

# PRESS RELEASE



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## **Cascades Reports Results for the Third Quarter of 2022** **Results in line with expectations, supported by positive trends in Tissue**

**Kingsey Falls, Québec, November 10, 2022** - Cascades Inc. (TSX: CAS) reports its unaudited financial results for the three-month period ended September 30, 2022.

### **Q3 2022 Highlights**

- Sales of \$1,174 million (compared with \$1,119 million in Q2 2022 and \$1,030 million in Q3 2021)
- As reported (including specific items)
  - Operating income of \$25 million (compared with \$32 million in Q2 2022 and \$73 million in Q3 2021)
  - Operating income before depreciation and amortization (OIBD) of \$92 million (compared with \$95 million in Q2 2022 and \$136 million in Q3 2021)
  - Net loss per common share of \$(0.02) (compared with net earnings per common share of \$0.10 in Q2 2022 and net earnings per common share of \$0.32 in Q3 2021)
- Adjusted (excluding specific items<sup>1</sup>)
  - Operating income of \$44 million (compared with \$28 million in Q2 2022 and \$44 million in Q3 2021)
  - Operating income before depreciation and amortization (OIBD) of \$111 million (compared with \$91 million in Q2 2022 and \$107 million in Q3 2021)
  - Net earnings per common share of \$0.20 (compared with net earnings per common share of \$0.10 in Q2 2022 and a net loss per common share of \$(0.01) in Q3 2021)
- Net debt<sup>1</sup> of \$2,011 million as of September 30, 2022 (compared with \$1,712 million as of June 30, 2022). Net debt to adjusted OIBD ratio<sup>1</sup> of 6.2x, up from 5.4x as of June 30, 2022.
- Total capital expenditures, net of disposals, of \$121 million in Q3 2022 and \$333 million in the first nine months of 2022. Forecasted 2022 net capital expenditures of \$450 - \$470 million, including \$310 - \$330 million for the Bear Island containerboard conversion project in Virginia, USA.
- On October 19, 2022, the Corporation announced that it had successfully amended its existing credit facility to reinforce its financial flexibility. The updated agreement increased the authorized term loan to US\$260 million from US\$160 million while extending the maturity by two years to December 2027. Concurrently, the term of the Corporation's revolving facility was extended by one year to July 2026.

<sup>1</sup> Some information represents Non-IFRS financial measures, other financial measures or Non-IFRS ratios which are not standardized under IFRS and therefore might not be comparable to similar financial measures disclosed by other corporations. Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

Mario Plourde, President and CEO, commented: "Our third quarter performance was in line with expectations notwithstanding the fact that our Tissue segment continued to face unprecedented cost inflation and reduced productivity due to labour scarcity and inefficiencies. Company-wide, improvements in volume, pricing and sales mix mitigated continued cost headwinds on a sequential and year-over-year basis. Importantly, the profitability initiatives that have been deployed throughout our Tissue business absorbed this segment's higher costs during the quarter. While these measures trailed the cadence of cost headwinds in the first nine months of the year, we are encouraged with how they are now tracking, and continue to expect additional benefits going forward.

The Bear Island project advanced well during the quarter and we are preparing the commissioning of certain key equipment. As we pointed to in our second quarter release, supply chain constraints in 2022 slowed delivery of some materials which delayed certain construction milestones. These conditions continued in the third quarter and as a result start-up of the facility will occur in the first quarter of 2023. The capital investments for this project totaled \$83 million in the third quarter and \$228 million year-to-date. These elevated investment levels underline the environment of high cost inflation, and have resulted in an important increase in our leverage, a trend we expect to reverse in 2023 with improved business performance and the contribution from this facility following its start-up. A prominent FX impact and higher working capital requirements, driven by inflation, were similarly important factors in the increase in our debt levels in the third quarter."

Discussing near-term outlook, Mr. Plourde commented, “In view of the persistent inflationary pressures on costs and current macroeconomic environment, we are taking a conservative approach to our near-term outlook. Accordingly, we expect sequentially stable results in our packaging businesses, with lower raw material cost tailwinds projected to counterbalance lower volumes. For our Tissue segment, we anticipate improved sequential results driven by accruing benefits from profitability initiatives and stable demand levels. Our initiatives have delivered according to expectations thus far, despite certain timing delays in their implementations. The exception to this is meeting our production targets, where we continue to put in place additional measures to narrow the shortfall. The temporary shutdown of one of the machines at our St. Helen’s facility in Oregon has not impacted our annualized longer-term Tissue profitability objectives. Production is expected to resume by mid-December, and costs associated with the shutdown will total approximately \$6 million.

