You see impressive results.

Cascades

Quarterly Report 3

for the three-month and nine-month periods ended September 30, 2021 and 2020

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FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and Management’s Discussion and Analysis (“MD&A”) of the operating results and financial position of Cascades Inc. (“Cascades” or “the Corporation”) and should be read in conjunction with the Corporation’s Unaudited Condensed Interim Consolidated Financial Statements and accompanying notes for the three-month and nine-month periods ended September 30, 2021 and 2020, together with the most recent Audited Consolidated Financial Statements. Information contained herein includes any significant developments as at November 10, 2021, the date on which the MD&A was approved by the Corporation’s Board of Directors. For additional information, readers are referred to the Corporation’s Annual Information Form (“AIF”), which is published separately. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

The financial information contained herein, including tabular amounts, is expressed in Canadian dollars, unless otherwise specified, and is prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), unless otherwise specified. Unless otherwise specified or if required by context, the terms “we”, “our” and “us” refer to Cascades Inc. and all of its subsidiaries, joint ventures and associates.

This MD&A is intended to provide readers with information that Management believes is necessary for an understanding of Cascades' current results and to assess the Corporation's future prospects. Consequently, certain statements herein, including statements regarding future results and performance, are forward-looking statements within the meaning of securities legislation, based on current expectations. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, decreases in demand for the Corporation's products, prices and availability of raw materials, changes in relative values of certain currencies, fluctuations in selling prices, and adverse changes in general market and industry conditions. Cascades disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities regulations. This MD&A also includes price indices, as well as variance and sensitivity analysis intended to provide the reader with a better understanding of the trends with respect to our business activities. These items are based on the best estimates available to the Corporation.

DISCONTINUED OPERATIONS

On July 5, 2021, the Corporation announced the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or $461 million including foreign exchange contracts and before related transaction fees of $11 million. The estimated accounting gain before income tax amounts to $229 million. The Corporation will use tax attributes and does not expect to pay income taxes on this transaction. The operations are presented as discontinued operations.

On February 15, 2021, the Boxboard Europe segment, via its ownership in Reno de Medici S.p.A., announced the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. The transaction was closed on April 30, 2021 and resulted in a loss of $2 million which is presented within the results from discontinued operations of the Boxboard Europe segment.

See the “Business Highlights” section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for all details regarding the discontinued operations. The following tables reconcile our consolidated results and consolidated cash flows for the first quarter of 2021, as well as the years 2020 and 2019:

	For the 3-month period ended March 31, 2021		
(in millions of Canadian dollars) (unaudited)	As reported in 2021	Discontinued operations - Boxboard Europe	As reported
Consolidated results			
Sales	**1,182**	**(240)**	**942**
Cost of sales and expenses (excluding depreciation and amortization)	**932**	**(200)**	**732**
Depreciation and amortization	**76**	**(11)**	**65**
Selling and administrative expenses	**108**	**(21)**	**87**
Restructuring costs	**5**	**—**	**5**
Foreign exchange loss	**1**	**—**	**1**
Loss on derivative financial instruments	**8**	**—**	**8**
	1,130	**(232)**	**898**
Operating income	**52**	**(8)**	**44**
Financing expense	**23**	**(1)**	**22**
Interest expense on employee future benefits	**1**	**—**	**1**
Foreign exchange gain on long-term debt and financial instruments	**(3)**	**—**	**(3)**
Share of results of associates and joint ventures	**(2)**	**—**	**(2)**
Earnings before income taxes	**33**	**(7)**	**26**
Provision for income taxes	**8**	**(2)**	**6**
Net earnings from continuing operations including non-controlling interests for the period	**25**	**(5)**	**20**
Results from discontinued operations	**3**	**5**	**8**
Net earnings including non-controlling interests for the period	**28**	**—**	**28**
Net earnings attributable to non-controlling interests	**6**	**—**	**6**
Net earnings attributable to Shareholders for the period	**22**	**—**	**22**

	For the 3-month period ended March 31, 2021		
(in millions of Canadian dollars) (unaudited)	As reported in 2021	Discontinued operations - Boxboard Europe	As reported
Consolidated net cash flow			
Cash flow from (used for):			
Operating activities	**84**	**(27)**	**57**
Investing activities	**(82)**	**7**	**(75)**
Financing activities	**(51)**	**9**	**(42)**
Change in cash and cash equivalents from discontinued operations	**(1)**	**6**	**5**
Net change in cash and cash equivalents during the period	**(50)**	**(5)**	**(55)**
Currency translation on cash and cash equivalents	**(6)**	**5**	**(1)**
Cash and cash equivalents - Beginning of period	**384**	**—**	**384**
Cash and cash equivalents - End of period	**328**	**—**	**328**

(in millions of Canadian dollars) (unaudited)	For the 3-month period ended March 31, 2020 As reported in 2020	Discontinued operations - Boxboard Europe	As reported	For the 6-month period ended June 30, 2020 As reported in 2020	Discontinued operations - Boxboard Europe	As reported	For the 9-month period ended September 30, 2020 As reported in 2020	Discontinued operations - Boxboard Europe	As reported	For the year ended December 31, 2020 As reported in 2020	Discontinued operations - Boxboard Europe	As reported
Consolidated results												
Sales	1,313	(272)	1,041	2,598	(537)	2,061	3,873	(798)	3,075	5,157	(1,052)	4,105
Cost of sales and expenses (excluding depreciation and amortization)	1,021	(218)	803	2,011	(416)	1,595	3,016	(623)	2,393	4,022	(829)	3,193
Depreciation and amortization	71	(11)	60	146	(23)	123	227	(35)	192	299	(48)	251
Selling and administrative expenses	131	(24)	107	241	(48)	193	348	(72)	276	460	(93)	367
Loss (gain) on acquisitions, disposals and others	1	—	1	2	—	2	(5)	—	(5)	(43)	—	(43)
Impairment charges and restructuring costs	—	—	—	15	—	15	31	—	31	52	(9)	43
Foreign exchange gain	—	—	—	(1)	—	(1)	—	(1)	(1)	—	(1)	(1)
Loss (gain) on derivative financial instruments	(1)	1	—	—	—	—	(1)	2	1	1	2	3
	1,223	(252)	971	2,414	(487)	1,927	3,616	(729)	2,887	4,791	(978)	3,813
Operating income	90	(20)	70	184	(50)	134	257	(69)	188	366	(74)	292
Financing expense	27	(1)	26	54	(2)	52	79	(3)	76	105	(4)	101
Interest expense (revenue) on employee future benefits and other liabilities	1	—	1	2	—	2	3	—	3	(7)	—	(7)
Loss on repurchase of long-term debt	—	—	—	—	—	—	6	—	6	6	—	6
Foreign exchange loss (gain) on long-term debt and financial instruments	17	—	17	8	—	8	(3)	—	(3)	(6)	—	(6)
Fair value revaluation loss on investments	—	—	—	—	—	—	—	—	—	3	—	3
Share of results of associates and joint ventures	(3)	—	(3)	(6)	—	(6)	(9)	—	(9)	(14)	—	(14)
Earnings before income taxes	48	(19)	29	126	(48)	78	181	(66)	115	279	(70)	209
Provision for income taxes	15	(5)	10	27	(10)	17	24	(14)	10	45	(19)	26
Net earnings from continuing operations including non-controlling interests for the period	33	(14)	19	99	(38)	61	157	(52)	105	234	(51)	183
Results from discontinued operations	—	14	14	—	38	38	—	52	52	—	51	51
Net earnings including non-controlling interests for the period	33	—	33	99	—	99	157	—	157	234	—	234
Net earnings attributable to non-controlling interests	11	—	11	23	—	23	32	—	32	36	—	36
Net earnings attributable to Shareholders for the period	22	—	22	76	—	76	125	—	125	198	—	198

(in millions of Canadian dollars) (unaudited)	For the 3-month period ended March 31, 2020 As reported in 2020	Discontinued operations - Boxboard Europe	As reported	For the 6-month period ended June 30, 2020 As reported in 2020	Discontinued operations - Boxboard Europe	As reported	For the 9-month period ended September 30, 2020 As reported in 2020	Discontinued operations - Boxboard Europe	As reported	For the year ended December 31, 2020 As reported in 2020	Discontinued operations - Boxboard Europe	As reported
Consolidated net cash flow												
Cash flow from (used for):												
Operating activities	117	(17)	100	245	(39)	206	381	(62)	319	587	(110)	477
Investing activities	(73)	11	(62)	(115)	13	(102)	(159)	19	(140)	(203)	35	(168)
Financing activities	(58)	10	(48)	(129)	24	(105)	(155)	34	(121)	(156)	39	(117)
Change in cash and cash equivalents from discontinued operations	—	1	1	—	6	6	—	14	14	—	41	41
Net change in cash and cash equivalents during the period	(14)	5	(9)	1	4	5	67	5	72	228	5	233
Currency translation on cash and cash equivalents	12	(5)	7	6	(4)	2	5	(5)	—	1	(5)	(4)
Cash and cash equivalents - Beginning of period	155	—	155	155	—	155	155	—	155	155	—	155
Cash and cash equivalents - End of period	153	—	153	162	—	162	227	—	227	384	—	384

(in millions of Canadian dollars) (unaudited)	For the 3-month period ended March 31, 2019			For the 6-month period ended June 30, 2019			For the 9-month period ended September 30, 2019			For the year ended December 31, 2019		
	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported
Consolidated results												
Sales	1,230	(279)	951	2,505	(549)	1,956	3,769	(805)	2,964	4,996	(1,048)	3,948
Cost of sales and expenses (excluding depreciation and amortization)	991	(227)	764	2,000	(447)	1,553	2,998	(657)	2,341	3,943	(854)	3,089
Depreciation and amortization	67	(11)	56	139	(22)	117	212	(33)	179	289	(47)	242
Selling and administrative expenses	104	(23)	81	215	(43)	172	320	(64)	256	453	(86)	367
Gain on acquisitions, disposals and others	(10)	—	(10)	(7)	—	(7)	(29)	—	(29)	(24)	—	(24)
Impairment charges and restructuring costs	9	—	9	10	—	10	11	—	11	78	(14)	64
Foreign exchange gain	—	—	—	(1)	—	(1)	(1)	—	(1)	(2)	—	(2)
Gain on derivative financial instruments	(3)	—	(3)	(5)	—	(5)	(4)	—	(4)	(2)	(2)	(4)
	1,158	(261)	897	2,351	(512)	1,839	3,507	(754)	2,753	4,735	(1,003)	3,732
Operating income	72	(18)	54	154	(37)	117	262	(51)	211	261	(45)	216
Financing expense	25	(1)	24	50	(3)	47	74	(4)	70	101	(5)	96
Interest expense on employee future benefits and other liabilities	14	—	14	24	—	24	48	(1)	47	42	(1)	41
Loss on repurchase of long-term debt	—	—	—	—	—	—	—	—	—	14	—	14
Foreign exchange gain on long-term debt and financial instruments	(6)	—	(6)	(7)	—	(7)	(7)	—	(7)	(6)	—	(6)
Share of results of associates and joint ventures	(2)	—	(2)	(4)	—	(4)	(6)	—	(6)	(9)	—	(9)
Earnings before income taxes	41	(17)	24	91	(34)	57	153	(46)	107	119	(39)	80
Provision for income taxes	8	(5)	3	18	(9)	9	30	(11)	19	19	(14)	5
Net earnings from continuing operations including non-controlling interests for the period	33	(12)	21	73	(25)	48	123	(35)	88	100	(25)	75
Results from discontinued operations	—	12	12	—	25	25	—	35	35	—	25	25
Net earnings including non-controlling interests for the period	33	—	33	73	—	73	123	—	123	100	—	100
Net earnings attributable to non-controlling interests	9	—	9	18	—	18	25	—	25	28	—	28
Net earnings attributable to Shareholders for the period	24	—	24	55	—	55	98	—	98	72	—	72

(in millions of Canadian dollars) (unaudited)	For the 3-month period ended March 31, 2019			For the 6-month period ended June 30, 2019			For the 9-month period ended September 30, 2019			For the year ended December 31, 2019		
	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported
Consolidated net cash flow												
Cash flow from (used for):												
Operating activities	52	(37)	15	140	(47)	93	297	(49)	248	460	(101)	359
Investing activities	(66)	17	(49)	(132)	24	(108)	(471)	31	(440)	(540)	49	(491)
Financing activities	12	6	18	(29)	21	(8)	195	26	221	121	36	157
Change in cash and cash equivalents from discontinued operations	—	12	12	—	—	—	—	(12)	(12)	—	12	12
Net change in cash and cash equivalents during the period	(2)	(2)	(4)	(21)	(2)	(23)	21	(4)	17	41	(4)	37
Currency translation on cash and cash equivalents	(4)	2	(2)	(4)	2	(2)	(6)	4	(2)	(9)	4	(5)
Cash and cash equivalents - Beginning of period	123	—	123	123	—	123	123	—	123	123	—	123
Cash and cash equivalents - End of period	117	—	117	98	—	98	138	—	138	155	—	155

TO OUR SHAREHOLDERS

FINANCIAL HIGHLIGHTS

- Sales of $1,030 million
  (compared with $956 million in Q2 2021 (+8%) and $1,014 million in Q3 2020[2] (+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[2] (+35%))
  - Operating income before depreciation and amortization (OIBD)[1] of $136 million
    (compared with $87 million in Q2 2021 (+56%) and $123 million in Q3 2020[2] (+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[1])
  - Operating income of $44 million
    (compared with $34 million in Q2 2021 (+29%) and $64 million in Q3 2020[2] (-31%))
  - OIBD of $107 million
    (compared with $98 million in Q2 2021 (+9%) and $133 million in Q3 2020[2] (-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 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[2].
- Net debt[1] 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[1] at 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[1] 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[2].

FINANCIAL SUMMARY

SELECTED CONSOLIDATED INFORMATION

(in millions of Canadian dollars, except per common share amounts) (unaudited)	**Q3 2021**	Q2 2021	Q3 2020[2]
Sales	**1,030**	956	1,014
As reported			
Operating income before depreciation and amortization (OIBD)[1]	**136**	87	123
Operating income	**73**	23	54
Net earnings	**32**	3	49
per common share	**$0.32**	$0.02	$0.51
Adjusted[1]			
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%

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

2 *2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the “Discontinued Operations” section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

SEGMENTED OIBD AS REPORTED

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

SEGMENTED ADJUSTED OIBD[1]

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

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

2 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

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.

/s/ Mario Plourde

MARIO PLOURDE
President and Chief Executive Officer
November 10, 2021

OUR BUSINESS

Cascades Inc. is a paper and packaging company that produces, converts and sells packaging and tissue products composed primarily of recycled fibres. Established in 1964 in Kingsey Falls, Québec, Canada, the Corporation was founded by the Lemaire brothers, who saw the economic and social potential of building a company focused primarily on the sustainable development principles of reusing, recovering and recycling. More than 55 years later, Cascades is a multinational business with 77 operating facilities[1] and approximately 9,700 employees[1] across Canada and the United States. The Corporation currently operates three business segments:

(Business segments) (unaudited)	Number of Facilities[1]	Q3 2021 Sales[2] (in $M)	Q3 2021 Operating Income Before Depreciation and Amortization (OIBD)[2] (in $M)	Q3 2021 Adjusted OIBD[2, 3] (in $M)	Q3 2021 Adjusted OIBD Margin[2, 3] (%)
PACKAGING PRODUCTS					
Containerboard	25	507	88	94	18.5%
Specialty Products	18	144	17	17	11.8%
TISSUE PAPERS	16	344	47	12	3.5%

BUSINESS DRIVERS

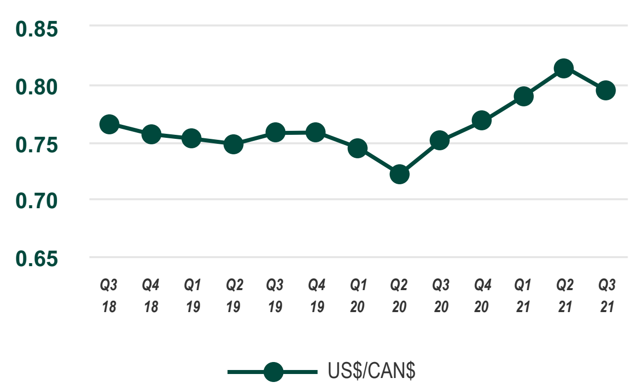
Cascades' results may be impacted by fluctuations in the following areas:

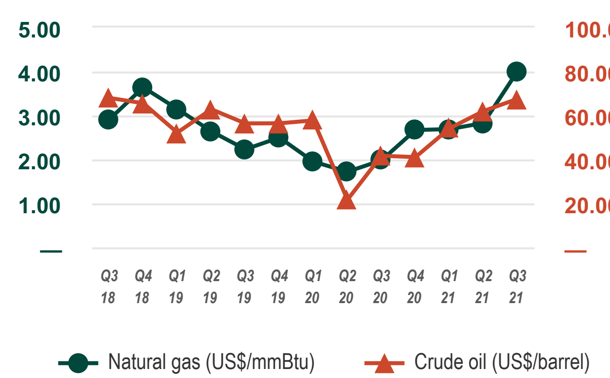
EXCHANGE RATES

Sequentially, the average value of the Canadian dollar decreased by 3% compared to the US dollar in the third quarter of 2021. On a year-over-year basis, the average value of the Canadian dollar increased by 6% compared to the US dollar.

ENERGY COSTS

During the quarter, the average price of natural gas increased by 42% sequentially and by 103% compared to the same period of last year. In the case of crude oil, the average price was 9% higher sequentially and 62% higher year-over-year, respectively.





