underscore our commitment to creating long term value for the Corporation and our Shareholders. As part of our focus to reinforce our financial flexibility and optimize our capital structure through a strategic deployment of capital, we subsequently completed the repurchase of US\$299 million of our long-term notes on November 9, 2021.”

Discussing near-term outlook, Mr. Plourde commented, “Looking ahead, we are forecasting sequentially stable results for the fourth quarter, with the impact of inflationary pressures on input costs largely mitigated by steady demand and the roll-out of price increases in our business segments. In containerboard, solid demand and ongoing flow-through of the third price increase are expected to offset higher raw material costs and inflationary headwinds in input costs. Likewise, good demand and price increases in Specialty packaging are expected to counter cost pressure. Finally, considering usual seasonal softness, we are forecasting results and demand levels in our tissue papers segment to be stable sequentially, with continued benefits from the ongoing roll-out of sales price increases countering higher raw material prices and pressures on costs.”

## Financial Summary

### Selected consolidated information

(in millions of Canadian dollars, except amounts per common share) (unaudited)	Q3 2021	Q2 2021	Q3 2020 <sup>2</sup>
Sales	1,030	956	1,014
<b>As Reported</b>			
Operating income before depreciation and amortization (OIBD) <sup>1</sup>	136	87	123
Operating income	73	23	54
Net earnings	32	3	49
per common share	\$0.32	\$0.02	\$0.51
<b>Adjusted<sup>1</sup></b>			
Operating income before depreciation and amortization (OIBD)	107	98	133
Operating income	44	34	64
Net earnings (loss)	(1)	8	48
per common share	(\$0.01)	\$0.07	\$0.50
Margin (OIBD)	10.4%	10.3%	13.1%

<sup>1</sup> Please refer to the “Supplemental Information on Non-IFRS Measures” section for a complete reconciliation.  
<sup>2</sup> 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

### Segmented OIBD as reported

(in millions of Canadian dollars) (unaudited)	Q3 2021	Q2 2021	Q3 2020 <sup>2</sup>
<b>Packaging Products</b>			
Containerboard	88	95	101
Boxboard Europe	39	11	31
Specialty Products	17	18	16
<b>Tissue Papers</b>	47	(5)	25
Corporate Activities	(16)	(21)	(19)
Total before discontinued operations	175	98	154
Discontinued operations - Boxboard Europe	(39)	(11)	(31)
<b>OIBD as reported</b>	136	87	123

<sup>1</sup> Please refer to the “Supplemental Information on Non-IFRS Measures” section for a complete reconciliation.  
<sup>2</sup> 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

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

(in millions of Canadian dollars) (unaudited)	Q3 2021	Q2 2021	Q3 2020 <sup>2</sup>
<b>Packaging Products</b>			
Containerboard	94	100	100
Boxboard Europe	17	11	29
Specialty Products	17	18	16
<b>Tissue Papers</b>	12	1	36
Corporate Activities	(16)	(21)	(19)
Total before discontinued operations	124	109	162
Discontinued operations - Boxboard Europe	(17)	(11)	(29)
<b>Adjusted OIBD<sup>1</sup></b>	<b>107</b>	<b>98</b>	<b>133</b>

<sup>1</sup> Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.  
<sup>2</sup> 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

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

Sales of \$1,030 million increased by \$16 million, or 2%, compared with the same period last year. This was driven by better pricing and mix in the packaging segments. These benefits were partially offset by a less favourable Canadian dollar - US dollar exchange rate, and lower volumes in the Containerboard segment as a result of the water effluent system issues at the Niagara Falls complex.

The Corporation generated an operating income before depreciation and amortization (OIBD) of \$136 million in the third quarter of 2021, up from \$123 million in the third quarter of 2020. On an adjusted basis<sup>1</sup>, third quarter OIBD totaled \$107 million, a decrease of \$26 million, or 20% from the \$133 million generated in the same period last year. This decrease is largely attributable to higher raw material costs and inflationary pressures in labour, transportation and energy in all segments, and lower volumes in Containerboard. There were partially offset by benefits of pricing increases in all business segments and better mix.