As we have highlighted previously, our tissue business performance has been impacted by persistent cost inflation this year. The effect on results is immediate, whereas the roll-out of corrective pricing and other commercial initiatives takes time to be implemented and generate benefits. Given the significant impact that this interval has had in the current year, our Tissue segment is expected to generate \$8 to \$12 million of adjusted OIBD<sup>1</sup> in the fourth quarter of 2022 and, as such, will not achieve the \$25 - \$40 million adjusted OIBD<sup>1</sup> target in the calendar year 2022. More importantly, notwithstanding these challenging conditions, our Tissue segment remains on track to deliver on its long-term objectives.”

## Financial Summary

### Selected consolidated information

(in millions of Canadian dollars, except amounts per common share) (unaudited)	Q3 2022	Q2 2022	Q3 2021
<b>Sales</b>	1,174	1,119	1,030
<b>As Reported</b>			
Operating income before depreciation and amortization (OIBD)	92	95	136
Operating income	25	32	73
Net earnings (loss)	(2)	10	32
per common share	(\$0.02)	\$0.10	\$0.32
Margin (OIBD)	7.8%	8.5%	13.2%
<b>Adjusted<sup>1</sup></b>			
Operating income before depreciation and amortization (OIBD)	111	91	107
Operating income	44	28	44
Net earnings (loss)	20	10	(1)
per common share	\$0.20	\$0.10	(\$0.01)
Margin (OIBD)	9.5%	8.1%	10.4%

### Segmented sales

(in millions of Canadian dollars) (unaudited)	Q3 2022	Q2 2022	Q3 2021
<b>Packaging Products</b>			
Containerboard	595	569	507
Specialty Products	168	168	144
Inter-segment sales	(11)	(10)	(10)
	752	727	641
<b>Tissue Papers</b>	382	342	344
Inter-segment sales and Corporate Activities	40	50	45
<b>Sales</b>	1,174	1,119	1,030

### Segmented OIBD as reported

(in millions of Canadian dollars) (unaudited)	Q3 2022	Q2 2022	Q3 2021
<b>Packaging Products</b>			
Containerboard	99	98	88
Specialty Products	25	25	17
<b>Tissue Papers</b>	(10)	(4)	47
Corporate Activities	(22)	(24)	(16)
<b>OIBD as reported</b>	92	95	136

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

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

(in millions of Canadian dollars) (unaudited)	Q3 2022	Q2 2022	Q3 2021
<b>Packaging Products</b>			
Containerboard	103	99	94
Specialty Products	25	25	17
<b>Tissue Papers</b>	4	(8)	12
Corporate Activities	(21)	(25)	(16)
<b>Adjusted OIBD<sup>1</sup></b>	<b>111</b>	<b>91</b>	<b>107</b>

### **Analysis of results for the three-month period ended September 30, 2022 (compared to the same period last year)**

Sales of \$1,174 million increased by \$144 million compared with the same period last year. This reflects \$147 million of combined benefits from improvements in selling prices and sales mix in all business segments. The Canadian dollar - US dollar exchange rate was also favourable for all businesses, contributing \$26 million to sales levels on a consolidated basis. These factors were partially offset by a \$26 million impact related to lower volumes mainly in the Tissue Papers business segment.

The Corporation generated an operating income before depreciation and amortization (OIBD) of \$92 million in the third quarter of 2022, down from \$136 million in the third quarter of 2021. On an adjusted basis<sup>1</sup>, third quarter OIBD totaled \$111 million, an increase of \$4 million, or 4%, from the \$107 million generated in the same period last year. This increase is attributable to \$138 million of improvements related to selling price and mix in all businesses, the benefits of which outweighed higher raw material, production, energy and logistics costs in all segments.

The main specific items, before income taxes, that impacted our third quarter 2022 OIBD and/or a net loss were:

- \$2 million of impairment charges in the Containerboard Packaging segment on some equipment as part of the continuing optimization initiatives of the platform in Ontario, Canada (OIBD and a net loss);
- \$14 million of impairment charges in the Tissue Papers segment on spare parts and on some property, plant and equipment related to a permanently closed plant in the USA (OIBD and a net loss);
- \$3 million unrealized loss on financial instruments (OIBD and a net loss);
- \$10 million foreign exchange loss on long-term debt and financial instruments (a net loss).