	2019					2020					**2021**			
(unaudited)	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**YTD[4]**
US$/CAN$ - Average rate	$0.75	$0.75	$0.76	$0.76	$0.75	$0.74	$0.72	$0.75	$0.77	$0.75	**$0.79**	**$0.81**	**$0.79**	**$0.80**
US$/CAN$ - End of period rate	$0.75	$0.76	$0.76	$0.77	$0.77	$0.71	$0.74	$0.75	$0.79	$0.79	**$0.80**	**$0.81**	**$0.79**	**$0.79**
Natural Gas Henry Hub - US$/mmBtu	$3.15	$2.64	$2.23	$2.50	$2.63	$1.95	$1.72	$1.98	$2.67	$2.08	**$2.69**	**$2.83**	**$4.01**	**$3.18**
Crude oil (US$/barrel)	$52.23	$62.84	$56.40	$56.45	$56.98	$57.78	$21.65	$41.67	$41.07	$40.54	**$54.16**	**$62.01**	**$67.60**	**$61.26**

Source: Bloomberg

1 *Including associates and joint ventures. The Corporation also has 18 Recovery and Recycling facilities which are included in Corporate Activities.*

2 *Excluding associates and joint ventures not included in consolidated results. Refer to Note 8 of the 2020 Audited Consolidated Financial Statements for more information on associates and joint ventures.*

3 *Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.*

4 *YTD (year to date).*

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIALS

	2019					2020			2021	Q3 2021 vs. Q3 2020		Q3 2021 vs. Q2 2021	
These indexes should only be used as trend indicators; they may differ from our actual selling prices and purchasing costs. (unaudited)	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**Change**	**%**	**Change**	**%**
Selling prices (average)													
PACKAGING PRODUCTS													
Containerboard (US$/short ton)													
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	734	715	715	715	748	723	**772**	**825**	**858**	**143**	**20%**	**33**	**4%**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	638	615	615	615	648	623	**675**	**735**	**775**	**160**	**26%**	**40**	**5%**
Specialty Products (US$/short ton)													
Uncoated recycled boxboard - 20-pt. bending chip (series B)	730	710	700	700	720	708	**740**	**793**	**867**	**167**	**24%**	**74**	**9%**
TISSUE PAPERS (US$/short ton)													
Parent rolls, recycled fibres (transaction)	1,142	1,111	1,138	1,123	1,110	1,120	**1,115**	**1,159**	**1,170**	**47**	**4%**	**11**	**1%**
Parent rolls, virgin fibres (transaction)	1,429	1,416	1,450	1,427	1,418	1,428	**1,453**	**1,545**	**1,544**	**117**	**8%**	**(1)**	**—**
Raw materials prices (average)													
RECYCLED PAPER													
North America (US$/short ton)													
Sorted residential papers, No. 56 (SRP - Northeast average)	15	8	18	33	39	24	**44**	**59**	**108**	**75**	**227%**	**49**	**83%**
Old corrugated containers, No. 11 (OCC - Northeast average)	41	36	93	58	59	61	**79**	**102**	**162**	**104**	**179%**	**60**	**59%**
Sorted office papers, No. 37 (SOP - Northeast average)	128	89	160	109	80	109	**94**	**117**	**153**	**44**	**40%**	**36**	**31%**
VIRGIN PULP (US$/metric ton)													
Northern bleached softwood kraft, Canada	1,239	1,127	1,158	1,140	1,138	1,141	**1,302**	**1,598**	**1,543**	**403**	**35%**	**(55)**	**(3%)**
Bleached hardwood kraft, mixed, Canada/US	1,036	890	897	875	868	883	**1,037**	**1,297**	**1,320**	**445**	**51%**	**23**	**2%**

Source: RISI and Cascades.

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.

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

The Corporation incurred the following specific items in the first nine months of 2021 and 2020:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2021

In the third quarter, the Boxboard Europe segment recorded a $18 million gain from a business acquisition. This amount is included in discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

In the third quarter, the Tissue Papers segment recorded a $39 million gain from the sale of buildings related to closed plants in the USA and in Canada.

In the second quarter, the Boxboard Europe segment recorded a $2 million loss from the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. This amount is included in discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

2020

In the third quarter, the Containerboard Packaging segment recorded a $5 million gain following the release of the escrow amount pertaining to the sale of a building in 2018 located in Maspeth, New York. USA.

In the third quarter, the Tissue Papers segment recorded a $2 million gain from the sale of assets related to a closed plant in the USA.

In the second quarter, the Specialty Products segment recorded a $4 million environmental provision related to plants in Canada that were closed in previous years. The segment also recorded a $3 million gain on the sale of a non-significant associate investment.

In the first quarter, the Specialty Products segment recorded a $1 million environmental provision related to a plant in Canada that was closed in a previous year.

IMPAIRMENT CHARGES

2021

In the second quarter, the Tissue Papers segment recorded an impairment charge of $1 million on spare parts related to the closure of plants in Pittston and Ransom, Pennsylvania, USA and Waterford, New York, USA and in Laval, Québec, Canada.

2020
In the third quarter, the Tissue Papers segment recorded an impairment charge of $13 million on the assets of certain plants as their recoverable amount was lower than their carrying amount due to the lower demand in the Away-from-Home market due to the COVID-19 pandemic.

In the second quarter, the Containerboard Packaging segment recorded an impairment charge of $8 million on some equipment as part of the network optimization and profitability improvement initiatives.

In the second quarter, the Tissue Papers segment recorded an impairment charge of $5 million on some assets as part of the network optimization and profitability improvement initiatives.

RESTRUCTURING COSTS
2021
In the third quarter, the Containerboard Packaging segment recorded closure costs totaling $1 million related to the closure of plants in Ontario, Canada.

In the third quarter, the Tissue Papers segment recorded additional restructuring charges and closure costs totaling $4 million related to closed plants.

In the second quarter, the Tissue Papers segment recorded additional restructuring charges and closure costs totaling $5 million related to closed plants.

In the first quarter, the Containerboard Packaging segment recorded severance charges totaling $3 million as part of the margin improvement program.

In the first quarter, the Tissue Papers segment recorded additional restructuring charges and closure costs totaling $2 million related to closed plants.

2020
In the third quarter, the Containerboard Packaging segment recorded restructuring charges totaling $3 million following the announcement of the closure of its Etobicoke, Ontario, Canada converting facility, which was permanently closed in mid September 2021.

In the second quarter, the Containerboard Packaging and Tissue Papers segments recorded restructuring charges totaling $2 million as part of the network optimization and profitability improvement initiatives.

LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS
In the first nine months of 2021, the Corporation recorded an unrealized loss of $18 million (unrealized loss of $5 million in the third quarter), compared to an unrealized loss of $1 million in the same period of 2020 (unrealized loss of $1 million in the third quarter), on certain derivative financial instruments not designated for hedge accounting.

LOSS ON REPURCHASE OF LONG-TERM DEBT
In the third quarter of 2020, the Corporation redeemed US$200 million of its unsecured senior notes and recorded an early repurchase premium of $4 million and wrote off $2 million related unamortized financing costs.

FOREIGN EXCHANGE LOSS (GAIN) ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS
In the first nine months of 2021, the Corporation recorded a gain of $3 million (loss of $3 million in the third quarter) on its US$ denominated debt and related financial instruments, compared to a gain of $3 million in the same period of 2020 (gain of $11 million in the third quarter). This is composed of a gain of $3 million in the first nine months of 2021 (loss of $2 million in the third quarter), compared to a gain of $4 million in the same period of 2020 (gain of $9 million in the third quarter), on foreign exchange forward contracts not designated for hedge accounting. It also includes a nil result for the first nine months of 2021 (loss of $1 million in the third quarter) and is compared to a loss of $1 million in the same period of 2020 (gain of $2 million in the third quarter), on the US$ denominated long-term debt, net of our net investment hedges in the US, as well as forward exchange contracts designated as hedging instruments.

PROVISION FOR (RECOVERY OF) INCOME TAXES
In the third quarter of 2020, the Corporation reassessed the probability of recovering unrealized capital losses following the redemption of its US$ denominated debts, which resulted in the recognition of tax assets totaling $3 million, of which $2 million was recorded in results.

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:

	For the 3-month period ended September 30, 2021						
	Including Discontinued Operations					Exclusion of Discontinued Operations[1]	As reported
(in millions of Canadian dollars) (unaudited)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
Operating income (loss)	58	24	13	29	(27)	(24)	73
Depreciation and amortization	30	15	4	18	11	(15)	63
Operating income (loss) before depreciation and amortization	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)
Adjusted operating income (loss) before depreciation and amortization	94	17	17	12	(16)	(17)	107
Adjusted operating income (loss)	64	2	13	(6)	(27)	(2)	44

1 *2021 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

For the 3-month period ended September 30, 2020

(in millions of Canadian dollars) (unaudited)	As reported in 2020					Exclusion of Discontinued Operations[1]	As reported
	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
Operating income (loss)	71	19	11	3	(31)	(19)	54
Depreciation and amortization	30	12	5	22	12	(12)	69
Operating income (loss) before depreciation and amortization	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
Adjusted operating income (loss) before depreciation and amortization	100	29	16	36	(19)	(29)	133
Adjusted operating income (loss)	70	17	11	14	(31)	(17)	64

For the 9-month period ended September 30, 2021

(in millions of Canadian dollars) (unaudited)	**Including Discontinued Operations**					**Exclusion of Discontinued Operations[1]**	**As reported**
	Containerboard	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Boxboard Europe**	**Consolidated**
Operating income (loss)	**187**	**35**	**42**	**7**	**(96)**	**(35)**	**140**
Depreciation and amortization	**92**	**38**	**11**	**53**	**36**	**(38)**	**192**
Operating income (loss) before depreciation and amortization	**279**	**73**	**53**	**60**	**(60)**	**(73)**	**332**
Specific items:							
Gain on acquisitions, disposals and others	**—**	**(16)**	**—**	**(39)**	**—**	**16**	**(39)**
Impairment charges	**—**	**—**	**—**	**1**	**—**		**1**
Restructuring costs	**4**	**—**	**—**	**11**	**—**	**—**	**15**
Unrealized loss (gain) on derivative financial instruments	**19**	**(6)**	**—**	**—**	**(1)**	**6**	**18**
	23	**(22)**	**—**	**(27)**	**(1)**	**22**	**(5)**
Adjusted operating income (loss) before depreciation and amortization	**302**	**51**	**53**	**33**	**(61)**	**(51)**	**327**
Adjusted operating income (loss)	**210**	**13**	**42**	**(20)**	**(97)**	**(13)**	**135**

1 2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

	For the 9-month period ended September 30, 2020						
	As reported in 2020					Exclusion of Discontinued Operations[1]	As reported
(in millions of Canadian dollars) (unaudited)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
Operating income (loss)	199	69	30	62	(103)	(69)	188
Depreciation and amortization	87	35	13	56	36	(35)	192
Operating income (loss) before depreciation and amortization	286	104	43	118	(67)	(104)	380
Specific items:							
Loss (gain) on acquisitions, disposals and others	(5)	—	2	(2)	—	—	(5)
Impairment charges	8	—	—	18	—	—	26
Restructuring costs	4	—	—	1	—	—	5
Unrealized loss (gain) on derivative financial instruments	—	(2)	—	—	1	2	1
	7	(2)	2	17	1	2	27
Adjusted operating income (loss) before depreciation and amortization	293	102	45	135	(66)	(102)	407
Adjusted operating income (loss)	206	67	32	79	(102)	(67)	215

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

	For the 3-month periods ended September 30,		**For the 9-month periods ended September 30,**	
(in millions of Canadian dollars) (unaudited)	**2021[1]**	2020[1]	**2021[1]**	2020[1]
Net earnings attributable to Shareholders for the period	**32**	49	**57**	125
Net earnings attributable to non-controlling interests	**14**	9	**22**	32
Results from discontinued operations	**(25)**	(14)	**(30)**	(52)
Provision for (recovery of) income taxes	**30**	(7)	**38**	10
Share of results of associates and joint ventures	**(4)**	(3)	**(11)**	(9)
Foreign exchange loss (gain) on long-term debt and financial instruments	**3**	(11)	**(3)**	(3)
Financing expense and interest expense on employee future benefits and loss on repurchase of long-term debt	**23**	31	**67**	85
Operating income	**73**	54	**140**	188
Specific items:				
Gain on acquisitions, disposals and others	**(39)**	(7)	**(39)**	(5)
Impairment charges	**—**	13	**1**	26
Restructuring costs	**5**	3	**15**	5
Unrealized loss on derivative financial instruments	**5**	1	**18**	1
	(29)	10	**(5)**	27
Adjusted operating income	**44**	64	**135**	215
Depreciation and amortization	**63**	69	**192**	192
Adjusted operating income before depreciation and amortization	**107**	133	**327**	407

1 2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

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:

	NET EARNINGS (LOSS)				NET EARNINGS (LOSS) PER COMMON SHARE[1]			
	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,		For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars, except per common share amounts) (unaudited)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
As per IFRS	**32**	49	**57**	125	**$0.32**	$0.51	**$0.56**	$1.32
Specific items:								
Gain on acquisitions, disposals and others	**(39)**	(7)	**(39)**	(5)	**($0.31)**	($0.05)	**($0.31)**	($0.04)
Impairment charges	**—**	13	**1**	26	**—**	$0.10	**$0.01**	$0.20
Restructuring costs	**5**	3	**15**	5	**$0.04**	$0.03	**$0.11**	$0.05
Unrealized loss on derivative financial instruments	**5**	1	**18**	1	**$0.03**	$0.01	**$0.12**	$0.01
Loss on repurchase of long-term debt	**—**	6	**—**	6	**—**	$0.05	**—**	$0.05
Foreign exchange loss (gain) on long-term debt and financial instruments	**3**	(11)	**(3)**	(3)	**$0.03**	($0.12)	**($0.02)**	($0.03)
Included in discontinued operations, net of tax	**(20)**	(2)	**(20)**	(2)	**($0.12)**	($0.01)	**($0.12)**	($0.01)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**13**	(4)	**7**	(8)	**—**	($0.02)	**—**	($0.02)
	(33)	(1)	**(21)**	20	**($0.33)**	($0.01)	**($0.21)**	$0.21
Adjusted	**(1)**	48	**36**	145	**($0.01)**	$0.50	**$0.35**	$1.53

1 Specific amounts per common share are calculated on an after-tax basis and are net of the portion attributable to non-controlling interests. Per 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" above 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:

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars) (unaudited)	**2021[1]**	2020[1]	**2021[1]**	2020[1]
Cash flow from operating activities from continuing operations	**45**	113	**142**	319
Changes in non-cash working capital components	**13**	(35)	**85**	8
Depreciation and amortization	**(63)**	(69)	**(192)**	(192)
Net income taxes paid (received)	**(1)**	1	**(2)**	(8)
Net financing expense paid	**41**	48	**85**	71
Premium paid on repurchase of long-term debt	**—**	4	**—**	4
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)
Provisions for contingencies and charges and other liabilities	**9**	2	**17**	13
Operating income	**73**	54	**140**	188
Depreciation and amortization	**63**	69	**192**	192
Operating income before depreciation and amortization	**136**	123	**332**	380

1 2021 and 2020 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

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:

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	**2021[1]**	2020[1]	**2021[1]**	2020[1]
Cash flow from operating activities from continuing operations	**45**	113	**142**	319
Changes in non-cash working capital components	**13**	(35)	**85**	8
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	**58**	78	**227**	327
Specific items paid	**12**	9	**18**	9
Adjusted cash flow from operating activities from continuing operations	**70**	87	**245**	336
Capital expenditures, other assets[2] and lease obligations payments, net of disposals of $50 million for 3-month period (2020[1] - $7 million[1]) and $51 million for 9-month period[1] (2020[1] - $9 million)	**(18)**	(53)	**(187)**	(173)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(17)**	(11)	**(39)**	(33)
Adjusted free cash flow generated	**35**	23	**19**	130
Adjusted free cash flow generated per common share (in Canadian dollars)	**$0.34**	$0.24	**$0.19**	$1.37
Weighted average basic number of common shares outstanding	**102,129,769**	95,019,694	**102,229,534**	94,577,538

1 2021 and 2020 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

2 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, except ratios) (unaudited)	**September 30, 2021**	December 31, 2020
Long-term debt	**1,830**	1,949
Current portion of long-term debt	**74**	102
Bank loans and advances	**7**	12
Total debt	**1,911**	2,063
Less: Cash and cash equivalents	**151**	384
Net debt as reported	**1,760**	1,679
Adjusted OIBD as reported on a last twelve months basis	**466**	675
Net debt / Adjusted OIBD ratio	**3.8x**	2.5x
Net debt as reported	**1,760**	1,679
Net proceeds of disposal of RDM	**(450)**	—
Pro forma net debt	**1,310**	1,679
Adjusted OIBD as reported on a last twelve months basis	**466**	675
Pro forma net debt / Adjusted OIBD ratio	**2.8x**	2.5x

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - FIRST NINE MONTHS OF 2021

Results for the first nine months of 2021 reflect the weaker demand in both Consumer Products and Away-from-Home markets in the Tissue Papers segment and an increase in raw material prices for all segments along with a negative impact of the exchange rate, while the Packaging Products segments benefited from higher volume and selling prices.

For the 3-month period ended September 30, 2021, consolidated sales totaled $1,030 million, an increase of $16 million, or 2%, compared to $1,014 million in the same period of 2020[1]. The Corporation recorded an operating income before depreciation and amortization (OIBD) of $136 million in the third quarter of 2021, compared to $123 million in the same period of 2020[1]. On an adjusted basis[2], operating income before depreciation and amortization stood at $107 million in the third quarter of 2021, compared to $133 million in the same period of 2020[1]. 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[2], the Corporation generated a 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.

For the 9-month period ended September 30, 2021[1], consolidated sales totaled $2,928 million, a decrease of $147 million, or 5%, compared to $3,075 million in the same period of 2020[1]. The Corporation recorded an operating income before depreciation and amortization (OIBD) of $332 million in the first nine months of 2021[1], compared to $380 million in the same period of 2020[1]. On an adjusted basis[2], operating income before depreciation and amortization stood at $327 million in the first nine months of 2021[1], compared to $407 million in the same period of 2020[1]. The Corporation posted net earnings of $57 million, or $0.56 per common share, compared to net earnings of $125 million, or $1.32 per common share, in the same period of 2020. On an adjusted basis[2], the Corporation generated net earnings of $36 million in the first nine months of 2021, or $0.35 per common share, compared to net earnings of $145 million, or $1.53 per common share, in the same period of 2020.