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

- \$39 million of gains from the sale of buildings related to closed plants in the USA and Canada recorded in Tissue Papers segment (OIBD and net earnings);
- \$5 million of restructuring charges and closure costs recorded in Containerboard Packaging segment and Tissue Papers segment as part of profitability improvement and restructuring initiatives (OIBD and net earnings);
- \$5 million unrealized loss on financial instruments (OIBD and net earnings);
- \$3 million foreign exchange loss on long-term debt and financial instruments (net earnings);
- \$20 million total gain from a business combination and an unrealized gain on financial instruments within discontinued operations (net earnings).

For the 3-month period ended September 30, 2021, the Corporation posted net earnings of \$32 million, or \$0.32 per common share, compared to net earnings of \$49 million, or \$0.51 per common share, in the same period of 2020. On an adjusted basis<sup>1</sup>, the Corporation generated net loss of \$1 million in the third quarter of 2021, or \$(0.01) per common share, compared to net earnings of \$48 million, or \$0.50 per common share, in the same period of 2020.

<sup>1</sup> Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.  
<sup>2</sup> 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

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

The Board of Directors of Cascades declared a quarterly dividend of \$0.12 per common share to be paid on December 9, 2021 to shareholders of record at the close of business on November 24, 2021. This dividend is an "eligible dividend" as per the Income Tax Act (R.C.S. (1985), Canada). During the third quarter of 2021, Cascades purchased 1,651,600 common shares for cancellation at a weighted average price of \$15.45.

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

Management will discuss the 2021 third quarter financial results during a conference call today at 9:00 a.m. EDT. The call can be accessed by dialing 1-888-390-0620 (international dial-in 1-416-764-8651). The conference call, including the investor presentation, will be broadcast live on the Cascades website ([www.cascades.com](http://www.cascades.com) under the "Investors" section). A replay of the call will be available on the Cascades website and may also be accessed by phone until December 11, 2021 by dialing 1-888-390-0541 (international dial-in 1-416-764-8677), access code 673337.

*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)	September 30, 2021	December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	151	384
Accounts receivable	545	659
Current income tax assets	19	23
Inventories	502	569
Current portion of financial assets	11	5
Assets classified as held for sale	1,066	—
	2,294	1,640
<b>Long-term assets</b>		
Investments in associates and joint ventures	87	82
Property, plant and equipment	2,441	2,772
Intangible assets with finite useful life	129	160
Financial assets	5	16
Other assets	46	50
Deferred income tax assets	133	170
Goodwill and other intangible assets with indefinite useful life	510	522
	5,645	5,412
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Bank loans and advances	7	12
Trade and other payables	637	861
Current income tax liabilities	12	17
Current portion of long-term debt	74	102
Current portion of provisions for contingencies and charges	11	14
Current portion of financial liabilities and other liabilities	20	25
Liabilities classified as held for sale	698	—
	1,459	1,031
<b>Long-term liabilities</b>		
Long-term debt	1,830	1,949
Provisions for contingencies and charges	53	57
Financial liabilities	6	6
Other liabilities	117	202
Deferred income tax liabilities	196	210
	3,661	3,455
<b>Equity</b>		
Capital stock	614	622
Contributed surplus	13	13
Retained earnings	1,181	1,146
Accumulated other comprehensive loss	(27)	(28)
<b>Equity attributable to Shareholders</b>	1,781	1,753
Non-controlling interests including share of assets and liabilities held for sale	203	204
<b>Total equity</b>	1,984	1,957
	5,645	5,412

## CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2021	2020	2021	2020
<b>Sales</b>	<b>1,030</b>	1,014	<b>2,928</b>	3,075
<b>Cost of sales and expenses</b>				
Cost of sales (including depreciation and amortization of \$63 million for 3-month period (2020 — \$69 million) and \$192 million for 9-month period (2020 — \$192 million))	901	867	2,532	2,585
Selling and administrative expenses	86	83	260	276
Gain on acquisitions, disposals and others	(39)	(7)	(39)	(5)
Impairment charges and restructuring costs	5	16	16	31
Foreign exchange loss (gain)	(1)	—	1	(1)
Loss on derivative financial instruments	5	1	18	1
	<b>957</b>	960	<b>2,788</b>	2,887
<b>Operating income</b>	<b>73</b>	54	<b>140</b>	188
Financing expense	22	24	64	76
Interest expense on employee future benefits	1	1	3	3
Loss on repurchase of long-term debt	—	6	—	6
Foreign exchange loss (gain) on long-term debt and financial instruments	3	(11)	(3)	(3)
Share of results of associates and joint ventures	(4)	(3)	(11)	(9)
<b>Earnings before income taxes</b>	<b>51</b>	37	<b>87</b>	115
<b>Provision for (recovery of) income taxes</b>	<b>30</b>	(7)	<b>38</b>	10
<b>Net earnings from continuing operations including non-controlling interests for the period</b>	<b>21</b>	44	<b>49</b>	105
<b>Results from discontinued operations</b>	<b>25</b>	14	<b>30</b>	52
<b>Net earnings including non-controlling interests for the period</b>	<b>46</b>	58	<b>79</b>	157
<b>Net earnings attributable to non-controlling interests</b>	<b>14</b>	9	<b>22</b>	32
<b>Net earnings attributable to Shareholders for the period</b>	<b>32</b>	49	<b>57</b>	125
<b>Net earnings from continuing operations per common share</b>				
Basic	<b>\$0.18</b>	\$0.43	<b>\$0.39</b>	\$1.01
Diluted	<b>\$0.18</b>	\$0.42	<b>\$0.39</b>	\$0.99
<b>Net earnings per common share</b>				
Basic	<b>\$0.32</b>	\$0.51	<b>\$0.56</b>	\$1.32
Diluted	<b>\$0.32</b>	\$0.50	<b>\$0.56</b>	\$1.30
<b>Weighted average basic number of common shares outstanding</b>	<b>102,129,769</b>	95,019,694	<b>102,229,534</b>	94,577,538
<b>Weighted average number of diluted common shares</b>	<b>103,156,393</b>	96,077,440	<b>103,292,002</b>	95,735,264
<b>Net earnings attributable to Shareholders:</b>				
Continuing operations	18	41	40	95
Discontinued operations	14	8	17	30
<b>Net earnings</b>	<b>32</b>	49	<b>57</b>	125

## 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,	
	2021	2020	2021	2020
<b>Net earnings including non-controlling interests for the period</b>	<b>46</b>	<b>58</b>	<b>79</b>	<b>157</b>
<b>Other comprehensive income (loss)</b>				
<b>Items that may be reclassified subsequently to earnings</b>				
<b>Translation adjustments</b>				
Change in foreign currency translation of foreign subsidiaries	26	(23)	(3)	20
Change in foreign currency translation of foreign subsidiaries from discontinued operations	(1)	9	(21)	23
Change in foreign currency translation related to net investment hedging activities	(15)	13	3	(13)
Change in foreign currency translation related to net investment hedging activities from discontinued operations	—	(6)	12	(14)
<b>Cash flow hedges</b>				
Change in fair value of commodity derivative financial instruments	2	2	5	2
<b>Recovery of (provision for) income taxes</b>	<b>1</b>	<b>—</b>	<b>(2)</b>	<b>—</b>
<b>Provision for income taxes from discontinued operations</b>	<b>—</b>	<b>—</b>	<b>(2)</b>	<b>—</b>
	<b>13</b>	<b>(5)</b>	<b>(8)</b>	<b>18</b>
<b>Items that are not released to earnings</b>				
Actuarial gain (loss) on employee future benefits	8	(4)	29	(19)
Recovery of (provision for) income taxes	(1)	1	(7)	5
	<b>7</b>	<b>(3)</b>	<b>22</b>	<b>(14)</b>
<b>Other comprehensive income (loss)</b>	<b>20</b>	<b>(8)</b>	<b>14</b>	<b>4</b>
<b>Comprehensive income including non-controlling interests for the period</b>	<b>66</b>	<b>50</b>	<b>93</b>	<b>161</b>
<b>Comprehensive income attributable to non-controlling interests for the period</b>	<b>14</b>	<b>12</b>	<b>13</b>	<b>43</b>
<b>Comprehensive income attributable to Shareholders for the period</b>	<b>52</b>	<b>38</b>	<b>80</b>	<b>118</b>
<b>Comprehensive income attributable to Shareholders:</b>				
Continuing operations	38	31	65	89
Discontinued operations	14	7	15	29
<b>Comprehensive income</b>	<b>52</b>	<b>38</b>	<b>80</b>	<b>118</b>