For the 3-month period ended September 30, 2022, the Corporation posted a net loss of \$(2) million, or \$(0.02) per common share, compared to net earnings of \$32 million, or \$0.32 per common share, in the same period of 2021. On an adjusted basis<sup>1</sup>, the Corporation generated net earnings of \$20 million in the third quarter of 2022, or \$0.20 per common share, compared to a net loss of \$(1) million, or \$(0.01) per common share, in the same period of 2021.

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

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

The Board of Directors of Cascades declared a quarterly dividend of \$0.12 per common share to be paid on December 8, 2022 to shareholders of record at the close of business on November 23, 2022. This dividend is an "eligible dividend" as per the Income Tax Act (R.C.S. (1985), Canada). During the third quarter of 2022, Cascades purchased 460,400 common shares for cancellation at a weighted average price of \$9.38.

### **2022 Third Quarter Results Conference Call Details**

Management will discuss the 2022 third quarter financial results during a conference call today at 9:00 a.m. EDT. The call can be accessed by dialing 1-888-390-0620 (international 1-416-764-8651). The conference call, including the investor presentation, will be broadcast live on the Cascades website ([www.cascades.com](http://www.cascades.com)) under the "Investors" section. A replay of the call will be available on the Cascades website and may also be accessed by phone until December 10, 2022 by dialing 1-888-390-0541 (international 1-416-764-8677), access code 369906.

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

## CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	September 30, 2022	December 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	43	174
Accounts receivable	639	510
Current income tax assets	12	19
Inventories	616	494
Current portion of financial assets	12	1
	<b>1,322</b>	<b>1,198</b>
<b>Long-term assets</b>		
Investments in associates and joint ventures	98	87
Property, plant and equipment	2,892	2,522
Intangible assets with finite useful life	78	88
Financial assets	7	6
Other assets	55	54
Deferred income tax assets	109	138
Goodwill and other intangible assets with indefinite useful life	496	473
	<b>5,057</b>	<b>4,566</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Bank loans and advances	2	1
Trade and other payables	694	707
Current income tax liabilities	4	12
Current portion of long-term debt	77	74
Current portion of provisions for contingencies and charges	9	12
Current portion of financial liabilities and other liabilities	23	16
	<b>809</b>	<b>822</b>
<b>Long-term liabilities</b>		
Long-term debt	1,975	1,450
Provisions for contingencies and charges	45	47
Financial liabilities	9	6
Other liabilities	89	122
Deferred income tax liabilities	146	192
	<b>3,073</b>	<b>2,639</b>
<b>Equity</b>		
Capital stock	611	614
Contributed surplus	14	14
Retained earnings	1,247	1,274
Accumulated other comprehensive income (loss)	57	(23)
<b>Equity attributable to Shareholders</b>	<b>1,929</b>	<b>1,879</b>
Non-controlling interests	55	48
<b>Total equity</b>	<b>1,984</b>	<b>1,927</b>
	<b>5,057</b>	<b>4,566</b>

## CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2022	2021	2022	2021
<b>Sales</b>	<b>1,174</b>	<b>1,030</b>	<b>3,331</b>	<b>2,928</b>
<b>Cost of sales and expenses</b>				
Cost of sales (including depreciation and amortization of \$67 million for 3-month period (2021 — \$63 million) and \$190 million for 9-month period (2021 — \$192 million))	1,042	901	2,994	2,532
Selling and administrative expenses	88	86	269	260
Gain on acquisitions, disposals and others	—	(39)	(10)	(39)
Impairment charges and restructuring costs	16	5	17	16
Foreign exchange loss (gain)	—	(1)	(2)	1
Loss on derivative financial instruments	3	5	10	18
	<b>1,149</b>	<b>957</b>	<b>3,278</b>	<b>2,788</b>
<b>Operating income</b>	<b>25</b>	<b>73</b>	<b>53</b>	<b>140</b>
Financing expense	21	22	53	64
Interest expense on employee future benefits and other liabilities	1	1	3	3
Foreign exchange loss (gain) on long-term debt and financial instruments	10	3	12	(3)
Share of results of associates and joint ventures	(5)	(4)	(15)	(11)
<b>Earnings (loss) before income taxes</b>	<b>(2)</b>	<b>51</b>	<b>—</b>	<b>87</b>
<b>Provision for (recovery of) income taxes</b>	<b>(5)</b>	<b>30</b>	<b>(6)</b>	<b>38</b>
<b>Net earnings from continuing operations including non-controlling interests for the period</b>	<b>3</b>	<b>21</b>	<b>6</b>	<b>49</b>
<b>Results from discontinued operations</b>	<b>—</b>	<b>25</b>	<b>—</b>	<b>30</b>
<b>Net earnings including non-controlling interests for the period</b>	<b>3</b>	<b>46</b>	<b>6</b>	<b>79</b>
<b>Net earnings attributable to non-controlling interests</b>	<b>5</b>	<b>14</b>	<b>13</b>	<b>22</b>
<b>Net earnings (loss) attributable to Shareholders for the period</b>	<b>(2)</b>	<b>32</b>	<b>(7)</b>	<b>57</b>
<b>Net earnings (loss) from continuing operations per common share</b>				
Basic	(\$0.02)	\$0.18	(\$0.07)	\$0.39
Diluted	(\$0.02)	\$0.18	(\$0.07)	\$0.39
<b>Net earnings (loss) per common share</b>				
Basic	(\$0.02)	\$0.32	(\$0.07)	\$0.56
Diluted	(\$0.02)	\$0.32	(\$0.07)	\$0.56
<b>Weighted average basic number of common shares outstanding</b>	<b>100,822,027</b>	<b>102,129,769</b>	<b>100,744,469</b>	<b>102,229,534</b>
<b>Weighted average number of diluted common shares</b>	<b>101,108,030</b>	<b>103,156,393</b>	<b>101,265,038</b>	<b>103,292,002</b>
<b>Net earnings (loss) attributable to Shareholders:</b>				
Continuing operations	(2)	18	(7)	40
Discontinued operations	—	14	—	17
<b>Net earnings (loss)</b>	<b>(2)</b>	<b>32</b>	<b>(7)</b>	<b>57</b>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2022	2021	2022	2021
<b>Net earnings including non-controlling interests for the period</b>	<b>3</b>	<b>46</b>	<b>6</b>	<b>79</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to earnings</b>				
<b>Translation adjustments</b>				
Change in foreign currency translation of foreign subsidiaries	82	26	103	(3)
Change in foreign currency translation of foreign subsidiaries from discontinued operations	—	(1)	—	(21)
Change in foreign currency translation related to net investment hedging activities	(24)	(15)	(30)	3
Change in foreign currency translation related to net investment hedging activities from discontinued operations	—	—	—	12
<b>Cash flow hedges</b>				
Change in fair value of commodity derivative financial instruments	3	2	10	5
<b>Recovery of (provision for) income taxes</b>	2	1	1	(2)
<b>Provision for income taxes from discontinued operations</b>	—	—	—	(2)
	<b>63</b>	<b>13</b>	<b>84</b>	<b>(8)</b>
<b>Items that are not released to earnings</b>				
Actuarial gain (loss) on employee future benefits	(2)	8	29	29
Provision for income taxes	—	(1)	(8)	(7)
	<b>(2)</b>	<b>7</b>	<b>21</b>	<b>22</b>
<b>Other comprehensive income</b>	<b>61</b>	<b>20</b>	<b>105</b>	<b>14</b>
<b>Comprehensive income including non-controlling interests for the period</b>	<b>64</b>	<b>66</b>	<b>111</b>	<b>93</b>
<b>Comprehensive income attributable to non-controlling interests for the period</b>	<b>8</b>	<b>14</b>	<b>17</b>	<b>13</b>
<b>Comprehensive income attributable to Shareholders for the period</b>	<b>56</b>	<b>52</b>	<b>94</b>	<b>80</b>
<b>Comprehensive income attributable to Shareholders:</b>				
Continuing operations	56	38	94	65
Discontinued operations	—	14	—	15
<b>Comprehensive income</b>	<b>56</b>	<b>52</b>	<b>94</b>	<b>80</b>

## CONSOLIDATED STATEMENTS OF EQUITY

For the 9-month period ended September 30, 2022

(in millions of Canadian dollars) (unaudited)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON- CONTROLLING INTERESTS	TOTAL EQUITY
<b>Balance - Beginning of period</b>	<b>614</b>	<b>14</b>	<b>1,274</b>	<b>(23)</b>	<b>1,879</b>	<b>48</b>	<b>1,927</b>
Comprehensive income							
Net earnings (loss)	—	—	(7)	—	(7)	13	6
Other comprehensive income	—	—	21	80	101	4	105
Dividends	—	—	14	80	94	17	111
Stock options expense	—	1	(36)	—	(36)	(9)	(45)
Issuance of common shares upon exercise of stock options	2	(1)	—	—	1	—	1
Redemption of common shares	(5)	—	(4)	—	(9)	—	(9)
Acquisition of non-controlling interests	—	—	(1)	—	(1)	(1)	(2)
<b>Balance - End of period</b>	<b>611</b>	<b>14</b>	<b>1,247</b>	<b>57</b>	<b>1,929</b>	<b>55</b>	<b>1,984</b>