As a response to the effects of the COVID-19 pandemic, the Corporation continues to review the assumptions for operating plans, regularly updates the financial and cash flow forecasts and monitors the credit risk as well as the evolution of the market. The Corporation continues to closely monitor the consequences of the COVID-19 situation: the duration, spread or intensity of the pandemic as it continues to evolve, along with the supply chain, market pricing and customer demand. As a result of the COVID-19 pandemic, the Tissue Papers segment has recorded lower than usual volume in the Away-from-Home market since the second quarter of 2020 and lower volume in the Consumer Products market starting in the second quarter of 2021 as a result of stronger than usual demand throughout 2020. These factors may further impact the Corporation's operating plan, its cash flows, its ability to raise funds and the valuation of its long-lived assets. Refer to Note 3 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

1 Q1 2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

2 Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

FINANCIAL OVERVIEW - 2020

Annual consolidated sales reached $4,105 million in 2020[1], an increase of $157 million, or 4%, compared to 2019[1]. This performance reflected strong sales driven mostly by increased demand in the Tissue Papers consumer products and overall packaging solutions, mainly attributable to the repercussions of the COVID-19 pandemic which contributed to higher demand for the essential products we offer, and favourable exchange rates. However, these items were partly offset by lower average selling prices and mix of products for the Packaging Products segments.

The Corporation recorded an operating income before depreciation and amortization (OIBD) of $543 million in 2020[1], compared to $458 million in 2019[1]. On an adjusted basis[2], operating income before depreciation and amortization stood at $546 million in 2020[1], compared to $496 million in 2019[1]. This largely reflected year-over-year improved results in the Tissue Papers segment. Energy costs were lower for all segments while pricing of raw materials were also beneficial for all segments except Containerboard. Volume increased for all segments while year-over-year average selling price and mix were lower for the Packaging Products segments and positive for Tissue Papers.

MARGIN IMPROVEMENT PROGRAM

In the first quarter of 2020, the Corporation initiated an important profit margin improvement program for its North American operations focused on improving competitiveness, efficiency and productivity thereby limiting the potential negative effects related to economic downturns or adverse market conditions.

The program is built on five strategic pillars: net revenue management, production efficiency, optimization of sales and operations planning, supply chain efficiency and organizational effectiveness.

The objective of this program is to improve adjusted OIBD margin by 1% annually in 2020, 2021 and 2022, with these improvements calculated from the levels of 2019, our baseline year.

Following on the initiatives implemented in 2020 and new ones started in 2021, we were able to continue improving our competitiveness by achieving approximately $150 million as of September 2021 of adjusted OIBD ($50 million in the third quarter), net of related costs to implement such initiatives. This is measured against our 2019 baseline. These benefits offset some headwinds related to increased raw material and production costs, foreign exchange variation and current lower demand for tissue paper products.

1 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

KEY PERFORMANCE INDICATORS

We use several key performance indicators to monitor our action plan and analyze the progress we are making toward achieving our long-term objectives. These include the following:

					2019					2020				2021	LTM[9]
(unaudited)	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**YTD[10]**	
OPERATIONAL															
Total shipments (in '000 s.t.)[1]															
Packaging Products															
Containerboard	342	363	377	365	1,447	374	360	411	399	1,544	**391**	**385**	**377**	**1,153**	***1,552***
Boxboard Europe	333	331	321	305	1,290	351	326	316	312	1,305	**361**	**318**	**295**	**974**	***1,286***
	675	694	698	670	2,737	725	686	727	711	2,849	**752**	**703**	**672**	**2,127**	***2,838***
Tissue Papers	146	155	161	167	629	181	167	145	152	645	**123**	**138**	**148**	**409**	***561***
Total before discontinued operations	821	849	859	837	3,366	906	853	872	863	3,494	**875**	**841**	**820**	**2,536**	***3,399***
Discontinued operations - Boxboard Europe	(333)	(331)	(321)	(305)	(1,290)	(351)	(326)	(316)	(312)	(1,305)	**(361)**	**(318)**	**(295)**	**(974)**	***(1,286)***
Total	488	518	538	532	2,076	555	527	556	551	2,189	**514**	**523**	**525**	**1,562**	***2,113***
Integration rate[2]															
Containerboard	59%	59%	58%	58%	58%	57%	57%	53%	55%	56%	**57%**	**57%**	**58%**	**57%**	***57%***
Tissue Papers	76%	77%	77%	75%	76%	72%	73%	76%	79%	75%	**79%**	**69%**	**71%**	**73%**	***75%***
Manufacturing capacity utilization rate[3]															
Containerboard	88%	91%	94%	92%	91%	98%	92%	98%	97%	96%	**97%**	**96%**	**94%**	**96%**	***96%***
Tissue Papers	87%	92%	93%	84%	88%	88%	87%	73%	86%	83%	**80%**	**78%**	**84%**	**81%**	***82%***
Consolidated total	87%	91%	94%	89%	90%	95%	90%	90%	93%	92%	**92%**	**90%**	**91%**	**91%**	***92%***
FINANCIAL															
Return on assets[4, 8]															
Packaging Products															
Containerboard	20.3%	20.3%	20.2%	20.2%	20.2%	19.9%	19.0%	18.3%	18.4%	18.4%	**19.0%**	**19.4%**	**18.9%**	**18.9%**	
Specialty Products	12.9%	16.3%	20.7%	21.0%	21.0%	19.6%	19.5%	19.7%	21.8%	21.8%	**22.8%**	**22.5%**	**23.2%**	**23.2%**	
Tissue Papers	1.4%	2.4%	3.9%	7.3%	7.3%	9.5%	11.6%	12.5%	13.0%	13.0%	**11.5%**	**7.5%**	**5.7%**	**5.7%**	
Consolidated return on assets	10.4%	10.8%	10.9%	11.5%	11.5%	11.8%	12.0%	12.0%	12.3%	12.3%	**12.3%**	**11.3%**	**10.7%**	**10.7%**	
Return on capital employed[5, 8]	6.8%	5.7%	5.0%	4.8%	4.8%	5.1%	5.2%	5.1%	5.4%	5.4%	**5.2%**	**4.4%**	**4.0%**	**4.0%**	
Working capital[6, 8]															
In millions of CAN$, at end of period	431	441	414	361	361	416	411	384	315	315	**341**	**377**	**410**	**410**	
As a percentage of sales[7, 8]	11.0%	11.0%	11.1%	10.9%	10.9%	10.6%	10.4%	10.5%	10.3%	10.3%	**10.3%**	**10.3%**	**10.3%**	**10.3%**	

1 Shipments do not take into account the elimination of business sector inter-segment shipments. Shipments from our Specialty Products segment are not presented as different units of measure are used. Adjusted for discontinued operations.

2 Defined as: Percentage of manufacturing shipments transferred to our converting operations.

3 Defined as: Manufacturing internal and external shipments/practical capacity. Excluding Specialty Products segment manufacturing activities. Adjusted for discontinued operations.

4 Return on assets is a non-IFRS measure defined as the last twelve months ("LTM") adjusted OIBD/LTM quarterly average of total assets less cash and cash equivalents.

5 Return on capital employed is a non-IFRS measure and is defined as the after-tax amount of the LTM adjusted operating income, including our share of core associates and joint ventures, divided by the LTM quarterly average of capital employed. Capital employed is defined as the average quarterly total assets less trade and other payables and cash and cash equivalents.

6 Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables.

7 Percentage of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals.

8 Adjusted for discontinued operations.

9 LTM (last twelve months).

10 YTD (year to date).

HISTORICAL FINANCIAL INFORMATION

					2019[2]					2020[2]				2021	LTM[3]
(in millions of Canadian dollars, unless otherwise noted) (unaudited)	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1[2]**	**Q2**	**Q3**	**YTD[4]**	
Sales															
Packaging Products															
Containerboard	441	462	473	451	1,827	458	454	506	500	1,918	**503**	**497**	**507**	**1,507**	***2,007***
Boxboard Europe	279	270	256	243	1,048	272	265	261	254	1,052	**286**	**253**	**355**	**894**	***1,148***
Specialty Products	129	135	123	105	492	113	120	117	123	473	**122**	**131**	**144**	**397**	***520***
Inter-segment sales	(4)	(3)	(4)	(3)	(14)	(3)	(5)	(4)	(6)	(18)	**(7)**	**(7)**	**(10)**	**(24)**	***(30)***
	845	864	848	796	3,353	840	834	880	871	3,425	**904**	**874**	**996**	**2,774**	***3,645***
Tissue Papers	348	377	387	397	1,509	446	424	364	381	1,615	**292**	**297**	**344**	**933**	***1,314***
Inter-segment sales and Corporate Activities	37	34	29	34	134	27	27	31	32	117	**32**	**38**	**45**	**115**	***147***
Total before discontinued operations	1,230	1,275	1,264	1,227	4,996	1,313	1,285	1,275	1,284	5,157	**1,228**	**1,209**	**1,385**	**3,822**	***5,106***
Discontinued operations - Boxboard Europe	(279)	(270)	(256)	(243)	(1,048)	(272)	(265)	(261)	(254)	(1,052)	**(286)**	**(253)**	**(355)**	**(894)**	***(1,148)***
Total	951	1,005	1,008	984	3,948	1,041	1,020	1,014	1,030	4,105	**942**	**956**	**1,030**	**2,928**	***3,958***
Operating income (loss)															
Packaging Products															
Containerboard	84	84	91	69	328	74	54	71	122	321	**65**	**64**	**58**	**187**	***309***
Boxboard Europe	18	19	14	(6)	45	20	30	19	5	74	**12**	**(1)**	**24**	**35**	***40***
Specialty Products	9	12	10	5	36	8	11	11	12	42	**15**	**14**	**13**	**42**	***54***
	111	115	115	68	409	102	95	101	139	437	**92**	**77**	**95**	**264**	***403***
Tissue Papers	(8)	1	34	(21)	6	28	31	3	10	72	**—**	**(22)**	**29**	**7**	***17***
Corporate Activities	(31)	(34)	(41)	(48)	(154)	(40)	(32)	(31)	(40)	(143)	**(36)**	**(33)**	**(27)**	**(96)**	***(136)***
Total before discontinued operations	72	82	108	(1)	261	90	94	73	109	366	**56**	**22**	**97**	**175**	***284***
Discontinued operations - Boxboard Europe	(18)	(19)	(14)	6	(45)	(20)	(30)	(19)	(5)	(74)	**(12)**	**1**	**(24)**	**(35)**	***(40)***
Total	54	63	94	5	216	70	64	54	104	292	**44**	**23**	**73**	**140**	***244***
Adjusted OIBD[1]															
Packaging Products															
Containerboard	104	113	118	106	441	99	94	100	110	403	**108**	**100**	**94**	**302**	***412***
Boxboard Europe	29	30	25	24	108	30	43	29	27	129	**23**	**11**	**17**	**51**	***78***
Specialty Products	14	16	16	9	55	12	17	16	15	60	**18**	**18**	**17**	**53**	***68***
	147	159	159	139	604	141	154	145	152	592	**149**	**129**	**128**	**406**	***558***
Tissue Papers	9	18	24	35	86	45	54	36	40	175	**20**	**1**	**12**	**33**	***73***
Corporate Activities	(21)	(21)	(22)	(22)	(86)	(25)	(22)	(19)	(26)	(92)	**(24)**	**(21)**	**(16)**	**(61)**	***(87)***
Total before discontinued operations	135	156	161	152	604	161	186	162	166	675	**145**	**109**	**124**	**378**	***544***
Discontinued operations - Boxboard Europe	(29)	(30)	(25)	(24)	(108)	(30)	(43)	(29)	(27)	(129)	**(23)**	**(11)**	**(17)**	**(51)**	***(78)***
Total	106	126	136	128	496	131	143	133	139	546	**122**	**98**	**107**	**327**	***466***
Adjusted OIBD / Sales (%)[2]	11.1%	12.5%	13.5%	13.0%	12.6%	12.6%	14.0%	13.1%	13.5%	13.3%	**13.0%**	**10.3%**	**10.4%**	**11.2%**	***11.8%***
Net earnings (loss)	24	31	43	(26)	72	22	54	49	73	198	**22**	**3**	**32**	**57**	***130***
Adjusted[1]	13	26	28	29	96	39	58	48	42	187	**29**	**8**	**(1)**	**36**	***78***
Net earnings (loss) from continuing operations per basic common share (in Canadian dollars)[2]	$0.18	$0.25	$0.39	($0.21)	$0.61	$0.15	$0.43	$0.43	$0.73	$1.74	**$0.17**	**$0.04**	**$0.18**	**$0.39**	***$1.12***
Net earnings (loss) from discontinued operations per basic common share (in Canadian dollars)[2]	$0.08	$0.08	$0.06	($0.06)	$0.16	$0.09	$0.14	$0.08	($0.01)	$0.30	**$0.05**	**($0.02)**	**$0.14**	**$0.17**	***$0.16***
Net earnings (loss) per common share (in Canadian dollars)															
Basic	$0.26	$0.33	$0.45	($0.27)	$0.77	$0.24	$0.57	$0.51	$0.72	$2.04	**$0.22**	**$0.02**	**$0.32**	**$0.56**	***$1.28***
Diluted	$0.26	$0.32	$0.44	($0.27)	$0.75	$0.23	$0.57	$0.50	$0.72	$2.02	**$0.22**	**$0.02**	**$0.32**	**$0.56**	***$1.28***
Basic, adjusted[1]	$0.14	$0.28	$0.30	$0.30	$1.02	$0.42	$0.61	$0.50	$0.42	$1.95	**$0.29**	**$0.07**	**($0.01)**	**$0.35**	***$0.77***
Cash flow from operating activities including discontinued operations	82	124	104	91	401	153	162	106	146	567	**102**	**99**	**66**	**267**	***413***
Cash flow from operating activities from discontinued operations	(25)	(28)	(13)	(12)	(78)	(29)	(37)	(28)	(15)	(109)	**(20)**	**(12)**	**(8)**	**(40)**	***(55)***
Cash flow from operating activities (excluding changes in non-cash working capital components)[2]	57	96	91	79	323	124	125	78	131	458	**82**	**87**	**58**	**227**	***358***
Net debt[1]	1,878	1,861	2,070	1,963	1,963	2,212	2,077	1,982	1,679	1,679	**1,654**	**1,707**	**1,760**	**1,760**	

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

2 *Q1 2021, 2020 and 2019 have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the “Discontinued Operations” section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

3 *LTM (last twelve months).*

4 *YTD (year to date).*

BUSINESS HIGHLIGHTS

As part of the annual review of its corporate strategy, the Corporation analyzes its overall business and the environment in which it competes, sets objectives for the following year and the years ahead and approves its budgets, all with a view to enhancing shareholder value. Management is presently undertaking this process with the Board, which is expected to be completed, as usual, by the end of the calendar year.

The following transactions should be taken into consideration when reviewing the overall and segmented analysis of the Corporation's 2021 and 2020 results.

BUSINESS START-UP, ACQUISITION, DISPOSAL AND CLOSURE

BOXBOARD EUROPE

- On July 5, 2021, the Corporation announced the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or $461 million including foreign exchange contracts and before related transaction fees of $11 million. The transaction closed on October 26, 2021 and the Boxboard Europe segment is presented as discontinued operations. The estimated accounting gain before income tax amounts to $229 million. The Corporation will use tax attributes and does not expect to pay income taxes on this transaction.
- On February 15, 2021, the Boxboard Europe segment, via its ownership in Reno de Medici S.p.A., announced the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. The transaction was closed on April 30, 2021 and resulted in a loss of $2 million, which is presented within the results from discontinued operations of the Boxboard Europe segment.

BEAR ISLAND PROJECT

- The Bear Island project is progressing according to plan. The initial total investment was set at US$380 million. Since 2018 we have invested $119 million to acquire the site and prepare the building and the equipment for its expected start-up in December 2022. Inflation in recent months has affected the cost of materials we use in this project and with the information available to us at this time, we expect project cost to increase by US$20 million representing approximately a 5% increase.

SIGNIFICANT FACTS AND DEVELOPMENTS

2021

- On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US$144 million ($180 million) and US$155 million ($193 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$17 million ($21 million). The Corporation incurred transaction fees of approximately $2 million, wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid US$5 million ($6 million) of interest accrued on these notes.
- On August 5, 2021, the Corporation announced an increase of its quarterly dividend from $0.08 to $0.12 per common share.
- On April 30, 2021, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million revolving credit facility. The amendment extends the term on the facility to July 7, 2025. The financial conditions remain unchanged.

2020

- On December 11, 2020, Greenpac entered into an agreement with its lenders to extend and amend its credit facilities. The amended credit agreement still provides Greenpac with a revolving credit of US$50 million while the principal of the term loan was reduced, with cash on hand and utilization of the revolving line of credit, to US$75 million, from US$122 million at the time of the amendment. The term of the amended credit agreement is extended to December 2023. The financing terms and conditions remain essentially unchanged.
- On November 25, 2020, the Corporation announced the forthcoming closure of its tissue converting operations of its Laval plant, located in Québec, Canada. Operations ceased June 30, 2021 and volume has been transferred to other plants.
- On October 8, 2020, the Corporation announced the forthcoming closure of its tissue production and converting operations at its Ransom and Pittston plants, located in Pennsylvania, USA. Operations ceased in December 2020 and January 2021 and volume has been transferred to other plants.
- On October 5, 2020, the Corporation announced plans to proceed with the strategic Bear Island mill conversion project to recycled containerboard located in Virginia, USA. To finance the equity portion of the project, the Corporation entered into an agreement with underwriters pursuant to which the Corporation issued and the underwriters purchased on a bought deal basis 7,441,000 common shares at a price of $16.80 per common share for gross proceeds of $125 million.

- On August 17, 2020, the Corporation announced that it had completed its private offering of US$300 million aggregate principal amount of 5.375% senior notes due in 2028. The new notes were issued at a price of 104.25%, resulting in an effective yield of 4.69%. Transaction fees amounted to $4 million. The net proceed from the notes offering was used by the Corporation to redeem all of its outstanding 5.75% US$200 million senior notes due in 2023 and repay certain amounts outstanding under its revolving credit facility. The Corporation also paid $4 million premium and wrote off $2 million unamortized financing costs related to these notes.

- On July 28, 2020, the Corporation announced the closure of its Etobicoke, Ontario, Canada, Containerboard Packaging facility as part of the strategic repositioning of its containerboard platform in Ontario, Canada. Operations permanently closed in June 2021 and production capacity has been redeployed to other units within the region.