## CONSOLIDATED STATEMENTS OF EQUITY

For the 9-month period ended September 30, 2021

(in millions of Canadian dollars) (unaudited)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON- CONTROLLING INTERESTS	TOTAL EQUITY
<b>Balance - Beginning of period</b>	<b>622</b>	<b>13</b>	<b>1,146</b>	<b>(28)</b>	<b>1,753</b>	<b>204</b>	<b>1,957</b>
Comprehensive income (loss)							
Net earnings	—	—	57	—	57	22	79
Other comprehensive income (loss)	—	—	22	1	23	(9)	14
Dividends	—	—	79	1	80	13	93
Dividends paid to non-controlling interests from discontinued operations	—	—	(29)	—	(29)	(10)	(39)
Issuance of common shares upon exercise of stock options	2	—	—	—	2	—	2
Redemption of common shares	(10)	—	(16)	—	(26)	—	(26)
Acquisition of non-controlling interests	—	—	1	—	1	(1)	—
<b>Balance - End of period</b>	<b>614</b>	<b>13</b>	<b>1,181</b>	<b>(27)</b>	<b>1,781</b>	<b>203</b>	<b>1,984</b>

For the 9-month period ended September 30, 2020

(in millions of Canadian dollars) (unaudited)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON- CONTROLLING INTERESTS	TOTAL EQUITY
<b>Balance - Beginning of period</b>	<b>491</b>	<b>15</b>	<b>1,003</b>	<b>(17)</b>	<b>1,492</b>	<b>177</b>	<b>1,669</b>
Comprehensive income (loss)							
Net earnings	—	—	125	—	125	32	157
Other comprehensive income (loss)	—	—	(14)	7	(7)	11	4
Dividends	—	—	111	7	118	43	161
Dividends paid to non-controlling interests from discontinued operations	—	—	(22)	—	(22)	(11)	(33)
Issuance of common shares upon exercise of stock options	9	(2)	—	—	7	—	7
Redemption of common shares	(2)	—	(3)	—	(5)	—	(5)
<b>Balance - End of period</b>	<b>498</b>	<b>13</b>	<b>1,089</b>	<b>(10)</b>	<b>1,590</b>	<b>207</b>	<b>1,797</b>



## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended		For the 9-month periods ended	
	2021	2020	2021	2020
<b>Operating activities from continuing operations</b>				
Net earnings attributable to Shareholders for the period	32	49	57	125
Results from discontinued operations	(25)	(14)	(30)	(52)
Results from discontinued operations attributable to non-controlling interests	11	6	13	22
Net earnings from continuing operations	18	41	40	95
Adjustments for:				
Financing expense and interest expense on employee future benefits	23	25	67	79
Loss on repurchase of long-term debt	—	6	—	6
Depreciation and amortization	63	69	192	192
Gain on acquisitions, disposals and others	(39)	(7)	(39)	(5)
Impairment charges and restructuring costs	5	16	16	31
Unrealized loss on derivative financial instruments	5	1	18	1
Foreign exchange loss (gain) on long-term debt and financial instruments	3	(11)	(3)	(3)
Provision for (recovery of) income taxes	30	(7)	38	10
Share of results of associates and joint ventures	(4)	(3)	(11)	(9)
Net earnings attributable to non-controlling interests	3	3	9	10
Net financing expense paid	(41)	(48)	(85)	(71)
Premium paid on repurchase of long-term debt	—	(4)	—	(4)
Net income taxes received (paid)	1	(1)	2	8
Dividends received	—	2	5	7
Provisions for contingencies and charges and other liabilities	(9)	(4)	(22)	(20)
	58	78	227	327
Changes in non-cash working capital components	(13)	35	(85)	(8)
	45	113	142	319
<b>Investing activities from continuing operations</b>				
Disposals in associates and joint ventures	—	4	1	3
Payments for property, plant and equipment	(54)	(46)	(191)	(147)
Proceeds from disposals of property, plant and equipment	50	7	51	9
Change in intangible and other assets	(3)	(3)	(14)	(7)
Cash received from business combinations	—	—	—	2
	(7)	(38)	(153)	(140)
<b>Financing activities from continuing operations</b>				
Bank loans and advances	—	—	(5)	(2)
Change in credit facilities	1	(138)	—	(81)
Issuance of unsecured senior notes, net of related expenses	—	409	—	409
Repurchase of unsecured senior notes	—	(264)	—	(264)
Increase in other long-term debt	—	—	5	—
Payments of other long-term debt, including lease obligations	(19)	(12)	(63)	(32)
Settlement of derivative financial instruments	—	—	—	1
Issuance of common shares upon exercise of stock options	2	—	2	7
Redemption of common shares	(26)	—	(26)	(5)
Payment of other liabilities	—	—	—	(121)
Dividends paid to non-controlling interests and acquisition of non-controlling interests	(4)	(4)	(12)	(11)
Dividends paid to the Corporation's Shareholders	(13)	(7)	(29)	(22)
	(59)	(16)	(128)	(121)
<b>Change in cash and cash equivalents during the period from continuing operations</b>	(21)	59	(139)	58
<b>Change in cash and cash equivalents from discontinued operations and reclassification of cash and cash equivalent as held for sale</b>	—	8	(94)	14
<b>Net change in cash and cash equivalents during the period</b>	(21)	67	(233)	72
<b>Currency translation on cash and cash equivalents</b>	1	(2)	—	—
<b>Cash and cash equivalents - Beginning of the period</b>	171	162	384	155
<b>Cash and cash equivalents - End of the period</b>	151	227	151	227

## SEGMENTED INFORMATION

The Corporation analyzes the performance of its operating segments based on their operating income before depreciation and amortization, which is not a measure of performance under International Financial Reporting Standards (IFRS). However, the chief operating decision-maker (CODM) uses this performance measure to assess the operating performance of each reportable segment. Earnings for each segment are prepared on the same basis as those of the Corporation. Intersegment operations are recorded on the same basis as sales to third parties, which are at fair market value. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in its most recent audited consolidated financial statements for the year ended December 31, 2020.