For the 9-month period ended September 30, 2021

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2022	2021	2022	2021
<b>Operating activities from continuing operations</b>				
Net earnings (loss) attributable to Shareholders for the period	(2)	32	(7)	57
Results from discontinued operations	—	(25)	—	(30)
Results from discontinued operations attributable to non-controlling interests	—	11	—	13
Net earnings (loss) from continuing operations	(2)	18	(7)	40
Adjustments for:				
Financing expense and interest expense on employee future benefits and other liabilities	22	23	56	67
Depreciation and amortization	67	63	190	192
Gain on acquisitions, disposals and others	—	(39)	(10)	(39)
Impairment charges and restructuring costs	16	5	17	16
Unrealized loss on derivative financial instruments	3	5	10	18
Foreign exchange loss (gain) on long-term debt and financial instruments	10	3	12	(3)
Provision for (recovery of) income taxes	(5)	30	(6)	38
Share of results of associates and joint ventures	(5)	(4)	(15)	(11)
Net earnings attributable to non-controlling interests	5	3	13	9
Net financing expense paid	(38)	(41)	(72)	(85)
Net income taxes received (paid)	(1)	1	(5)	2
Dividends received	1	—	6	5
Provisions for contingencies and charges and other liabilities	(13)	(9)	(29)	(22)
	60	58	160	227
Changes in non-cash working capital components	(61)	(13)	(212)	(85)
	(1)	45	(52)	142
<b>Investing activities from continuing operations</b>				
Disposals in associates and joint ventures	—	—	—	1
Payments for property, plant and equipment	(122)	(54)	(341)	(191)
Proceeds from disposals of property, plant and equipment	1	50	8	51
Change in intangible and other assets	—	(3)	(3)	(14)
	(121)	(7)	(336)	(153)
<b>Financing activities from continuing operations</b>				
Bank loans and advances	—	(1)	—	(5)
Change in credit facilities	140	1	388	—
Increase in other long-term debt	—	—	—	5
Payments of other long-term debt, including lease obligations	(26)	(19)	(75)	(63)
Issuance of common shares upon exercise of stock options	—	2	1	2
Redemption of common shares	(4)	(26)	(9)	(26)
Dividends paid to non-controlling interests	(3)	(3)	(9)	(10)
Acquisition of non-controlling interests	(1)	—	(3)	(2)
Dividends paid to the Corporation's Shareholders	(12)	(13)	(36)	(29)
	94	(59)	257	(128)
<b>Change in cash and cash equivalents during the period from continuing operations</b>	(28)	(21)	(131)	(139)
<b>Change in cash and cash equivalents from discontinued operations and reclassification of cash and cash equivalent as held for sale</b>	—	—	—	(94)
<b>Net change in cash and cash equivalents during the period</b>	(28)	(21)	(131)	(233)
<b>Currency translation on cash and cash equivalents</b>	1	1	—	—
<b>Cash and cash equivalents - Beginning of the period</b>	70	171	174	384
<b>Cash and cash equivalents - End of the period</b>	43	151	43	151



## SEGMENTED INFORMATION

The Corporation analyzes the performance of its operating segments based on their operating income before depreciation and amortization, which is not a measure of performance under International Financial Reporting Standards (IFRS). However, the chief operating decision-maker (CODM) uses this performance measure to assess the operating performance of each reportable segment. Earnings for each segment are prepared on the same basis as those of the Corporation. Intersegment operations are recorded on the same basis as sales to third parties, which are at fair market value. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in its most recent audited consolidated financial statements for the year ended December 31, 2021.