- On May 26, 2020, the Corporation announced the closure of the Brown Containerboard Packaging facility located in Burlington, Ontario, Canada, as part of the Corporation's continuing optimization initiatives for its Containerboard Packaging business. Production was redeployed to our other units in Ontario, Canada.

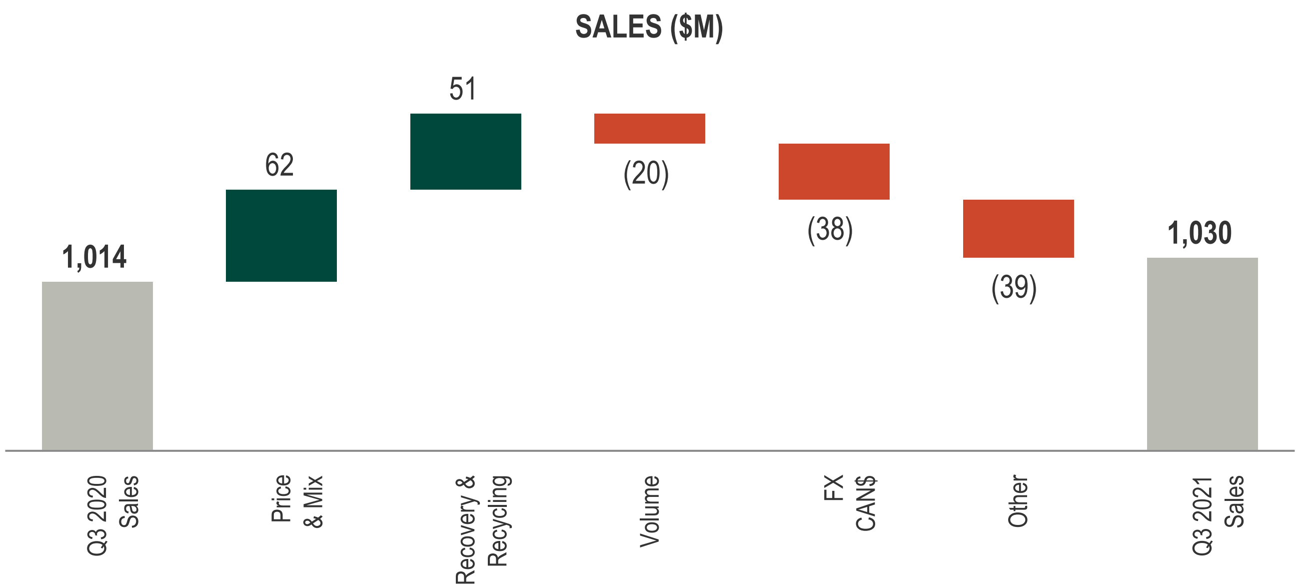
- The Corporation exercised its option to purchase the 20.20% interest in Greenpac Holding LLC ("Greenpac") held by the Caisse de dépôt et placement du Québec (CDPQ) on November 30, 2019 for an exercise price of US$93 million ($121 million). The transaction closed January 3, 2020 and increased the Corporation's direct and indirect ownership interest in Greenpac to 86.35%.

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2021, AND 2020

SALES

Sales of $1,030 million increased by $16 million, or 2%, in the third quarter of 2021 compared to $1,014 million in the same period of 2020[1]. Higher selling prices in Packaging Products segments and in Recovery and Recycling activities had a positive impact on sales. The Corporation also recorded higher volumes in the Tissue papers and Specialty products segments. This was partially offset by a decrease in containerboard volumes mainly related to issues with the water effluent system at the Niagara Falls, New York, USA, complex which reduced shipments by approximately 11 000 short tons. The 6% appreciation of the Canadian dollar compared to the US dollar also had an unfavourable impact on sales.

The main variances in sales in the third quarter of 2021, compared to the same period of 2020[1], are shown below:
(in millions of Canadian dollars)



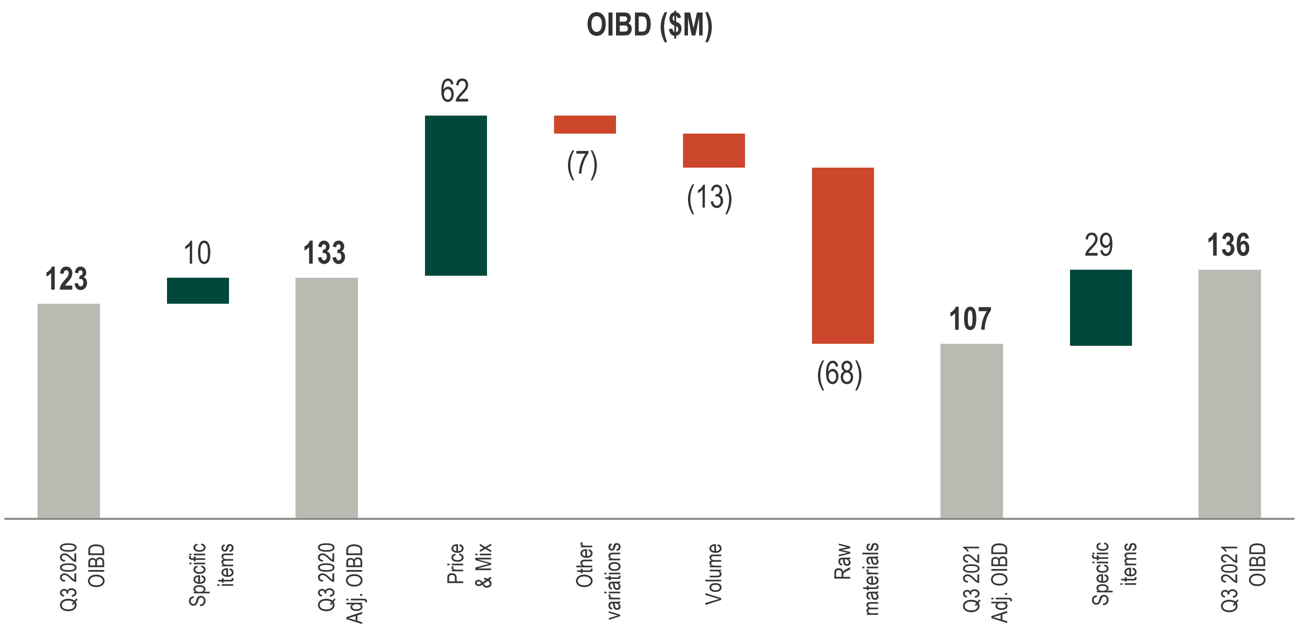
1 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an operating income before depreciation and amortization (OIBD) of $136 million in the third quarter of 2021, an increase of $13 million, or 11%, compared to $123 million in the third quarter of 2020[2]. Specific items[1] recorded in the third quarter of 2021 positively impacted OIBD by $29 million, compared to the negative impact of $10 million recorded in the same period of 2020. Excluding specific items, the $26 million adjusted OIBD[1] decrease is mainly explained by the increase in raw material costs in all segments, lower volume in the Containerboard segment, an unfavourable exchange rate, as well as general inflationary pressure on production and logistic costs. Conversely, higher average selling prices and sales mix had a positive impact for Packaging segments as well as Recovery and Recycling activities included in the Corporate Activities segment.

Adjusted OIBD[1] totaled $107 million in the third quarter of 2021. This compares with the $133 million generated in the third quarter of 2020[2], a decrease of $26 million, or 20%.

The main variances in OIBD in the third quarter of 2021, compared to the same period of 2020[2], are shown below:
(in millions of Canadian dollars)



Adjusted OIBD	*Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.*
Raw materials (OIBD)	*The impacts of these estimated costs are based on production costs per unit shipped externally or inter-segment, which are affected by yield, product mix changes, inbound freight costs and purchase and transfer prices. In addition to market pulp and recycled fibre, these costs include purchases of external boards and parent rolls for the converting sector, and other raw materials such as plastic and wood chips.*
F/X CAN$ (OIBD)	*The estimated impact of the exchange rate is based on the Corporation's Canadian export sales less purchases, denominated in US$, that are impacted by exchange rate fluctuations and by the translation of our non-Canadian subsidiaries OIBD into CAN$. It also includes the impact of exchange rate fluctuations on the Corporation's Canadian units in currency other than the CAN$ working capital items and cash positions, as well as our hedging transactions. It excludes indirect sensitivity (please refer to the "Sensitivity Table" section of the 2020 Annual Report for further details).*
Other production costs and mix (OIBD)	*These costs include the impact of variable and fixed costs based on production costs per unit shipped externally, which are affected by downtime, efficiency and product mix changes.*
Recovery and Recycling activities (Sales and OIBD)	*While this sub-segment is integrated within the other segments of the Corporation, any variation in the results of Recovery and Recycling activities are presented separately and on a global basis in the charts.*

The sales and OIBD variances analysis by segment is shown in each business segment review (please refer to the "Business Segment Review" section for more details).

The Corporation incurred certain specific items in the third quarters of 2021 and 2020 that adversely or positively affected its operating results[1].

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

2 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

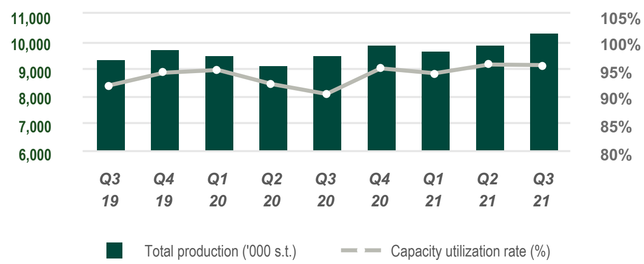
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

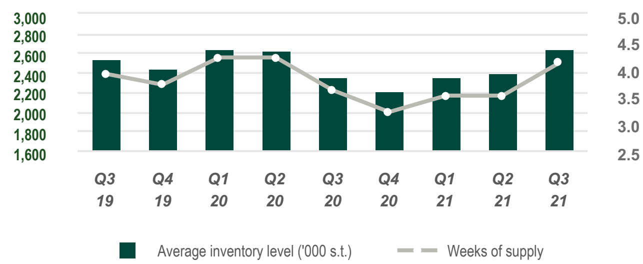
U.S. containerboard industry production and capacity utilization rate [1]

During the third quarter of 2021, total U.S. containerboard production amounted to 10.3 million short tons, a sequential and year-over-year increase of 4% and 9%, respectively. The industry registered an average capacity utilization rate of 96% during the quarter.



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

The average inventory level increased 11% sequentially and 12% year-over-year during the third quarter of 2021. Inventory levels stood at approximately 2.7 million short tons at the end of September 2021, representing 4.1 weeks of supply.

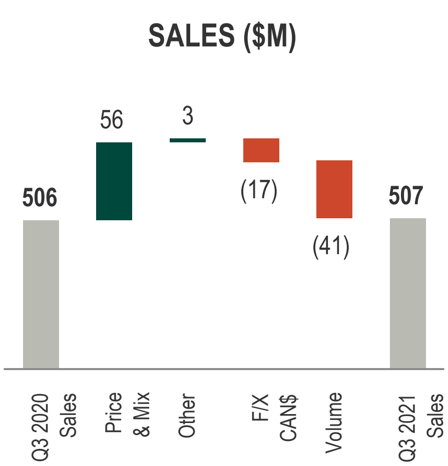


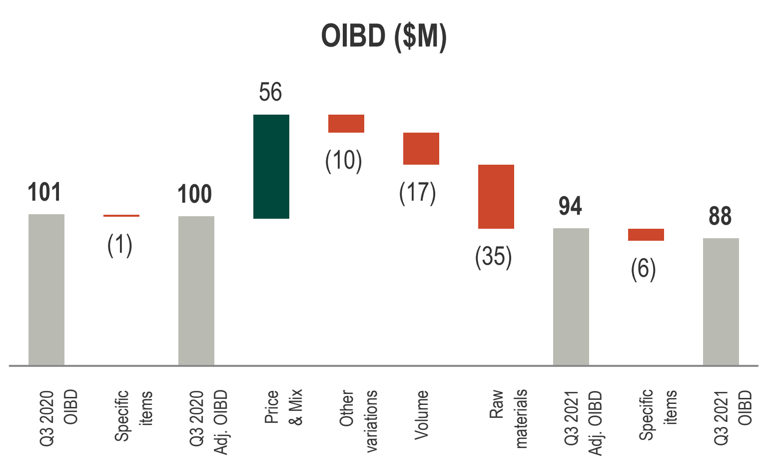
1 Source: RISI

2 Source: Fibre Box Association

Our Performance

The main variances[1] in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the third quarter of 2021, compared to the same period of 2020, are shown below:





The Corporation incurred certain specific items in the third quarters of 2021 and 2020 that adversely or positively affected its operating results[2].

1 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the three-month periods ended September 30, 2021, and 2020" section for more details.

2 Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

	Q3 2020	Q3 2021	Change in %
Shipments[2] ('000 s.t.)	411	377	-8%
Average Selling Price (CAN$/unit)	1,233	1,346	9%
Sales ($M)	506	507	—
OIBD[1] ($M) (as reported)	101	88	-13%
% of sales	20%	17%	
(adjusted)[1]	100	94	-6%
% of sales	20%	19%	
Operating income ($M) (as reported)	71	58	-18%
(adjusted)[1]	70	64	-9%

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

2 Shipments do not take into account the elimination of business sector inter-segment shipments. Including 3.5 billion square feet in the third quarter of 2021 compared to 3.7 billion square feet in the same period of 2020, a decrease of 5%.

3 Including sales to other partners in Greenpac.

Shipments decreased by 34,000 s.t., or 8%, in the third quarter of 2021 compared to the same period of 2020.

External parent roll shipments decreased by 23,000 s.t., or 11%, compared to the same period of 2020. During the third quarter, the Niagara Falls, NY, complex was impacted by issues with the water effluent treatment system, which reduced production capacity by approximately 11 000 short tons and negatively impacted operating income by approximately $10 million. The situation has been resolved and production capacity returned to normal in early October. This event and a strong third quarter last year resulted in the manufacturing utilization rate decreasing 4% year-over-year to 94% in the current period.

Shipments from converting activities decreased by 11,000 s.t., or 5%, compared to the same period of 2020. The third quarter 2021 mill integration rate of 58% increased from 53% in the prior year period. Including sales to other partners[3], the integration rate was 69% in the third quarter of 2021, up from 67% in the same period of 2020.

The average selling price in Canadian dollars increased by 14% for parent rolls and by 7% for converted products. The 6% average appreciation of the Canadian dollar compared to the US dollar had a negative impact on average selling prices during the period.

Sales increased by $1 million in the third quarter of 2021 compared to the same period of 2020. The higher average selling price and a favourable sales mix added $52 million and $4 million, respectively, to sales. These benefits were offset by lower volume which had a net negative impact of $41 million. The 6% average appreciation of the Canadian dollar compared to the US dollar negatively impacted sales by $17 million.

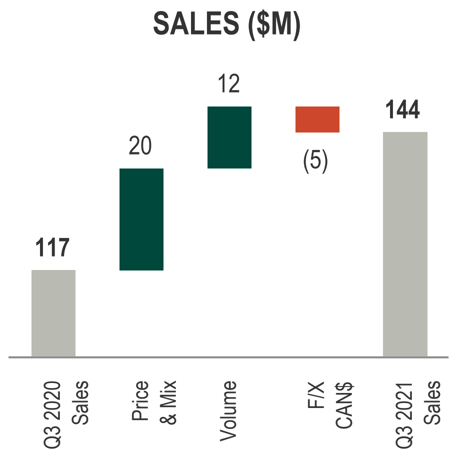
Operating income before depreciation and amortization (OIBD) decreased by $13 million, or 13%, in the third quarter of 2021 compared to the same period of 2020. Excluding specific items[1] in both years, the $6 million, or 6%, decrease reflects a higher average selling price and a favourable mix of products sold, which had a combined positive impact of $56 million. The 8% decrease in volume subtracted $17 million from profitability. Higher raw material costs reduced OIBD by $35 million and the 6% appreciation of the Canadian dollar reduced results by another $1 million. Inflationary pressure on freight, energy, chemicals, labour and production supply costs drove overall operation expenses up by $9 million. The water effluent treatment system issues at our Niagara Falls, NY, complex discussed above also had a negative impact on OIBD.

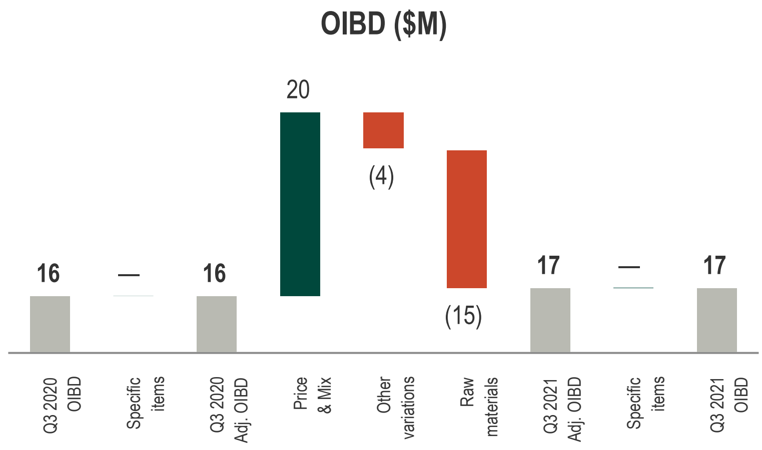
The segment incurred some specific items[1] in the third quarters of 2021 and 2020 that affected OIBD[1].

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Performance

The main variances[1] in sales and operating income before depreciation and amortization for the Specialty Products segment in the third quarter of 2021, compared to the same period of 2020, are shown below:





The Corporation incurred certain specific items in the third quarters of 2021 and 2020 that adversely or positively affected its operating results[2].

1 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the three-month periods ended September 30, 2021, and 2020" section for more details.

2 Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

	Q3 2020	Q3 2021	Change in %
Sales ($M)	117	144	23%
OIBD[1] ($M) (as reported)	16	17	6%
% of sales	14%	12%	
(adjusted)[1]	16	17	6%
% of sales	14%	12%	
Operating income ($M) (as reported)	11	13	18%
(adjusted)[1]	11	13	18%

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

Sales increased by $27 million, or 23%, in the third quarter of 2021 compared to the same period of 2020. All of our business markets benefited from higher average selling prices and higher volumes, which contributed $32 million to sales in the period. These were partly offset by a less favourable foreign exchange rate which negatively impacted sales by $5 million.