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

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

SALES TO										
For the 3-month periods ended September 30,										
(in millions of Canadian dollars) (unaudited)	Canada		United States		Italy		Other countries		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Packaging Products</b>										
Containerboard	303	307	204	199	—	—	—	—	507	506
Boxboard Europe	—	—	—	—	86	79	269	182	355	261
Specialty Products	42	42	102	75	—	—	—	—	144	117
Inter-segment sales	(3)	(2)	(7)	(2)	—	—	—	—	(10)	(4)
	342	347	299	272	86	79	269	182	996	880
<b>Tissue Papers</b>	68	72	276	292	—	—	—	—	344	364
<b>Inter-segment sales and Corporate Activities</b>	40	32	5	(1)	—	—	—	—	45	31
	450	451	580	563	86	79	269	182	1,385	1,275
Discontinued operations — Boxboard Europe	—	—	—	—	(86)	(79)	(269)	(182)	(355)	(261)
	450	451	580	563	—	—	—	—	1,030	1,014

SALES TO										
For the 9-month periods ended September 30,										
(in millions of Canadian dollars) (unaudited)	Canada		United States		Italy		Other countries		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Packaging Products</b>										
Containerboard	903	835	604	582	—	—	—	1	1,507	1,418
Boxboard Europe	—	—	—	—	260	240	634	558	894	798
Specialty Products	147	119	250	229	—	—	—	2	397	350
Inter-segment sales	(10)	(9)	(14)	(3)	—	—	—	—	(24)	(12)
	1,040	945	840	808	260	240	634	561	2,774	2,554
<b>Tissue Papers</b>	183	207	750	1,026	—	—	—	1	933	1,234
<b>Inter-segment sales and Corporate Activities</b>	105	86	10	(1)	—	—	—	—	115	85
	1,328	1,238	1,600	1,833	260	240	634	562	3,822	3,873
Discontinued operations — Boxboard Europe	—	—	—	—	(260)	(240)	(634)	(558)	(894)	(798)
	1,328	1,238	1,600	1,833	—	—	—	4	2,928	3,075

## OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2021	2020	2021	2020
<b>Packaging Products</b>				
Containerboard	88	101	279	286
Boxboard Europe	39	31	73	104
Specialty Products	17	16	53	43
	144	148	405	433
<b>Tissue Papers</b>	47	25	60	118
<b>Corporate Activities</b>	(16)	(19)	(60)	(67)
<b>Operating income before depreciation and amortization before discontinued operations</b>	175	154	405	484
Discontinued operations — Boxboard Europe	(39)	(31)	(73)	(104)
<b>Operating income before depreciation and amortization</b>	136	123	332	380
Depreciation and amortization	(63)	(69)	(192)	(192)
Financing expense and interest expense on employee future benefits	(23)	(25)	(67)	(79)
Loss on repurchase of long-term debt	—	(6)	—	(6)
Foreign exchange gain (loss) on long-term debt and financial instruments	(3)	11	3	3
Share of results of associates and joint ventures	4	3	11	9
<b>Earnings before income taxes</b>	51	37	87	115

## 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,	
	2021	2020	2021	2020
<b>Packaging Products</b>				
Containerboard	33	36	139	67
Boxboard Europe	11	14	28	23
Specialty Products	7	6	23	15
	51	56	190	105
<b>Tissue Papers</b>	14	23	26	62
<b>Corporate Activities</b>	15	5	26	16
Total acquisitions before discontinued operations	80	84	242	183
Discontinued operations — Boxboard Europe	(11)	(14)	(28)	(23)
Total acquisitions	69	70	214	160
Proceeds from disposals of property, plant and equipment	(50)	(7)	(51)	(9)
Right-of-use assets acquisitions and acquisitions included in other debts	(18)	(21)	(30)	(32)
	1	42	133	119
Acquisitions for property, plant and equipment included in "Trade and other payables"				
Beginning of period	42	30	46	52
End of period	(39)	(33)	(39)	(33)
<b>Payments for property, plant and equipment net of proceeds from disposals</b>	4	39	140	138