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

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

		SALES TO							
		For the 3-month periods ended September 30,							
		Canada		United States		Other countries		Total	
(in millions of Canadian dollars) (unaudited)		2022	2021	2022	2021	2022	2021	2022	2021
<b>Packaging Products</b>									
Containerboard		336	314	258	193	1	—	595	507
Specialty Products		59	51	109	93	—	—	168	144
Inter-segment sales		(5)	(3)	(6)	(7)	—	—	(11)	(10)
		<b>390</b>	<b>362</b>	<b>361</b>	<b>279</b>	<b>1</b>	<b>—</b>	<b>752</b>	<b>641</b>
<b>Tissue Papers</b>		<b>93</b>	<b>68</b>	<b>289</b>	<b>276</b>	<b>—</b>	<b>—</b>	<b>382</b>	<b>344</b>
<b>Inter-segment sales and Corporate Activities</b>		<b>33</b>	<b>40</b>	<b>7</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>40</b>	<b>45</b>
		<b>516</b>	<b>470</b>	<b>657</b>	<b>560</b>	<b>1</b>	<b>—</b>	<b>1,174</b>	<b>1,030</b>

		SALES TO							
		For the 9-month periods ended September 30,							
		Canada		United States		Other countries		Total	
(in millions of Canadian dollars) (unaudited)		2022	2021	2022	2021	2022	2021	2022	2021
<b>Packaging Products</b>									
Containerboard		1,001	928	696	579	1	—	1,698	1,507
Specialty Products		181	147	312	250	—	—	493	397
Inter-segment sales		(14)	(10)	(15)	(14)	—	—	(29)	(24)
		<b>1,168</b>	<b>1,065</b>	<b>993</b>	<b>815</b>	<b>1</b>	<b>—</b>	<b>2,162</b>	<b>1,880</b>
<b>Tissue Papers</b>		<b>232</b>	<b>183</b>	<b>806</b>	<b>750</b>	<b>—</b>	<b>—</b>	<b>1,038</b>	<b>933</b>
<b>Inter-segment sales and Corporate Activities</b>		<b>114</b>	<b>105</b>	<b>17</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>131</b>	<b>115</b>
		<b>1,514</b>	<b>1,353</b>	<b>1,816</b>	<b>1,575</b>	<b>1</b>	<b>—</b>	<b>3,331</b>	<b>2,928</b>

## OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2022	2021	2022	2021
<b>Packaging Products</b>				
Containerboard	99	88	269	279
Specialty Products	25	17	78	53
	124	105	347	332
<b>Tissue Papers</b>	(10)	47	(32)	60
<b>Corporate Activities</b>	(22)	(16)	(72)	(60)
<b>Operating income before depreciation and amortization</b>	92	136	243	332
Depreciation and amortization	(67)	(63)	(190)	(192)
Financing expense and interest expense on employee future benefits and other liabilities	(22)	(23)	(56)	(67)
Foreign exchange gain (loss) on long-term debt and financial instruments	(10)	(3)	(12)	3
Share of results of associates and joint ventures	5	4	15	11
<b>Earnings (loss) before income taxes</b>	(2)	51	—	87

## PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2022	2021	2022	2021
<b>Packaging Products</b>				
Containerboard	142	33	301	139
Specialty Products	8	7	25	23
	150	40	326	162
<b>Tissue Papers</b>	17	14	39	26
<b>Corporate Activities</b>	10	15	25	26
<b>Total acquisitions</b>	177	69	390	214
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	(36)	(18)	(69)	(30)
	141	51	321	184
Acquisitions for property, plant and equipment included in "Trade and other payables"				
Beginning of the period	36	27	75	31
End of the period	(55)	(24)	(55)	(24)
<b>Payments for property, plant and equipment</b>	122	54	341	191
<b>Proceeds from disposals of property, plant and equipment</b>	(1)	(50)	(8)	(51)
<b>Payments for property, plant and equipment net of proceeds from disposals</b>	121	4	333	140

## SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES AND OTHER FINANCIAL MEASURES

### SPECIFIC ITEMS

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

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

### RECONCILIATION AND USES OF NON-IFRS AND OTHER FINANCIAL MEASURES

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

#### Non-IFRS measures

- Adjusted OIBD: Used to assess operating performance and the contribution of each segment on a comparable basis.
- Adjusted operating income: Used to assess operating performance of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Adjusted free cash flow: Used to assess the Corporation's capacity to generate cash flows to meet financial obligations and/or discretionary items such as share repurchase, dividend increase and strategic investments.
- Working capital: Used to assess the short-term liquidity of the Corporation.

#### Other financial measures

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

#### Non-IFRS ratios

- Net debt to adjusted OIBD ratio: Used to assess the Corporation's ability to pay its debt and evaluate financial leverage.
- Net debt to adjusted OIBD ratio on a pro-forma basis: Used to measure the Corporation's credit performance and evaluate the financial leverage on a comparable basis, including significant business acquisitions and excluding significant business disposals, if any.
- Adjusted OIBD margin: Used to assess operating performance and the contribution of each segment on a comparable basis.
- Adjusted net earnings per common share: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Net debt / Net debt + Shareholders' equity: Used to evaluate the Corporation's financial leverage and thus the risk to Shareholders.
- Working capital as a percentage of sales: Used to assess the Corporation's operating liquidity performance.
- Adjusted free cash flow per common share: Used to assess the Corporation's financial flexibility.