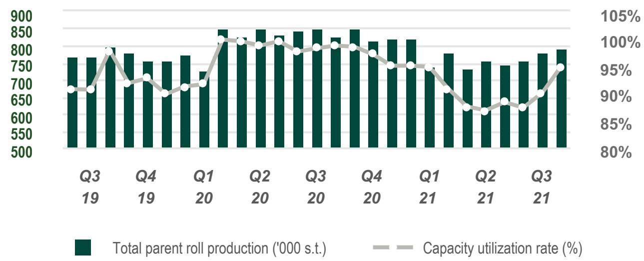
Operating income before depreciation and amortization (OIBD) increased by $1 million, or 6%, in the third quarter of 2021 compared to the same period of 2020. Excluding specific items[1], the adjusted OIBD increased by $1 million, or 6%. This performance is a result of higher volumes which added $2 million and realized spreads which positively impacted our results by a net of $5 million. These were partially offset by a less favourable exchange rate ($1 million) and higher transportation, operating and maintenance costs which negatively impacted results by a combined total of $5 million.

TISSUE PAPERS

Our Industry

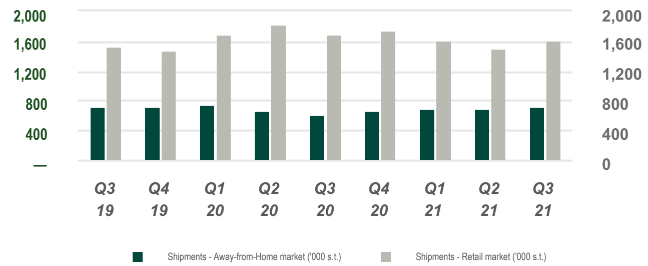
U.S. tissue paper industry production (parent rolls) and capacity utilization rate[1]

During the third quarter of 2021, parent roll production amounted to 2.3 million tons, up by 5% sequentially and down by 7% compared to the same period last year. The average capacity utilization rate for the quarter stood at 91%, up by 4% sequentially and down by 7% compared to the third quarter of 2020.



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

Shipments in the Away-from-Home market increased by 3% sequentially and 16% year-over-year in the third quarter of 2021. Shipments in the Retail market increased by 7% compared to the previous quarter and decreased by 5% versus the same period of 2020, amid the COVID-19 volatility of buying patterns of customers.

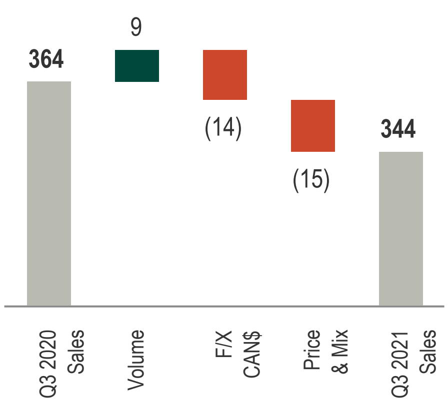


1 Source: RISI

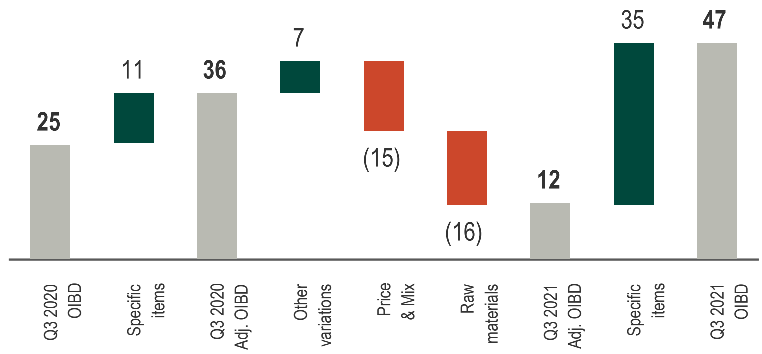
Our Performance

The main variances[1] in sales and operating income (loss) before depreciation and amortization for the Tissue Papers segment in the third quarter of 2021, compared to the same period of 2020, are shown below:

SALES ($M)



OIBD ($M)



The Corporation incurred certain specific items in the third quarters of 2021 and 2020 that adversely or positively affected its operating results[2].

1 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the three-month periods ended September 30, 2021, and 2020" section for more details.

2 Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

	Q3 2020	Q3 2021	Change in %
Shipments[2] ('000 s.t.)	145	148	2%
Average Selling Price (CAN$/unit)	2,508	2,310	-8%
Sales ($M)	364	344	-5%
OIBD[1] ($M) (as reported)	25	47	88%
% of sales	7%	14%	
(adjusted)[1]	36	12	-67%
% of sales	10%	3%	
Operating income (loss) ($M) (as reported)	3	29	867%
(adjusted)[1]	14	(6)	-143%

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

2 Shipments do not take into account the elimination of business sector inter-segment shipments.

External manufacturing shipments increased by 8,000 s.t., or 30%, in the third quarter of 2021 compared to the same period of 2020. The integration rate was 71% during the period, compared to 76% in the same period of 2020. Third quarter converted product shipments decreased by 5,000 s.t., or 4%, on a year-over-year basis. This was mainly driven by lower demand for Consumer Products (-15%) due to high customer inventory volumes and the decrease was partially offset by improvements in the Away-from-Home market (+11%) following the reopening of certain markets in some regions.

The 8% decrease in the average selling price was primarily due to the 6% average appreciation of the Canadian dollar compared to the US dollar, the higher proportion of sales attributable to parent rolls and a less favourable mix of converted products sold. These impacts were slightly offset by price increase initiatives which led to higher average selling prices in both Away-from-Home and Consumer Products markets.

Sales decreased by $20 million, or 5% in the third quarter of 2021 compared to the same period of 2020. This reflects a $14 million negative impact due to the less favourable exchange rate, and a negative $20 million sales impact related to the mix of customers and products sold in the current period. These were partially offset by a positive $9 million sales benefit related to higher volumes and a $5 million benefit related to selling price increases.

Operating income before depreciation and amortization (OIBD) increased by $22 million, or 88%, in the third quarter of 2021 compared to the same period of 2020. Excluding specific items[1] in both years, the adjusted OIBD decreased by $24 million, or 67%, mainly due to lower average selling prices ($15 million) and higher raw material ($16 million). Lower fixed costs and SG&A expenses slightly offset these impacts for a total of $8 million.

The segment incurred some specific items[1] in the third quarters of 2021 and 2020 that affected OIBD[1].

CORPORATE ACTIVITIES

Corporate Activities incurred some specific items[1] in the first nine months of 2021 and 2020 that affected OIBD[1]. Corporate Activities registered an adjusted OIBD[1] loss of $61 million in the first nine months of 2021 (loss of $16 million in the third quarter), compared to a loss of $66 million in the same period of 2020 (loss of $19 million in the third quarter). The OIBD performance of our Recovery and Recycling activities was higher by $4 million in the first nine months of 2021 (higher by $4 million in the third quarter). The corporate costs for the first nine months of 2021 were lower compared to last year.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to $5 million in the first nine months of 2021 ($1 million in the third quarter), compared to $6 million in the same period of 2020 ($2 million in the third quarter). For more details on stock-based compensation, please refer to Note 21 of the 2020 Audited Consolidated Financial Statements.

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense remained stable at $192 million in the first nine months of 2021[2] ($63 million in the third quarter), compared to $192 million in the same period of 2020[2] ($69 million in the third quarter). The Corporation reviewed the useful life of equipment and the residual value of its buildings over the last twelve months which resulted in a lower depreciation charge in the third quarter of 2021. The appreciation of the Canadian dollar also reduced depreciation and amortization expense.

FINANCING EXPENSE AND INTEREST EXPENSE ON EMPLOYEE FUTURE BENEFITS

The financing expense and interest expense on employee future benefits amounted to $67 million in the first nine months of 2021[2] ($23 million in the third quarter), compared to $79 million in the same period of 2020[2] ($25 million in the third quarter), a decrease of $12 million. The variance is mainly attributable to reduced use of the credit lines due to improved cash flows, lower interest rates, favourable exchange rate, equity issuance in the fourth quarter of 2020 and the financing of unsecured senior notes in the third quarter of 2020.

LOSS ON REPURCHASE OF LONG-TERM DEBT

In the third quarter of 2020, the Corporation redeemed US$200 million of its unsecured senior notes and recorded an early repurchase premium of $4 million and wrote off $2 million related unamortized financing costs.

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

In the first nine months of 2021, the Corporation recorded a gain of $3 million (loss of $3 million in the third quarter) on its US$ denominated debt and related financial instruments, compared to a gain of $3 million in the same period of 2020 (gain of $11 million in the third quarter). Refer to the “Supplemental Information on Non-IFRS Measures” section for more details.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to $11 million in the first nine months of 2021 ($4 million in the third quarter), compared to $9 million in the same period of 2020 ($3 million in the third quarter). Refer to Note 8 of the 2020 Audited Consolidated Financial Statements for more information on associates and joint ventures.

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

2 *2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the “Discontinued Operations” section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

PROVISION FOR (RECOVERY OF) INCOME TAXES

In the first nine months of 2021[1], the Corporation recorded an income tax provision of $38 million, which compares to an income tax provision of $10 million in the same period of 2020[1].

(in millions of Canadian dollars) (unaudited)	For the 9-month periods ended September 30, 2021[1]	2020[1]
Provision for income taxes based on the combined basic Canadian and provincial income tax rate	**23**	31
Adjustment for income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	**(1)**	(3)
Prior years reassessment	**4**	(5)
Reversal of deferred income tax assets related to prior year losses	**18**	—
Change in future income taxes resulting from enacted tax rate change	**—**	(1)
Permanent differences	**(5)**	(2)
Change in temporary differences	**(1)**	(7)
Other	**—**	(3)
	15	(21)
Provision for income taxes	**38**	10

In the third quarter of 2021, the Corporation recorded the reversal of $18 million in tax assets of one of its subsidiaries as it does not expect to be able to use them before they expire.

Greenpac is a limited liability company (LLC) and partners agreed to account for it as a disregarded entity for tax purposes. Consequently, income taxes associated with Greenpac net earnings are proportionately recorded by each partner based on its respective share in the LLC and no income tax provision is included in Greenpac's net earnings. As such, although Greenpac is fully consolidated in the Corporation's results, only 92% of pre-tax book income is considered for tax provision purposes.

The effective tax rate and income taxes are affected by the results of certain subsidiaries and joint ventures located in countries where the income tax rates are different from those in Canada, notably the United States. The normal effective tax rate is expected to be in the range of 21% to 27%. The weighted-average applicable tax rate was 26% in the first nine months of 2021.

RESULTS FROM DISCONTINUED OPERATIONS

Results from discontinued operations amounted to $30 million in the first nine months of 2021[1] ($25 million in the third quarter), compared to $52 million in the same period of 2020[1] ($14 million in the third quarter). Results from discontinued operations attributable to Shareholders amounted to $17 million in the first nine months of 2021[1] ($14 million in the third quarter), compared to $30 million in the same period of 2020[1] ($8 million in the third quarter). Refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for all details on results from discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

Cash flows from operating activities from continuing operations generated $142 million in the first nine months of 2021[1] ($45 million generated in the third quarter), compared to $319 million generated in the same period of 2020[1] ($113 million generated in the third quarter). Changes in non-cash working capital components used $85 million liquidity in the first nine months of 2021[1] ($13 million used in the third quarter), compared to $8 million used in the same period of 2020[1] ($35 million generated in the third quarter) mainly resulting from higher accounts receivable due to an increase in average selling prices and higher inventory resulting from increased raw material costs. Also, the decrease in operating cash flow is driven by lower profitability in the Tissue Papers segment. As at September 30, 2021, average LTM working capital as a percentage of LTM sales stood at 10.3%, which compares to 10.3% as at December 31, 2020[2].

Cash flow from operating activities from continuing operations, excluding changes in non-cash working capital components, stood at $227 million in the first nine months of 2021[1] ($58 million in the third quarter), compared to $327 million in the same period of 2020[1] ($78 million in the third quarter). This cash flow measurement is relevant to the Corporation's ability to pursue its capital expenditure program and reduce its indebtedness.

1 *2021 and 2020 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

2 *Adjusted for discontinued operations.*

On August 17, 2020, the Corporation issued US$300 million unsecured senior notes due in 2028 and redeemed its US$200 million unsecured senior notes due in 2023. The Corporation paid $4 million in premium for early redemption of its US$200 million unsecured senior notes due in 2023 (see "Business Highlights" section for more details).

The Corporation paid $85 million financing expense in the first nine months of 2021[1] ($41 million in the third quarter), compared to $71 million in the same period of 2020[1] ($48 million in the third quarter). The variance is mainly explained by an interest payment of $23 million normally planned for January 2020 but made in December 2019 following the redemption of unsecured senior notes.

The Corporation also received $2 million net income taxes in the first nine months of 2021[1] ($1 million received in the third quarter), compared to $8 million received in the same period of 2020[1] ($1 million paid in the third quarter).

In the first nine months of 2021, the Corporation paid $18 million ($12 million in the third quarter) for severances and other restructuring costs related to closures and margin improvement initiatives, compared to $5 million in the same period of 2020 ($5 million in the third quarter).

INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investing activities from continuing operations used $153 million in the first nine months of 2021[1] ($7 million used in the third quarter), compared to $140 million used in the same period of 2020[1] ($38 million used in the third quarter).

DISPOSALS IN ASSOCIATES AND JOINT VENTURES

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

In the first nine months of 2020, the Corporation increased its participation in an associate for a contribution of $1 million and disposed of one of its investments for total proceeds of $4 million.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars) (unaudited)	**2021[1]**	2020[1]	**2021[1]**	2020[1]
Total acquisitions	**69**	70	**214**	160
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	**3**	(3)	**7**	19
Right-of-use assets acquisitions and acquisitions included in other debts	**(18)**	(21)	**(30)**	(32)
Payments for property, plant and equipment	**54**	46	**191**	147
Proceeds from disposals of property, plant and equipment	**(50)**	(7)	**(51)**	(9)
Payments for property, plant and equipment net of proceeds from disposals	**4**	39	**140**	138

1 2021 and 2020 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

New capital expenditure projects, including right-of-use assets, by segment in the first nine months of 2021 were as follows:
(in millions of Canadian dollars)

The major capital projects that were initiated, are in progress or were completed in the first nine months of 2021 are as follows:

CONTAINERBOARD PACKAGING

- Bear Island assets in Virginia, USA for site preparation before conversion of equipment to recycled containerboard manufacturing (see "Business Highlights" section for more details).
- Investment in converting assets as part of the strategic repositioning of our containerboard platform in Ontario, Canada, following the announced closure of our Etobicoke plant.
- Investment in converting equipment in the US North East region to add capacity and better serve the increasing demand for our products in our strategic markets.

SPECIALTY PRODUCTS

- Investment in equipment to improve reliability and quality of USA moulded pulp assets.
- Investment in insulated container converting equipment to increase capacity and better serve increasing demand in this market.

TISSUE PAPERS

- Investment in new converting lines and equipment to complete the modernization plan of our asset platform.

PROCEEDS FROM DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

The main disposals of property, plant and equipment are as follows:

In the third quarter of 2021, the Tissue Papers segment received $50 million from the sale of assets of closed plants in the USA and in Canada.

In the first quarter of 2021[1], the Boxboard Europe segment received $4 million from the sale of the land of a closed plant. This amount is presented as discontinued operations.

In the third quarter of 2020, the Containerboard Packaging segment received $5 million following the release of the escrow amount pertaining to the sale in 2018 of a building in Maspeth, New York, USA.

In the third quarter of 2020, the Tissue Papers segment received $2 million from the sale of assets of a closed plant in the USA.

CHANGE IN INTANGIBLE AND OTHER ASSETS

In the first nine months of 2021[1], the Corporation invested $12 million, compared to $4 million in the same period of 2020[1], for its ERP information technology system and other software developments. In 2020, the Corporation invested $2 million for an additional participation in one of its equity investments.

CASH RECEIVED (PAID) IN BUSINESS COMBINATIONS

In the third quarter of 2021[1], the Boxboard Europe segment completed two acquisitions and paid a total of €141 million ($210 million). This amount is presented as discontinued operations.

In the first quarter of 2020, the Corporation received a purchase price adjustment of US$2 million ($2 million) related to the Orchids Paper Products acquisition concluded in September 2019.

1 2021 and 2020 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

PROCEED ON DISPOSAL OF A SUBSIDIARY

In the second quarter of 2021[1], the Boxboard Europe segment received €5 million ($7 million) from the sale of its French subsidiary which produces virgin fibre-based boxboard. The €7 million ($11 million) cash balance of the subsidiary was also disposed resulting in a net cash balance decrease of €2 million ($4 million). This amount is presented as discontinued operations.

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

Financing activities from continuing operations used $128 million in liquidity in the first nine months of 2021[1] ($59 million used in the third quarter), compared to $121 million used in the same period of 2020[1] ($16 million used in the third quarter), including $29 million ($22 million in 2020) in dividend payments to the Corporation's Shareholders.

ISSUANCE AND REPURCHASE OF UNSECURED SENIOR NOTES

On August 17, 2020, the Corporation issued unsecured senior notes for US$300 million ($396 million) aggregate principal amount of 5.375% due in 2028 at a price of 104.25% resulting in a US$13 million ($17 million) premium for total proceed of US$313 million ($413 million) and an effective yield of 4.69%. Transaction fees amounted to $4 million. The Corporation used the proceed from this offering to fund the redemption of its 5.75% US$200 million ($264 million) unsecured senior notes due in 2023 and paid a premium of US$3 million ($4 million). The Corporation also wrote off $2 million unamortized financing costs related to these notes.

Issuance proceed was used as follows:

(in millions of Canadian dollars) (unaudited)	2020
Debt issuance	396
Premium received on debt issuance	17
Offering fees	(4)
Repurchase of 2023 Notes	(264)
Premium paid on repurchase of long-term debt	(4)
Decrease of credit facility and increase in cash and cash equivalent	141

SETTLEMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

In the first nine months of 2020, the Corporation received $1 million from the settlement of derivative financial instruments.