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

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

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

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

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

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

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

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

Q3 2021

(in millions of Canadian dollars) (unaudited)	Including Discontinued Operations					Exclusion of Discontinued Operations	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
<b>Operating income (loss)</b>	58	24	13	29	(27)	(24)	73
Depreciation and amortization	30	15	4	18	11	(15)	63
<b>Operating income (loss) before depreciation and amortization</b>	88	39	17	47	(16)	(39)	136
Specific items:							
Gain on acquisitions, disposals and others	—	(18)	—	(39)	—	18	(39)
Restructuring costs	1	—	—	4	—	—	5
Unrealized loss (gain) on derivative financial instruments	5	(4)	—	—	—	4	5
	6	(22)	—	(35)	—	22	(29)
<b>Adjusted operating income (loss) before depreciation and amortization</b>	94	17	17	12	(16)	(17)	107
<b>Adjusted operating income (loss)</b>	64	2	13	(6)	(27)	(2)	44

Q2 2021

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

	As reported in 2020					Exclusion of Discontinued Operations <sup>1</sup>	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
(in millions of Canadian dollars) (unaudited)							
<b>Operating income (loss)</b>	71	19	11	3	(31)	(19)	54
Depreciation and amortization	30	12	5	22	12	(12)	69
<b>Operating income (loss) before depreciation and amortization</b>	101	31	16	25	(19)	(31)	123
Specific items:							
Gain on acquisitions, disposals and others	(5)	—	—	(2)	—	—	(7)
Impairment charges	—	—	—	13	—	—	13
Restructuring costs	3	—	—	—	—	—	3
Unrealized loss (gain) on derivative financial instruments	1	(2)	—	—	—	2	1
	(1)	(2)	—	11	—	2	10
<b>Adjusted operating income (loss) before depreciation and amortization</b>	100	29	16	36	(19)	(29)	133
<b>Adjusted operating income (loss)</b>	70	17	11	14	(31)	(17)	64

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

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

(in millions of Canadian dollars) (unaudited)	Q3 2021	Q2 2021	Q3 2020 <sup>1</sup>
<b>Net earnings attributable to Shareholders for the period</b>	<b>32</b>	3	49
Net earnings attributable to non-controlling interests	14	2	9
Results from discontinued operations	(25)	3	(14)
Provision for (recovery of) income taxes	30	2	(7)
Share of results of associates and joint ventures	(4)	(5)	(3)
Foreign exchange loss (gain) on long-term debt and financial instruments	3	(3)	(11)
Financing expense and interest expense on employee future benefits and loss on repurchase of long-term debt	23	21	31
<b>Operating income</b>	<b>73</b>	23	54
Specific items:			
Gain on acquisitions, disposals and others	(39)	—	(7)
Impairment charges	—	1	13
Restructuring costs	5	5	3
Unrealized loss on derivative financial instruments	5	5	1
	(29)	11	10
<b>Adjusted operating income</b>	<b>44</b>	34	64
Depreciation and amortization	63	64	69
<b>Adjusted operating income before depreciation and amortization</b>	<b>107</b>	98	133

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

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

(in millions of Canadian dollars, except per common share amounts) (unaudited)	NET EARNINGS (LOSS)			NET EARNINGS (LOSS) PER COMMON SHARE <sup>1</sup>		
	Q3 2021	Q2 2021	Q3 2020	Q3 2021	Q2 2021	Q3 2020
<b>As per IFRS</b>	<b>32</b>	3	49	<b>\$0.32</b>	\$0.02	\$0.51
Specific items:						
Gain on acquisitions, disposals and others	(39)	—	(7)	(\$0.31)	—	(\$0.05)
Impairment charges	—	1	13	—	\$0.01	\$0.10
Restructuring costs	5	5	3	\$0.04	\$0.04	\$0.03
Unrealized loss on derivative financial instruments	5	5	1	\$0.03	\$0.03	\$0.01
Loss on repurchase of long-term debt	—	—	6	—	—	\$0.05
Foreign exchange loss (gain) on long-term debt and financial instruments	3	(3)	(11)	\$0.03	(\$0.03)	(\$0.12)
Included in discontinued operations, net of tax	(20)	—	(2)	(\$0.12)	—	(\$0.01)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest <sup>1</sup>	13	(3)	(4)	—	—	(\$0.02)
	(33)	5	(1)	(\$0.33)	\$0.05	(\$0.01)
<b>Adjusted</b>	<b>(1)</b>	<b>8</b>	<b>48</b>	<b>(\$0.01)</b>	<b>\$0.07</b>	<b>\$0.50</b>

<sup>1</sup> 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. Please refer to "Provision for (recovery of) income taxes" section for more details.