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

The reconciliation of operating income (loss) to OIBD, to adjusted operating income (loss)<sup>1</sup> and to adjusted OIBD<sup>1</sup> by business segment is as follows:

	Q3 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	68	20	(31)	(32)	25
Depreciation and amortization	31	5	21	10	67
<b>Operating income (loss) before depreciation and amortization</b>	99	25	(10)	(22)	92
Specific items:					
Impairment charges	2	—	14	—	16
Unrealized loss on derivative financial instruments	2	—	—	1	3
	4	—	14	1	19
<b>Adjusted operating income (loss) before depreciation and amortization<sup>1</sup></b>	103	25	4	(21)	111
<b>Adjusted operating income (loss)<sup>1</sup></b>	72	20	(17)	(31)	44

	Q2 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	69	20	(23)	(34)	32
Depreciation and amortization	29	5	19	10	63
<b>Operating income (loss) before depreciation and amortization</b>	98	25	(4)	(24)	95
Specific items:					
Gain on acquisitions, disposals and others	—	—	(4)	—	(4)
Unrealized loss (gain) on financial instruments	1	—	—	(1)	—
	1	—	(4)	(1)	(4)
<b>Adjusted operating income (loss) before depreciation and amortization<sup>1</sup></b>	99	25	(8)	(25)	91
<b>Adjusted operating income (loss)<sup>1</sup></b>	70	20	(27)	(35)	28

	Q3 2021				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
<b>Operating income (loss)</b>	58	13	29	(27)	73
Depreciation and amortization	30	4	18	11	63
<b>Operating income (loss) before depreciation and amortization</b>	88	17	47	(16)	136
Specific items:					
Gain on acquisitions, disposals and others	—	—	(39)	—	(39)
Restructuring costs	1	—	4	—	5
Unrealized loss on derivative financial instruments	5	—	—	—	5
	6	—	(35)	—	(29)
<b>Adjusted operating income (loss) before depreciation and amortization<sup>1</sup></b>	94	17	12	(16)	107
<b>Adjusted operating income (loss)<sup>1</sup></b>	64	13	(6)	(27)	44

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

Net earnings (loss), as per IFRS, are reconciled below with operating income, adjusted operating income<sup>1</sup> and adjusted operating income before depreciation and amortization<sup>1</sup>:

(in millions of Canadian dollars) (unaudited)	Q3 2022	Q2 2022	Q3 2021
<b>Net earnings (loss) attributable to Shareholders for the period</b>	(2)	10	32
Net earnings attributable to non-controlling interests	5	4	14
Results from discontinued operations	—	—	(25)
Provision for (recovery of) income taxes	(5)	3	30
Share of results of associates and joint ventures	(5)	(6)	(4)
Foreign exchange loss on long-term debt and financial instruments	10	3	3
Financing expense and interest expense on employee future benefits and other liabilities	22	18	23
<b>Operating income</b>	<b>25</b>	<b>32</b>	<b>73</b>
Specific items:			
Gain on acquisitions, disposals and others	—	(4)	(39)
Impairment charges	16	—	—
Restructuring costs	—	—	5
Unrealized loss on derivative financial instruments	3	—	5
	<b>19</b>	<b>(4)</b>	<b>(29)</b>
<b>Adjusted operating income<sup>1</sup></b>	<b>44</b>	<b>28</b>	<b>44</b>
Depreciation and amortization	67	63	63
<b>Adjusted operating income before depreciation and amortization<sup>1</sup></b>	<b>111</b>	<b>91</b>	<b>107</b>

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

The following table reconciles net earnings (loss) and net earnings (loss) per common share, as per IFRS, with adjusted net earnings (loss)<sup>1</sup> and adjusted net earnings (loss)<sup>1</sup> per common share:

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	NET EARNINGS (LOSS)			NET EARNINGS (LOSS) PER COMMON SHARE <sup>2</sup>		
	Q3 2022	Q2 2022	Q3 2021	Q3 2022	Q2 2022	Q3 2021
<b>As per IFRS</b>	(2)	10	32	(\$0.02)	\$0.10	\$0.32
Specific items:						
Gain on acquisitions, disposals and others	—	(4)	(39)	—	(\$0.03)	(\$0.31)
Impairment charges	16	—	—	\$0.12	—	—
Restructuring costs	—	—	5	—	—	\$0.04
Unrealized loss on derivative financial instruments	3	—	5	\$0.02	—	\$0.03
Foreign exchange loss on long-term debt and financial instruments	10	3	3	\$0.08	\$0.03	\$0.03
Included in discontinued operations, net of tax	—	—	(20)	—	—	(\$0.12)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest <sup>2</sup>	(7)	1	13	—	—	—
	<b>22</b>	<b>—</b>	<b>(33)</b>	<b>\$0.22</b>	<b>—</b>	<b>(\$0.33)</b>
<b>Adjusted<sup>1</sup></b>	<b>20</b>	<b>10</b>	<b>(1)</b>	<b>\$0.20</b>	<b>\$0.10</b>	<b>(\$0.01)</b>
<b>Weighted average basic number of common shares outstanding</b>				<b>100,822,027</b>	<b>100,588,470</b>	<b>102,129,769</b>

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

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

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

(in millions of Canadian dollars) (unaudited)	Q3 2022	Q2 2022	Q3 2021
<b>Cash flow from (used by) operating activities from continuing operations</b>	<b>(1)</b>	22	45
Changes in non-cash working capital components	61	59	13
Depreciation and amortization	(67)	(63)	(63)
Net income taxes paid (received)	1	3	(1)
Net financing expense paid	38	4	41
Gain on acquisitions, disposals and others	—	4	39
Impairment charges and restructuring costs	(16)	—	(5)
Unrealized loss on derivative financial instruments	(3)	—	(5)
Provisions for contingencies and charges and other liabilities, net of dividends received	12	3	9
<b>Operating income</b>	<b>25</b>	32	73
Depreciation and amortization	67	63	63
<b>Operating income before depreciation and amortization</b>	<b>92</b>	95	136

The following table reconciles cash flow from (used by) operating activities from continuing operations with cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components) and adjusted cash flow from operating activities from continuing operations<sup>1</sup>. It also reconciles adjusted cash flow from operating activities from continuing operations<sup>1</sup> to adjusted free cash flow generated (used)<sup>1</sup>, which is also calculated on a per common share basis:

(in millions of Canadian dollars, except per common share amounts or otherwise noted) (unaudited)	Q3 2022	Q2 2022	Q3 2021
<b>Cash flow from (used by) operating activities from continuing operations</b>	<b>(1)</b>	22	45
Changes in non-cash working capital components	61	59	13
<b>Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)</b>	<b>60</b>	81	58
Restructuring costs paid	2	—	12
<b>Adjusted cash flow from operating activities from continuing operations<sup>1</sup></b>	<b>62</b>	81	70
Payments for property, plant and equipment	(122)	(117)	(54)
Change in intangible and other assets	—	(2)	(3)
Lease obligation payments	(14)	(13)	(12)
Proceeds from disposals of property, plant and equipment	1	1	50
	(73)	(50)	51
Dividends paid to non-controlling interests	(3)	(2)	(3)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	(12)	(12)	(13)
<b>Adjusted free cash flow generated (used)<sup>1</sup></b>	<b>(88)</b>	(64)	35
<b>Adjusted free cash flow generated (used)<sup>1</sup> per common share (in Canadian dollars)</b>	<b>(\$0.87)</b>	(\$0.64)	\$0.34
<b>Weighted average basic number of common shares outstanding</b>	<b>100,822,027</b>	100,588,470	102,129,769

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

The following table reconciles total debt<sup>1</sup> and net debt<sup>1</sup> with the ratio of net debt<sup>1</sup> to adjusted operating income before depreciation and amortization (adjusted OIBD<sup>1</sup>):

(in millions of Canadian dollars) (unaudited)	September 30, 2022	June 30, 2022	September 30, 2021
Long-term debt	1,975	1,710	1,830
Current portion of long-term debt	77	71	74
Bank loans and advances	2	1	7
<b>Total debt<sup>1</sup></b>	<b>2,054</b>	<b>1,782</b>	<b>1,911</b>
Less: Cash and cash equivalents	(43)	(70)	(151)
<b>Net debt<sup>1</sup> as reported</b>	<b>2,011</b>	<b>1,712</b>	<b>1,760</b>
Adjusted OIBD <sup>1</sup> as reported on a last twelve months basis	322	318	466
<b>Net debt / Adjusted OIBD ratio<sup>1</sup></b>	<b>6.2x</b>	<b>5.4x</b>	<b>3.8x</b>

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

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