ISSUANCE OF COMMON SHARES UPON EXERCISE OF STOCK OPTIONS AND REDEMPTION OF COMMON SHARES

The Corporation issued 232,612 common shares at an average price of $6.47 as a result of the exercise of stock options in the first nine months of 2021, representing an aggregate amount of $2 million (in the same period of 2020 - $7 million for 1,225,489 common shares issued at an average price of $5.89).

The Corporation purchased 1,651,600 common shares for cancellation at an average price of $15.45 for $26 million in the first nine months of 2021 (in the same period of 2020 - $5 million for 445,354 common shares for cancellation purchased at an average price of $11.53).

PAYMENT OF OTHER LIABILITIES

On January 3, 2020, the Corporation paid an amount of other liabilities of $121 million related to the purchase of CDPQ interest in Greenpac Holding LLC (see “Business Highlights” section for more details).

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

Dividends paid to non-controlling interests in Greenpac amounted to $10 million in the first nine months of 2021[1] ($11 million in the same period of 2020[1]). In 2021, the Corporation also increased its participation in a distributor in the Specialty Products segment for a contribution of $2 million.

CASH FLOWS FROM DISCONTINUED OPERATIONS

Refer to the “Discontinued Operations” section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for all details on cash flow from discontinued operations.

1 2021 and 2020 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the “Discontinued Operations” section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

CONSOLIDATED FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021 AND DECEMBER 31, 2020 AND 2019

The Corporation’s financial position and ratios are as follows:

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	**September 30, 2021**	December 31, 2020	December 31, 2019
Cash and cash equivalents	**151**	384	155
Working capital[1]	**410**	315	361
As a percentage of sales[2]	**10.3%**	10.3%	10.9%
Total assets	**5,645**	5,412	5,188
Total debt[3]	**1,911**	2,063	2,118
Net debt[3] (total debt less cash and cash equivalents)	**1,760**	1,679	1,963
Equity attributable to Shareholders	**1,781**	1,753	1,492
Non-controlling interests including share of assets and liabilities held for sale	**203**	204	177
Total equity	**1,984**	1,957	1,669
Total equity and net debt[3]	**3,744**	3,636	3,632
Ratio of net debt[3]/(total equity and net debt[3])	**47.0%**	46.2%	54.0%
Shareholders' equity per common share (in Canadian dollars)	**$17.66**	$17.14	$15.83

1 *Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables. Adjusted for discontinued operations.*

2 *Percentage of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Adjusted for discontinued operations.*

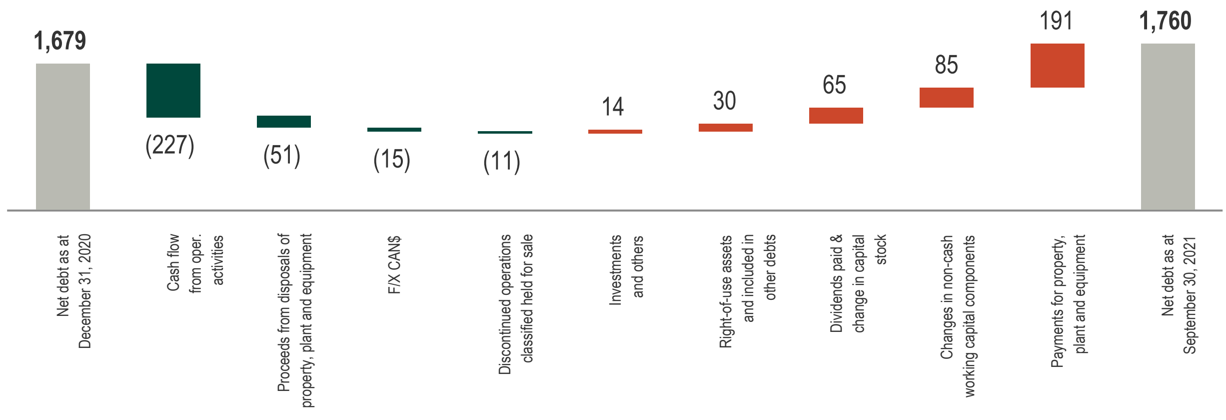
3 *Please refer to the “Supplemental Information on Non-IFRS Measures” section for a complete reconciliation.*

The following table reflects the Corporation’s secured debt rating/corporate rating/unsecured debt rating:

Credit rating (outlook)	MOODY'S	STANDARD & POOR'S
2020	Baa3/Ba2/Ba3 (stable)	BB+/BB-/BB- (stable)
2021	**Baa3/Ba2/Ba3 (stable)**	**BB+/BB-/BB- (positive)**

NET DEBT[1] RECONCILIATION

The variances in the net debt (total debt less cash and cash equivalents) in the first nine months of 2021 are shown below, with the applicable financial ratios included.
(in millions of Canadian dollars)



675	Adjusted OIBD[1] (last twelve months) ($M)	**466**
2.5x	Net debt/Adjusted OIBD[1]	**3.8x**
	Pro forma Net debt/Adjusted OIBD[1] reflecting RDM disposal net proceeds	**2.8x**

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

Liquidity available via the Corporation's credit facilities, cash and cash equivalent balance and the anticipated cash flow generated by its operating activities are expected to provide sufficient funds to meet our financial obligations and to fulfill our capital expenditure program for at least the next twelve months. Forecasted 2021 capital expenditures are expected to be between $275 million and $300 million, encompassing $155 million for the Bear Island containerboard conversion project in Virginia, USA. As at September 30, 2021, the Corporation had $736 million (net of letters of credit in the amount of $14 million) available on its $750 million credit facility (excluding the credit facilities of our subsidiary Greenpac). Cash and cash equivalents as at September 30, 2021 are comprised as follows: $126 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and $25 million in unrestricted subsidiaries, mainly Greenpac.

NEAR-TERM OUTLOOK

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.

CAPITAL STOCK INFORMATION

COMMON SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol "CAS". From January 1, 2021 to September 30, 2021, Cascades' common share price fluctuated between $13.24 and $18.18. During the same period, 65.8 million Cascades common shares were traded on the Toronto Stock Exchange. On September 30, 2021, Cascades common shares closed at $15.67. This compares with a closing price of $16.84 on the same closing day last year.

COMMON SHARES OUTSTANDING

As at September 30, 2021, the Corporation's issued and outstanding capital stock consisted of 100,857,242 common shares (102,276,230 as at December 31, 2020) and 2,380,030 issued and outstanding stock options (2,433,090 as at December 31, 2020). In 2021, the Corporation purchased 1,651,600 common shares for cancellation, while 232,612 stock options were exercised, 189,752 stock options were granted and 10,200 stock options were forfeited.

As at November 10, 2021, issued and outstanding capital stock consisted of 100,859,698 common shares and 2,377,574 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The normal course issuer bid announced on March 17, 2020 enabled the Corporation to purchase for cancellation up to 1,886,220 common shares between March 19, 2020 and March 18, 2021. During that period, the Corporation purchased 279,700 common shares for cancellation.

The current normal course issuer bid announced on March 17, 2021 enables the Corporation to purchase for cancellation up to 2,045,621 common shares between March 19, 2021 and March 18, 2022. During the period between March 19, 2021 and November 10, 2021, the Corporation purchased 1,651,600 common shares for cancellation.

DIVIDEND POLICY

On November 10, 2021, Cascades' Board of Directors 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. On November 10, 2021, dividend yield was 3.3%.

				2019				2020			**2021**
TSX Ticker: CAS	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**	**Q2**	**Q3**
Common shares outstanding (in millions)[1]	93.6	93.6	94.2	94.2	94.3	95.0	95.0	102.3	**102.3**	**102.3**	**100.9**
Closing price (in Canadian dollars)[1]	$8.34	$10.54	$11.58	$11.21	$12.57	$14.79	$16.84	$14.55	**$15.73**	**$15.26**	**$15.67**
Average daily volume[2]	238,606	202,448	164,371	146,157	256,827	298,267	257,710	363,795	**342,616**	**433,394**	**278,277**
Dividend yield[1]	1.9%	1.5%	2.8%	2.9%	2.5%	2.2%	1.9%	2.2%	**2.0%**	**2.1%**	**3.1%**

1 On the last day of the quarter.
2 Average daily volume on the Toronto Stock Exchange.

CASCADES' COMMON SHARE PRICE FOR THE PERIOD FROM JANUARY 1, 2019 TO SEPTEMBER 30, 2021
(in Canadian dollars)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

For all the details for this section, please refer to the notes to the Unaudited Condensed Interim Consolidated Financial Statements.

CONTROLS AND PROCEDURES

EVALUATION OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's President and Chief Executive Officer, and its Vice-President and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings".

The purpose of internal controls over financial reporting ("ICFR") is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer certify disclosures in annual and interim filings under Regulation 52-109 using the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

During the three-month period ended September 30, 2021, there were no changes in the Corporation's ICFR that materially affected or are reasonably likely to materially affect the Corporation's ICFR.

RISK FACTORS

As part of its ongoing business operations, the Corporation is exposed to certain market risks, including risks ensuing from changes in selling prices for its principal products, costs of raw materials, interest rates and foreign currency exchange rates, all of which impact the Corporation's financial position, operating results and cash flows. The Corporation manages its exposure to these and other market risks through regular operating and financing activities and, on a limited basis, through the use of derivative financial instruments. We use these derivative financial instruments as risk management tools, not for speculative investment purposes.

Pages 57 to 66 of our Annual Report for the year ended December 31, 2020 contain a discussion of the key areas of the Corporation's business risks and uncertainties and its mitigating strategies. This information on business risks and enterprise risk management remains substantially unchanged. Please refer to our Annual Report for further details.

CONTINGENCIES

LEGAL CLAIMS

In the normal course of operations, the Corporation is party to various legal actions and contingencies, mostly related to contract disputes, environmental and product warranty claims, and labour issues. While the final outcome with respect to legal actions outstanding or pending as at September 30, 2021, cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial position, the results of its operations or its cash flows.

In the third quarter of 2021, the Containerboard Packaging segment had odour problems generated by its water effluent treatment system of paper machines at our Niagara Falls complex, New York, USA. On August 30, 2021, a class action was filed by two residents of Niagara Falls for inconvenience related to this issue. On October 15, 2021, a motion to dismiss the class action notice was filed by the Corporation, since it is believed that the submitted notice by the plaintiffs does not meet the necessary level of evidence and proof to institute a class action. The hearing date for the motion to dismiss is not set as of the reporting date and no liability was deemed necessary to be recorded as of September 30, 2021.

APPENDIX
INFORMATION FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

FINANCIAL RESULTS FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

SALES

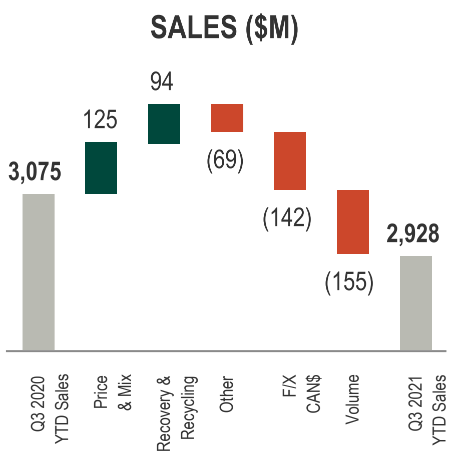
Sales decreased by $147 million, or 5%, to $2,928 million in the first nine months of 2021[1], compared with $3,075 million in the same period of 2020[1]. This was largely a reflection of the weaker demand in both Consumer Products and Away-from-Home markets in the Tissue Papers segment. The 8% average appreciation of the Canadian dollar compared to the US dollar had a negative impact on the sales of all the segments. These downsides were partially compensated by the net volume increase and favourable price and mix in the Packaging Products segments. Higher selling prices in Recovery and Recycling activities had a positive impact on sales.

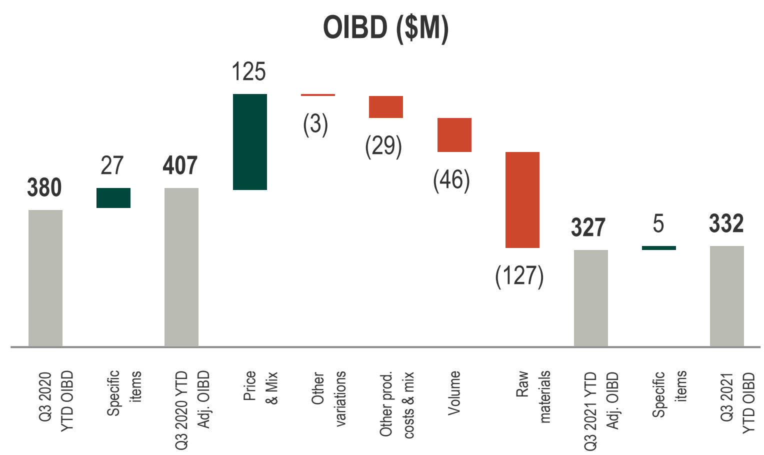
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an OIBD of $332 million in the first nine months of 2021[1], compared with $380 million in the same period of 2020[1], a decrease of $48 million. Specific items[2] recorded in both periods impacted the OIBD by an increase of $32 million. Excluding specific items, the $80 million adjusted OIBD[2] decrease is mainly explained by the lower volumes from the Tissue Papers segment, higher raw material costs and an unfavourable exchange rate. On the other hand, in the Packaging Products segments, higher volume and average selling prices and sales mix had a positive impact on the 2021 OIBD levels. These effects were offset by R&D tax credits of $11 million recorded in the first nine months of 2021, compared to $18 million recorded in the same period of 2020.

Adjusted OIBD[2] was $327 million in the first nine months of 2021[1], compared with $407 million in the same period of 2020[1].

The main variances[3] in sales and in OIBD in the first nine months of 2021[1], compared to the same period of 2020[1], are shown below:
(in millions of Canadian dollars)





The sales and OIBD variances analysis by segment is shown in each business segment review (please refer to pages 40 to 45 for more details).

The Corporation incurred certain specific items in the first nine months of 2021 and 2020 that adversely or positively affected its operating results[2].

1 2021 and 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

2 Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

3 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended September 30, 2021 and 2020" section for more details.

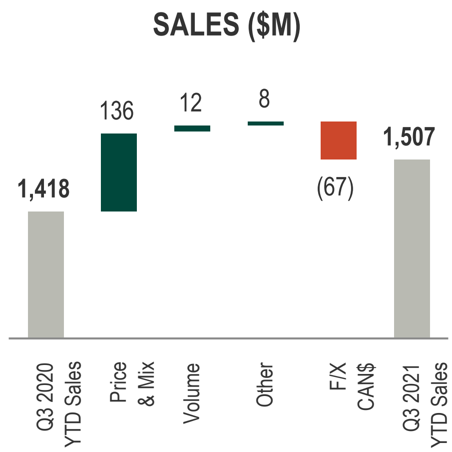
APPENDIX (CONTINUED)
INFORMATION FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

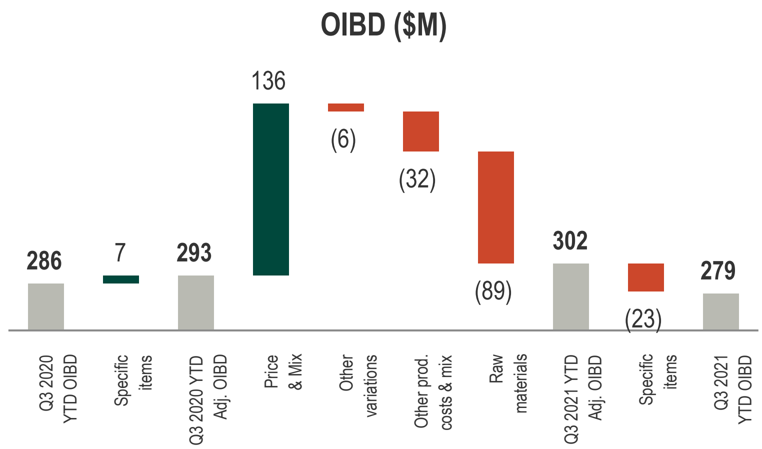
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

Our Performance (Q3 2020 YTD vs. Q3 2021 YTD)

The main variances[1] in sales and operating income before depreciation and amortization[2] for the Containerboard Packaging segment in the first nine months of 2021, compared with the same period of 2020, are shown below:





The Corporation incurred certain specific items in the first nine months of 2021 and 2020 that adversely or positively affected its operating results[2].

1 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended September 30, 2021 and 2020" section for more details.*

2 *Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.*

	Q3 2020 YTD	Q3 2021 YTD	Change in %
Shipments[2] ('000 s.t.)	1,145	1,153	1%
Average Selling Price (CAN$/unit)	1,239	1,306	5%
Sales ($M)	1,418	1,507	6%
OIBD[1] ($M) (as reported)	286	279	-2%
% of sales	20%	19%	
(adjusted)[1]	293	302	3%
% of sales	21%	20%	
Operating income ($M) (as reported)	199	187	-6%
(adjusted)[1]	206	210	2%

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

2 Shipments do not take into account the elimination of business sector inter-segment shipments. Including 10.7 billion square feet in the first nine months of 2021 compared to 10.3 billion square feet in the same period of 2020, an increase of 4%.

3 Including sales to other partners in Greenpac.

Shipments increased by 8,000 s.t., or 1%, in the first nine months of 2021 compared to the same period of 2020.

External parent roll shipments decreased by 13,000 s.t., or 2%, compared to the same period of 2020. During the third quarter, the Niagara Falls, NY, complex was impacted by issues with the water effluent treatment system, which reduced production capacity by approximately 11,000 s.t. and negatively impacted operating income by approximately $10 million. The situation has been resolved and production capacity returned to normal in early October. Manufacturing utilization rate remained stable at 96%.

Shipments from converting activities increased by 21,000 s.t., or 4%, which is in line with the US market, but underperformed the Canadian market following the Company's converting shipments outperformed the Canadian market last year. Integration rate remained stable mainly due to the environmental issues encountered in our US mills. Consequently, the mill integration rate of 57% in the first nine months of 2021 is up from 56% in the same period of 2020. Including sales to other partners[3], the integration rate was 71% in the first nine months of 2021, up from 69% in the same period of 2020.