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

(in millions of Canadian dollars) (unaudited)	Q3 2021	Q2 2021	Q3 2020 <sup>1</sup>
<b>Cash flow from operating activities from continuing operations</b>	<b>45</b>	40	113
Changes in non-cash working capital components	13	47	(35)
Depreciation and amortization	(63)	(64)	(69)
Net income taxes paid (received)	(1)	1	1
Net financing expense paid	41	4	48
Premium paid on long-term debt repurchase	—	—	4
Gain on acquisitions, disposals and others	39	—	7
Impairment charges and restructuring costs	(5)	(6)	(16)
Unrealized loss on derivative financial instruments	(5)	(5)	(1)
Provisions for contingencies and charges and other liabilities	9	6	2
<b>Operating income</b>	<b>73</b>	23	54
Depreciation and amortization	63	64	69
<b>Operating income before depreciation and amortization</b>	<b>136</b>	<b>87</b>	<b>123</b>

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

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

(in millions of Canadian dollars, except per common share amounts or otherwise noted) (unaudited)	Q3 2021	Q2 2021	Q3 2020 <sup>2</sup>
<b>Cash flow from operating activities from continuing operations</b>	<b>45</b>	40	113
Changes in non-cash working capital components	13	47	(35)
<b>Cash flow from operating activities from continuing operations(excluding changes in non-cash working capital components)</b>	<b>58</b>	87	78
Specific items paid	12	2	9
<b>Adjusted cash flow from operating activities from continuing operations</b>	<b>70</b>	89	87
Capital expenditures & other assets <sup>1</sup> and right-of-use assets payments, net of disposals	(18)	(83)	(53)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(17)	(10)	(11)
<b>Adjusted free cash flow generated (used)</b>	<b>35</b>	(4)	23
<b>Adjusted free cash flow generated (used) per common share (in Canadian dollars)</b>	<b>\$0.34</b>	(\$0.04)	\$0.24
<b>Weighted average basic number of common shares outstanding</b>	<b>102,129,769</b>	102,281,072	95,019,694

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

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

The following table reconciles total debt and net debt with the ratio of net debt to adjusted operating income before depreciation and amortization (adjusted OIBD):

(in millions of Canadian dollars) (unaudited)	September 30, 2021	June 30, 2021	September 30, 2020
Long-term debt	1,830	1,799	1,947
Current portion of long-term debt	74	72	253
Bank loans and advances	7	7	9
<b>Total debt</b>	<b>1,911</b>	1,878	2,209
Less: Cash and cash equivalents	151	171	227
<b>Net debt as reported</b>	<b>1,760</b>	1,707	1,982
Adjusted OIBD as reported on a last twelve months basis	466	492	535
<b>Net debt / Adjusted OIBD ratio</b>	<b>3.8x</b>	3.5x	3.1x
<b>Net debt as reported</b>	<b>1,760</b>	1,707	1,982
Net proceeds of disposal of RDM	(450)	(461)	—
Pro forma net debt	1,310	1,246	1,982
Adjusted OIBD as reported on a last twelve months basis	466	492	535
<b>Pro forma net debt / Adjusted OIBD ratio</b>	<b>2.8x</b>	2.5x	3.7x

#### For further information:

##### Media:

Christine Beaulieu  
Communications Director  
819-363-5161

##### Investors:

Jennifer Aitken, MBA  
Director, Investor Relations  
514-282-2697

##### Source:

Allan Hogg  
Vice-President and Chief Financial Officer

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