The average selling price denominated in Canadian dollars increased by 6% for parent rolls and by 4% for converted products. The higher proportion of converted products sold also increased the average selling price. The 8% average appreciation of the Canadian dollar compared to the US dollar had a net negative impact on average selling prices during the period and partly offset these increases.

Sales increased by $89 million, or 6%, in the first nine months of 2021 compared to the same period of 2020. The higher average selling price and the favourable sales mix added $124 million and $12 million, respectively, to sales. Higher volume added $12 million to sales. These benefits were partly offset by the 8% average appreciation of the Canadian dollar against the US dollar which negatively impacted sales by $67 million.

Operating income before depreciation and amortization (OIBD) decreased by $7 million, or 2%, in the first nine months of 2021 compared to the same period of 2020. Excluding specific items[1] in both years, the $9 million, or 3%, increase reflects a higher average selling price and a favourable mix of products sold, which had a combined positive impact of $136 million. Other variations include the 1% increase in volume that added $6 million to profitability, the 8% average appreciation of the Canadian dollar which subtracted $9 million, and higher energy costs subtracted another $3 million. Increased costs of raw materials subtracted an additional $89 million, and other production costs and mix further reduced the results by $32 million. These primarily included higher repair and maintenance costs and higher labour and logistic costs. R&D tax credits of $5 million were also recorded in 2020. These negative impacts were partially offset by lower SG&A expense as a credit loss provision of $6 million related to the COVID-19 was recorded in the same period of 2020. Excluding the unplanned mechanical repairs related to our US mills, adjusted profitability year-over-year would have increased 3%. The water effluent treatment system issues at our Niagara Falls, NY, complex discussed above also had a negative impact on OIBD.

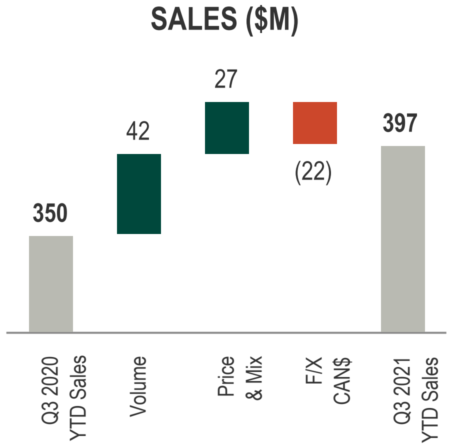
The segment incurred some specific items[1] in the first nine months of 2021 and 2020 that affected OIBD[1].

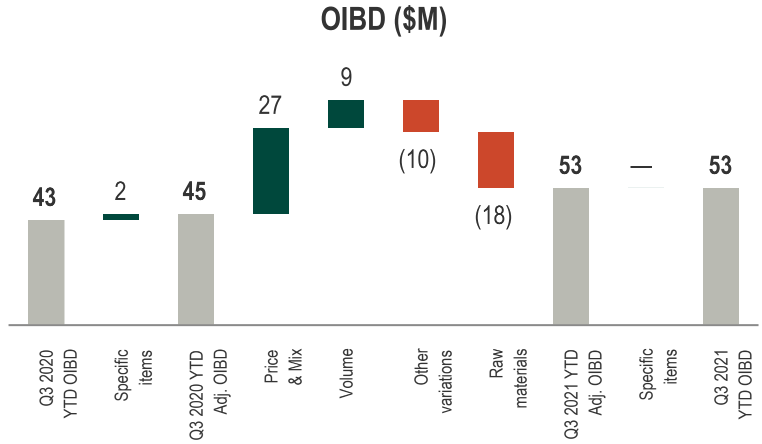
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Performance (Q3 2020 YTD vs. Q3 2021 YTD)

The main variances[1] in sales and operating income before depreciation and amortization[2] for the Specialty Products segment in the first nine months of 2021, compared with the same period of 2020, are shown below:





The Corporation incurred certain specific items in the first nine months of 2021 and 2020 that adversely or positively affected its operating results[2].

1 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended September 30, 2021 and 2020" section for more details.

2 Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

	Q3 2020 YTD	Q3 2021 YTD	Change in %
Sales ($M)	350	397	13%
OIBD[1] ($M) (as reported)	43	53	23%
% of sales	12%	13%	
(adjusted)[1]	45	53	18%
% of sales	13%	13%	
Operating income ($M) (as reported)	30	42	40%
(adjusted)[1]	32	42	31%

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

Sales increased by $47 million, or 13%, in the first nine months of 2021 compared to the same period of 2020. The combination of volume increases, higher average selling price and a favourable sales mix increased sales levels by $69 million in the period. These were partly offset by the 8% average appreciation of the Canadian dollar compared to the US dollar, which decreased sales by $22 million.

Operating income before depreciation and amortization (OIBD) increased by $10 million, or 23%, in the first nine months of 2021 compared to the same period of 2020. Excluding specific items[1] in both years, the adjusted OIBD increased by $8 million, or 18%. This improved performance is a result of higher overall volumes and realized spreads, which positively impacted results by $18 million. Lower SG&A and direct labour costs also positively impacted our performance by $5 million. These benefits were partially offset by the less favourable exchange rate and higher operating and maintenance costs, which negatively impacted results by $15 million.

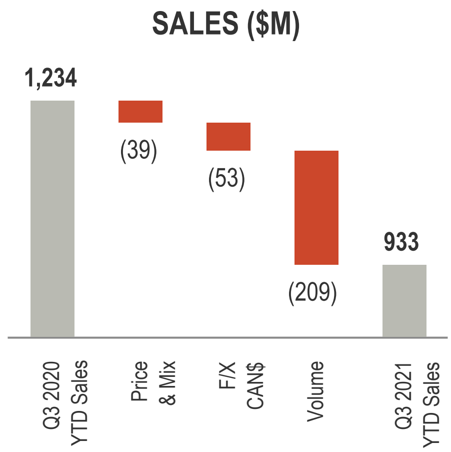
The segment incurred some specific items[1] in the first nine months of 2020 that affected OIBD[1].

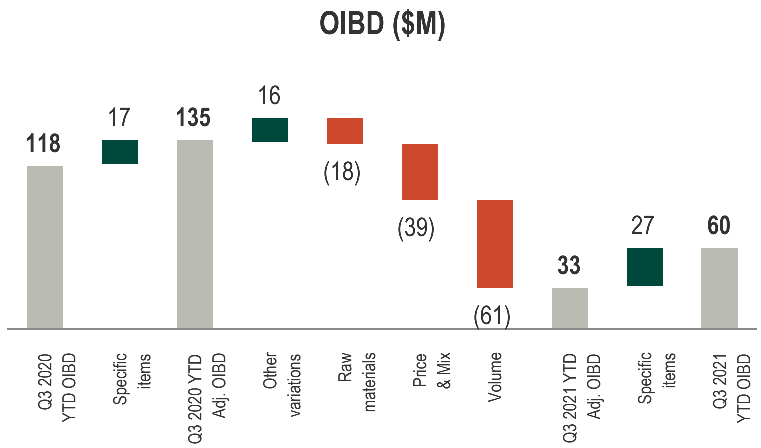
BUSINESS SEGMENT REVIEW

TISSUE PAPERS

Our Performance (Q3 2020 YTD vs. Q3 2021 YTD)

The main variances[1] in sales and operating income before depreciation and amortization[2] for the Tissue Papers segment in the first nine months of 2021, compared with the same period of 2020, are shown below:





The Corporation incurred certain specific items in the first nine months of 2021 and 2020 that adversely or positively affected its operating results[2].

1 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended September 30, 2021 and 2020" section for more details.*

2 *Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.*

	Q3 2020 YTD	Q3 2021 YTD	Change in %
Shipments[2] ('000 s.t.)	493	409	-17%
Average Selling Price (CAN$/unit)	2,502	2,278	-9%
Sales ($M)	1,234	933	-24%
OIBD[1] ($M) (as reported)	118	60	-49%
% of sales	10%	6%	
(adjusted)[1]	135	33	-76%
% of sales	11%	4%	
Operating income (loss) ($M) (as reported)	62	7	-89%
(adjusted)[1]	79	(20)	-125%

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

2 Shipments do not take into account the elimination of business sector inter-segment shipments.

Following strong demand in 2020 and customer inventory management in 2021, the Tissue market faced important volume contraction in the first nine months of 2021 compared to the same period of 2020. Converted product shipments decreased by 81,000 s.t., or 21%, from the year-ago period. This is the result of lower demand in both the Consumer Products (-24%) and the Away-from-Home (-16%) markets and reflects the volatility in customer buying patterns since the beginning of the COVID-19 which has made year-over-year comparisons difficult. External manufacturing shipments decreased by 3,000 s.t., or 3%, in the first nine months of 2021 compared to the same period of 2020. The integration rate was 73% during the period, compared to 75% in the same period of 2020.

The 9% decrease in the average selling price was primarily due to the 8% average appreciation of the Canadian dollar compared to the US dollar, a higher proportion of sales attributable to parent rolls and an unfavourable mix of converted products sold. These were partially offset by price increases related to margin initiatives started in 2020.

Sales decreased by $301 million, or 24% in the first nine months of 2021 compared to the same period of 2020. This was driven by lower volumes, which reduced sales by $209 million, and a $53 million impact related to the less favourable exchange rate and the above explanations.

Operating income before depreciation and amortization (OIBD) decreased by $58 million, or 49%, in the first nine months of 2021 compared to the same period of 2020. Excluding specific items[1] in both years, the adjusted OIBD decreased by $102 million, or 76%, and was mainly due to lower volumes which had an impact of $61 million, as well as higher transportation, raw material and variable costs. Lower fixed costs and SG&A following network optimizations, asset base modernization and margin improvement initiatives undertaken over the last year helped to partially offset these impacts on OIBD.

The segment incurred some specific items[1] in the first nine months of 2021 and 2020 that affected OIBD[1].

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	NOTE	**September 30, 2021**	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		**151**	384
Accounts receivable		**545**	659
Current income tax assets		**19**	23
Inventories		**502**	569
Current portion of financial assets	7	**11**	5
Assets classified as held for sale	4	**1,066**	—
		2,294	1,640
Long-term assets			
Investments in associates and joint ventures		**87**	82
Property, plant and equipment	5	**2,441**	2,772
Intangible assets with finite useful life		**129**	160
Financial assets	7	**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
Liabilities and Equity			
Current liabilities			
Bank loans and advances		**7**	12
Trade and other payables		**637**	861
Current income tax liabilities		**12**	17
Current portion of long-term debt	6	**74**	102
Current portion of provisions for contingencies and charges		**11**	14
Current portion of financial liabilities and other liabilities	7	**20**	25
Liabilities classified as held for sale	4	**698**	—
		1,459	1,031
Long-term liabilities			
Long-term debt	6	**1,830**	1,949
Provisions for contingencies and charges		**53**	57
Financial liabilities	7	**6**	6
Other liabilities		**117**	202
Deferred income tax liabilities		**196**	210
		3,661	3,455
Equity			
Capital stock		**614**	622
Contributed surplus		**13**	13
Retained earnings		**1,181**	1,146
Accumulated other comprehensive loss	4	**(27)**	(28)
Equity attributable to Shareholders		**1,781**	1,753
Non-controlling interests including share of assets and liabilities held for sale	4	**203**	204
Total equity		**1,984**	1,957
		5,645	5,412

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

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	NOTE	For the 3-month periods ended September 30, 2021	2020	For the 9-month periods ended September 30, 2021	2020
Sales		**1,030**	1,014	**2,928**	3,075
Cost of sales and expenses					
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	9	**(39)**	(7)	**(39)**	(5)
Impairment charges and restructuring costs	9	**5**	16	**16**	31
Foreign exchange loss (gain)		**(1)**	—	**1**	(1)
Loss on derivative financial instruments		**5**	1	**18**	1
		957	960	**2,788**	2,887
Operating income		**73**	54	**140**	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)
Earnings before income taxes		**51**	37	**87**	115
Provision for (recovery of) income taxes		**30**	(7)	**38**	10
Net earnings from continuing operations including non-controlling interests for the period		**21**	44	**49**	105
Results from discontinued operations	4	**25**	14	**30**	52
Net earnings including non-controlling interests for the period		**46**	58	**79**	157
Net earnings attributable to non-controlling interests		**14**	9	**22**	32
Net earnings attributable to Shareholders for the period		**32**	49	**57**	125
Net earnings from continuing operations per common share					
Basic		**$0.18**	$0.43	**$0.39**	$1.01
Diluted		**$0.18**	$0.42	**$0.39**	$0.99
Net earnings per common share					
Basic		**$0.32**	$0.51	**$0.56**	$1.32
Diluted		**$0.32**	$0.50	**$0.56**	$1.30
Weighted average basic number of common shares outstanding		**102,129,769**	95,019,694	**102,229,534**	94,577,538
Weighted average number of diluted common shares		**103,156,393**	96,077,440	**103,292,002**	95,735,264
Net earnings attributable to Shareholders:					
Continuing operations		**18**	41	**40**	95
Discontinued operations	4	**14**	8	**17**	30
Net earnings		**32**	49	**57**	125

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	NOTE	For the 3-month periods ended September 30, 2021	2020	For the 9-month periods ended September 30, 2021	2020
Net earnings including non-controlling interests for the period		**46**	58	**79**	157
Other comprehensive income (loss)					
Items that may be reclassified subsequently to earnings					
Translation adjustments					
Change in foreign currency translation of foreign subsidiaries		**26**	(23)	**(3)**	20
Change in foreign currency translation of foreign subsidiaries from discontinued operations	4	**(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	4	**—**	(6)	**12**	(14)
Cash flow hedges					
Change in fair value of commodity derivative financial instruments		**2**	2	**5**	2
Recovery of (provision for) income taxes		**1**	—	**(2)**	—
Provision for income taxes from discontinued operations	4	**—**	—	**(2)**	—
		13	(5)	**(8)**	18
Items that are not released to earnings					
Actuarial gain (loss) on employee future benefits		**8**	(4)	**29**	(19)
Recovery of (provision for) income taxes		**(1)**	1	**(7)**	5
		7	(3)	**22**	(14)
Other comprehensive income (loss)		**20**	(8)	**14**	4
Comprehensive income including non-controlling interests for the period		**66**	50	**93**	161
Comprehensive income attributable to non-controlling interests for the period		**14**	12	**13**	43
Comprehensive income attributable to Shareholders for the period		**52**	38	**80**	118
Comprehensive income attributable to Shareholders:					
Continuing operations		**38**	31	**65**	89
Discontinued operations	4	**14**	7	**15**	29
Comprehensive income		**52**	38	**80**	118

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

CONSOLIDATED STATEMENTS OF EQUITY

For the 9-month period ended September 30, 2021

(in millions of Canadian dollars) (unaudited)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of period		**622**	**13**	**1,146**	**(28)**	**1,753**	**204**	**1,957**
Comprehensive income (loss)								
Net earnings		**—**	**—**	**57**	**—**	**57**	**22**	**79**
Other comprehensive income (loss)		**—**	**—**	**22**	**1**	**23**	**(9)**	**14**
		—	**—**	**79**	**1**	**80**	**13**	**93**
Dividends		**—**	**—**	**(29)**	**—**	**(29)**	**(10)**	**(39)**
Dividends paid to non-controlling interests from discontinued operations		**—**	**—**	**—**	**—**	**—**	**(3)**	**(3)**
Issuance of common shares upon exercise of stock options		**2**	**—**	**—**	**—**	**2**	**—**	**2**
Redemption of common shares	8	**(10)**	**—**	**(16)**	**—**	**(26)**	**—**	**(26)**
Acquisition of non-controlling interests		**—**	**—**	**1**	**—**	**1**	**(1)**	**—**
Balance - End of period		**614**	**13**	**1,181**	**(27)**	**1,781**	**203**	**1,984**

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
Balance - Beginning of period	491	15	1,003	(17)	1,492	177	1,669
Comprehensive income (loss)							
Net earnings	—	—	125	—	125	32	157
Other comprehensive income (loss)	—	—	(14)	7	(7)	11	4
	—	—	111	7	118	43	161
Dividends	—	—	(22)	—	(22)	(11)	(33)
Dividends paid to non-controlling interests from discontinued operations	—	—	—	—	—	(2)	(2)
Issuance of common shares upon exercise of stock options	9	(2)	—	—	7	—	7
Redemption of common shares	(2)	—	(3)	—	(5)	—	(5)
Balance - End of period	498	13	1,089	(10)	1,590	207	1,797

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	NOTE	For the 3-month periods ended September 30, 2021	2020	For the 9-month periods ended September 30, 2021	2020
Operating activities from continuing operations					
Net earnings attributable to Shareholders for the period		**32**	49	**57**	125
Results from discontinued operations	4	**(25)**	(14)	**(30)**	(52)
Results from discontinued operations attributable to non-controlling interests	4	**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	9	**(39)**	(7)	**(39)**	(5)
Impairment charges and restructuring costs	9	**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
Investing activities from continuing operations					
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)
Financing activities from continuing operations					
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	7	**—**	—	**—**	1
Issuance of common shares upon exercise of stock options		**2**	—	**2**	7
Redemption of common shares	8	**(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)
Change in cash and cash equivalents during the period from continuing operations		**(21)**	59	**(139)**	58
Change in cash and cash equivalents from discontinued operations and reclassification of cash and cash equivalent as held for sale	4	**—**	8	**(94)**	14
Net change in cash and cash equivalents during the period		**(21)**	67	**(233)**	72
Currency translation on cash and cash equivalents		**1**	(2)	**—**	—
Cash and cash equivalents - Beginning of the period		**171**	162	**384**	155
Cash and cash equivalents - End of the period		**151**	227	**151**	227

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

SEGMENTED INFORMATION

The Corporation analyzes the performance of its operating segments based on their operating income before depreciation and amortization, which is not a measure of performance under International Financial Reporting Standards (IFRS); however, the chief operating decision-maker (CODM) uses this performance measure to assess the operating performance of each reportable segment. Earnings for each segment are prepared on the same basis as those of the Corporation. Inter-segment operations are recorded on the same basis as sales to third parties, which are at fair market value. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in 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,
	Canada		United States		Italy		Other countries		Total	
(in millions of Canadian dollars) (unaudited)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Packaging Products										
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
Tissue Papers	**68**	72	**276**	292	**—**	—	**—**	—	**344**	364
Inter-segment sales and Corporate Activities	**40**	32	**5**	(1)	**—**	—	**—**	—	**45**	31
	450	451	**580**	563	**86**	79	**269**	182	**1,385**	1,275
Discontinued operations — Boxboard Europe (see Note 4)	**—**	—	**—**	—	**(86)**	(79)	**(269)**	(182)	**(355)**	(261)
	450	451	**580**	563	**—**	—	**—**	—	**1,030**	1,014

										SALES TO
										For the 9-month periods ended September 30,
	Canada		United States		Italy		Other countries		Total	
(in millions of Canadian dollars) (unaudited)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Packaging Products										
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
Tissue Papers	**183**	207	**750**	1,026	**—**	—	**—**	1	**933**	1,234
Inter-segment sales and Corporate Activities	**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 (see Note 4)	**—**	—	**—**	—	**(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			
	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars) (unaudited)	**2021**	2020	**2021**	2020
Packaging Products				
Containerboard	**88**	101	**279**	286
Boxboard Europe	**39**	31	**73**	104
Specialty Products	**17**	16	**53**	43
	144	148	**405**	433
Tissue Papers	**47**	25	**60**	118
Corporate Activities	**(16)**	(19)	**(60)**	(67)
Operating income before depreciation and amortization before discontinued operations	**175**	154	**405**	484
Discontinued operations — Boxboard Europe	**(39)**	(31)	**(73)**	(104)
Operating income before depreciation and amortization	**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
Earnings before income taxes	**51**	37	**87**	115

	PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT			
	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars) (unaudited)	**2021**	2020	**2021**	2020
Packaging Products				
Containerboard	**33**	36	**139**	67
Boxboard Europe	**11**	14	**28**	23
Specialty Products	**7**	6	**23**	15
	51	56	**190**	105
Tissue Papers	**14**	23	**26**	62
Corporate Activities	**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)
Payments for property, plant and equipment net of proceeds from disposals	**4**	39	**140**	138

(tabular amounts in millions of Canadian dollars, except per common share amounts and number of common shares.)

NOTE 1
GENERAL INFORMATION

Cascades Inc. and its subsidiaries (together "Cascades" or the "Corporation") produce, convert and market packaging and tissue products composed mainly of recycled fibres. Cascades Inc. is incorporated and domiciled in Québec, Canada. The address of its registered office is 404 Marie-Victorin Boulevard, Kingsey Falls. Its common shares are listed on the Toronto Stock Exchange.

The Board of Directors approved the Unaudited Condensed Interim Consolidated Financial Statements on November 10, 2021.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Unaudited Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The Unaudited Condensed Interim Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements for the year ended December 31, 2020, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part I of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting, which incorporates IFRS as issued by the IASB.

The accounting policies applied in these Unaudited Condensed Interim Consolidated Financial Statements are the same as those applied in the Audited Consolidated Financial Statements for the year ended December 31, 2020. Also, income taxes in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings or losses for each jurisdiction.

NOTE 3
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Unaudited Condensed Interim Consolidated Financial Statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

As a response to the effects of the COVID-19 pandemic, the Corporation continues to review the assumptions for operating plans, valuation of property plant and equipment and accounts receivable. The exercise resulted in no additional expected credit loss for accounts receivables (increase of $8 million in the first nine months of 2020 (nil in the third quarter of 2020)) and no property, plant and equipment impairment (nil in the first nine months of 2020). The Corporation continues to closely monitor the consequences of the COVID-19 situation: the duration, spread or intensity of the pandemic as it continues to evolve, along with the supply chain, market pricing and customer demand. These factors may further impact the Corporation's operating plan, its cash flows, its ability to raise funds and the valuation of its long-lived assets.

As a result of the COVID-19 pandemic, the Tissue Papers segment has recorded lower than usual volume in the Away-from-Home market since the second quarter of 2020 and lower volume in the Consumer Products market starting in the second quarter of 2021 as a result of stronger than usual demand throughout 2020. This fact triggered an impairment testing on Tissue Papers' segment goodwill of $37 million. The calculation of the recoverable amount of the cash generating unit (CGU) was based on the income approach. Management uses several key assumptions, including estimated shipments levels, revenue growth rates, operating income before depreciation and amortization (OIBD), margins, discount rates and capital expenditures. Management used a fair value less cost to sell model, projected cash flows over a five-year period and used a terminal value which includes a growth rate of 2%. Based on available information at the assessment date, the assumptions are deemed reasonable, however they involve a high degree of judgment and complexity. The main assumption is that the Corporation believes that the level of shipments will return to the Corporation's 10-year average pre-pandemic levels. There is measurement uncertainty since adverse changes in one or a combination of the Corporation's key assumptions could cause a significant change in the carrying amounts of these assets. No impairment was recognized as of September 30, 2021 and the Corporation will keep monitoring the situation closely.

As a result of the impairment test, the Corporation concluded that the recoverable amount of the segment exceeded its carrying amount by $13 million. A summary of key assumptions is as follows:

	TISSUE PAPERS
Discounting rate range	11-11.5%
10-year average shipments in short tons	622,938
10-year average OIBD margin	8.9%

With all other variables held constant, a decrease in the terminal OIBD margin of 1% would reduce the excess by $96 million, a decrease of 10% in shipments would reduce the excess by $52 million and an increase in the discount rate of 0.5% would reduce the excess by $53 million.

Further information on critical accounting estimates and judgments is detailed in the Audited Consolidated Financial Statements as at and for the year ended December 31, 2020.

NOTE 4
NET ASSETS CLASSIFIED AS HELD FOR SALE, DISCONTINUED OPERATIONS AND DISPOSAL

NET ASSETS CLASSIFIED AS HELD FOR SALE BOXBOARD EUROPE SEGMENT

On July 5, 2021, the Corporation announced the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or $461 million including foreign exchange contracts and before related transaction fees of $11 million. The transaction closed on October 26, 2021.

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(in millions of Canadian dollars) BUSINESS SEGMENT:	Boxboard Europe
Cash and cash equivalents	37
Accounts receivable	216
Inventories	170
Current income tax assets	2
Investments in associates and joint ventures	1
Property, plant and equipment	442
Intangible assets with finite useful life	24
Financial assets	7
Other assets	23
Deferred income tax assets	6
Goodwill and other intangible assets with indefinite useful life	138
Total assets	**1,066**
Bank loans and advances	41
Trade and other payables	346
Current portion of long-term debt	37
Long-term debt	201
Provisions for contingencies and charges	9
Financial liabilities	1
Other liabilities	53
Deferred income tax liabilities	10
Total liabilities	**698**
Net assets classified as held for sale	**368**
Non-controlling interests	(154)
Net assets classified as held for sale attributable to Shareholders	**214**
Other items related to the assets held for sale	
Net investment hedge financial instrument net assets related to the assets held for sale	7
Net investment to be disposed	**221**

DISCONTINUED OPERATIONS BOXBOARD EUROPE SEGMENT

CONSOLIDATED RESULTS FROM DISCONTINUED OPERATIONS

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars)	**2021**	2020	**2021**	2020
Results from the discontinued operations				
Sales	**355**	261	**894**	798
Cost of sales and expenses (excluding depreciation and amortization)	**338**	231	**843**	695
Depreciation and amortization	**15**	12	**38**	35
Gain on acquisitions, disposals and others	**(18)**	—	**(16)**	—
Foreign exchange loss	**—**	1	**—**	1
Gain on derivative financial instruments	**(4)**	(2)	**(6)**	(2)
	331	242	**859**	729
Operating income	**24**	19	**35**	69
Financing expense	**2**	1	**4**	3
Earnings before income taxes	**22**	18	**31**	66
Provision for (recovery of) income taxes	**(3)**	4	**1**	14
Results from discontinued operations	**25**	14	**30**	52
Results from discontinued operations attributable to non-controlling interest	**(11)**	(6)	**(13)**	(22)
Results from discontinued operations attributable to Shareholders	**14**	8	**17**	30
Results from discontinued operations per common share				
Basic and diluted	**$0.14**	$0.08	**$0.17**	$0.31

CONSOLIDATED CASH FLOWS FROM DISCONTINUED OPERATIONS

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars)	**2021**	2020	**2021**	2020
Net cash flow from discontinued operations				
Cash flow from (used for):				
Operating activities	**(21)**	23	**19**	62
Investing activities	**(206)**	(6)	**(231)**	(19)
Financing activities	**178**	(10)	**156**	(37)
Change in cash and cash equivalent during the period	**(49)**	7	**(56)**	6
Currency translation on cash and cash equivalent	**1**	1	**(5)**	5
Cash and cash equivalents - Beginning of period	**85**	62	**98**	59
Cash and cash equivalents - End of period	**37**	70	**37**	70
Change in cash and cash equivalent during the period from discontinued operations	**—**	8	**—**	11
Dividends paid to the Corporation	**—**	—	**4**	3
Cash and cash equivalents - Beginning of period reclassified as held for sale during the period	**—**	—	**(98)**	—
Change in cash and cash equivalents from discontinued operations and reclassification of cash and cash equivalent as held for sale	**—**	8	**(94)**	14

NOTE 5
RIGHT-OF-USE ASSETS

The Consolidated Balance Sheets include $149 million as at September 30, 2021 ($181 million as at December 31, 2020) of right-of-use assets relating to leases in “Property, plant and equipment”.

NOTE 6
LONG-TERM DEBT

(in millions of Canadian dollars)	MATURITY	**September 30, 2021**	December 31, 2020
Revolving credit facility unused as at September 30, 2021 (December 31, 2020 - unused)	6(a)	**—**	—
5.125% Unsecured senior notes of $175 million	2025	**175**	175
5.125% Unsecured senior notes of US$350 million	2026	**444**	445
5.375% Unsecured senior notes of US$600 million (including net unamortized premium of $15 million)	2028	**776**	780
Term loan of US$165 million, interest rate of 2.19% as at September 30, 2021	2025	**209**	210
Lease obligations with recourse to the Corporation		**159**	167
Other debts with recourse to the Corporation		**39**	39
Lease obligations without recourse to the Corporation (see Note 4)		**10**	35
Other debts without recourse to the Corporation (see Note 4)		**107**	217
		1,919	2,068
Less: Unamortized financing costs		**15**	17
Total long-term debt		**1,904**	2,051
Less:			
Current portion of lease obligations with recourse to the Corporation		**35**	36
Current portion of other debts with recourse to the Corporation		**23**	23
Current portion of lease obligations without recourse to the Corporation (see Note 4)		**8**	12
Current portion of other debts without recourse to the Corporation (see Note 4)		**8**	31
		74	102
		1,830	1,949

a. On April 30, 2021, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million revolving credit facility. The amendment extends the term on the facility to July 7, 2025. The financial conditions remain unchanged.

b. As at September 30, 2021, the long-term debt had a fair value of $1,975 million (December 31, 2020 – $2,137 million).

NOTE 7
FINANCIAL INSTRUMENTS

DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date.

(i) The fair value of cash and cash equivalents, accounts receivable, notes receivable, bank loans and advances, trade and other payables and provisions approximates their carrying amounts due to their relatively short maturities.
(ii) The fair value of investment in shares is based on observable market data and is quoted on the Toronto Stock Exchange and classified as level 1.
(iii) The fair value of long-term debt and some other liabilities is based on observable market data and on the calculation of discounted cash flows. Discount rates were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for the credit market liquidity conditions and are classified as levels 1 and 3.
(iv) The fair value of derivative instruments, which include forward contracts, swap agreements and embedded derivatives accounted for separately, is calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and forward foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date and are classified as level 2. The fair value of derivative instruments reflects the estimated amounts that the Corporation would receive or pay to settle the contracts at the reporting date.

HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents information about the Corporation's financial assets and financial liabilities measured at fair value on a recurring basis as at September 30, 2021 and December 31, 2020 and indicates the fair value hierarchy of the Corporation's valuation techniques to determine such fair value. Three levels of inputs that may be used to measure fair value are:

Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 – Inputs that are generally unobservable and typically reflect Management's estimates of assumptions that market participants would use in pricing the asset or liability.

For commodity derivative financial instruments and foreign currency forward contracts, the Corporation classifies the fair value measurement as level 2, as they are based mainly on observable market data. The fair value of commodity derivative financial instruments is determined using expected future cash flows based on observable data and notional quantity, with the resulting value discounted using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable. The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the measurement date, with the resulting value discounted back to present values using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable.

				As at September 30, 2021
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	**2**	**2**	**—**	**—**
Derivative financial assets	**16**	**—**	**16**	**—**
	18	**2**	**16**	**—**
Financial liabilities				
Derivative financial liabilities	**(9)**	**—**	**(9)**	**—**
	(9)	**—**	**(9)**	**—**

	As at December 31, 2020			
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	1	1	—	—
Derivative financial assets	21	—	21	—
	22	1	21	—
Financial liabilities				
Derivative financial liabilities	(15)	—	(15)	—
	(15)	—	(15)	—

NOTE 8
CAPITAL STOCK

REDEMPTION OF COMMON SHARES

In 2020, the Corporation renewed its normal course issuer bid program for a maximum of 1,886,220 common shares with the Toronto Stock Exchange, said shares representing approximately 2% of issued and outstanding common shares. The redemption authorization was valid from March 19, 2020 to March 18, 2021. During the period between January 1, 2021 and March 18, 2021 the Corporation redeemed no common shares under this program.

In 2021, the Corporation renewed its normal course issuer bid program for a maximum of 2,045,621 common shares with the Toronto Stock Exchange, said shares representing approximately 2% of issued and outstanding common shares. The redemption authorization is valid from March 19, 2021 to March 18, 2022. During the period between March 19, 2021 and September 30, 2021, the Corporation redeemed 1,651,600 common shares under this program for an amount of $26 million.

NOTE 9
GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

For the nine-month period ended September 30, 2021, the Corporation recorded the following losses and gains:

For the 3-month period ended September 30, 2021

(in millions of Canadian dollars)	Including discontinued operations						Exclusion of discontinued operations	As reported
	PACKAGING PRODUCTS							
	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	BOXBOARD EUROPE	TOTAL
Gain on business acquisitions and disposals	—	(18)	—	(18)	—	—	18	—
Gain on disposal of assets	—	—	—	—	(39)	—	—	(39)
	—	(18)	—	(18)	(39)	—	18	(39)

For the 9-month period ended September 30, 2021

(in millions of Canadian dollars)	Including discontinued operations						Exclusion of discontinued operations	As reported
	PACKAGING PRODUCTS							
	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	BOXBOARD EUROPE	TOTAL
Gain on business acquisitions and disposals	—	(16)	—	(16)	—	—	16	—
Gain on disposal of assets	—	—	—	—	(39)	—	—	(39)
	—	(16)	—	(16)	(39)	—	16	(39)

Second quarter
The Boxboard Europe segment recorded a $2 million loss from the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. This amount is included in discontinued operations.

Third quarter
The Boxboard Europe segment recorded a $18 million gain from a business acquisition. This amount is included in discontinued operations.

The Tissue Papers segment recorded a $39 million gain from the sale of buildings related to closed plants in the USA and in Canada.

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

For the nine-month period ended September 30, 2021, the Corporation recorded the following impairment charges:

For the 9-month period ended September 30, 2021

(in millions of Canadian dollars)	PACKAGING PRODUCTS						
	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Spare parts	—	—	—	—	1	—	1

Second quarter
The Tissue Papers segment recorded an impairment charge of $1 million on spare parts related to closed plants.

For the nine-month period ended September 30, 2021, the Corporation recorded the following restructuring costs:

	For the 3-month period ended September 30, 2021						
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Restructuring costs	1	—	—	1	4	—	5

	For the 9-month period ended September 30, 2021						
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Restructuring costs	4	—	—	4	11	—	15

First quarter
The Containerboard Packaging segment recorded severance charges totaling $3 million as part of the margin improvement program.

The Tissue Papers segment recorded additional restructuring charges and closure costs totaling $2 million related to closed plants.

Second quarter
The Tissue Papers segment recorded additional restructuring charges and closure costs totaling $5 million related to closed plants.

Third quarter
The Containerboard Packaging segment recorded closure costs totaling $1 million related to the closure of plants in Ontario, Canada.

The Tissue Papers segment recorded additional restructuring charges and closure costs totaling $4 million related to closed plants.

NOTE 10
COMMITMENTS

CAPITAL EXPENDITURES
Major capital expenditures contracted at the end of the reporting period but not yet incurred total $90 million.

NOTE 11
CONTINGENCIES

LEGAL CLAIMS

In the normal course of operations, the Corporation is party to various legal actions and contingencies, mostly related to contract disputes, environmental and product warranty claims, and labour issues. While the final outcome with respect to legal actions outstanding or pending as at September 30, 2021, cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial position, the results of its operations or its cash flows.

In the third quarter of 2021, the Containerboard Packaging segment had odour problems generated by its water effluent treatment system of paper machines at our Niagara Falls complex, New York, USA. On August 30, 2021, a class action was filed by two residents of Niagara Falls for inconvenience related to this issue. On October 15, 2021, a motion to dismiss the class action notice was filed by the Corporation, since it is believed that the submitted notice by the plaintiffs does not meet the necessary level of evidence and proof to institute a class action. The hearing date for the motion to dismiss is not set as of the reporting date and no liability was deemed necessary to be recorded as of September 30, 2021.

NOTE 12
EVENTS AFTER THE REPORTING PERIOD

SALE OF BOXBOARD EUROPE SEGMENT

On October 26, 2021, as previously announced on July 5, 2021, the Corporation completed the sale of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or €315.3 million ($461 million) including foreign exchange contracts and before related transaction fees of $11 million. The estimated accounting gain before income tax amounts to $229 million. The Corporation will use tax attributes and does not expect to pay income taxes on this transaction.

UNSECURED SENIOR NOTES REDEMPTION

On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US$144 million ($180 million) and US$155 million ($193 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$17 million ($21 million). The Corporation incurred transaction fees of approximately $2 million, wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid US$5 million ($6 million) of interest accrued on these notes.

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

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