

PRESS RELEASE



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Cascades Reports Results for the Fourth Quarter and Full Year 2021 **Lower results reflect effects of pandemic and continued** **higher logistical costs and supply chain constraints**

Kingsey Falls, Québec, February 24, 2022 - Cascades Inc. (TSX: CAS) reports its unaudited financial results for the three-month period and fiscal year ended December 31, 2021.

Q4 2021 Highlights (comparative figures have been restated to reflect discontinued operations²)

- Sales of \$1,028 million (compared with \$1,030 million in Q3 2021 and \$1,030 million in Q4 2020)
- As reported (including specific items)
 - Operating income (loss) of \$(90) million (compared with \$73 million in Q3 2021 and \$104 million in Q4 2020)
 - Operating income (loss) before depreciation and amortization (OIBD) of \$(30) million (compared with \$136 million in Q3 2021 and \$163 million in Q4 2020)
 - Net earnings per common share of \$1.04 (compared with \$0.32 in Q3 2021 and \$0.72 in Q4 2020)
- Adjusted (excluding specific items¹)
 - Operating income of \$2 million (compared with \$44 million in Q3 2021 and \$80 million in Q4 2020)
 - OIBD of \$62 million (compared with \$107 million in Q3 2021 and \$139 million in Q4 2020)
 - Net loss per common share of \$(0.09) (compared with net loss per common share of \$(0.01) in Q3 2021 and net earnings per common share of \$0.42 in Q4 2020)

2021 Annual Highlights (comparative figures have been restated to reflect discontinued operations²)

- Sales of \$3,956 million (compared with \$4,105 million in 2020)
- As reported (including specific items)
 - Operating income of \$50 million (compared with \$292 million in 2020)
 - Operating income before depreciation and amortization (OIBD) of \$302 million (compared with \$543 million in 2020)
 - Net earnings per common share of \$1.60 (compared with \$2.04 in 2020)
- Adjusted (excluding specific items¹)
 - Operating income of \$137 million (compared with \$295 million in 2020)
 - OIBD of \$389 million (compared with \$546 million in 2020)
 - Net earnings per common share of \$0.26 (compared with \$1.95 in 2020)
- Financial information for the Boxboard Europe segment is presented as discontinued operations following the monetization of the Corporation's 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) which generated net proceeds of \$450 million. The transaction was announced in July 2021 and closed on October 26, 2021². The net gain after income tax amounts to \$204 million.
- Net debt¹ of \$1,351 million as at December 31, 2021 (compared with \$1,760 million as at September 30, 2021). Net debt to adjusted OIBD ratio¹ of 3.5x down from 3.8x as at September 30, 2021.
- Total capital expenditures, net of disposals, of \$233 million in 2021², compared to \$164 million in 2020². Forecasted 2022 net capital expenditures of \$415 million, encompassing \$275 million for the Bear Island containerboard conversion project in Virginia, USA.

¹ This Non-IFRS measures and other financial measures are respectively non-IFRS financial measures and Non-IFRS ratio which are not standardized financial measures 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.

² 2020 and first quarter 2021 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

Mario Plourde, President and CEO, commented: “ It was a difficult end to the year, and our disappointing fourth quarter results are a consequence of the escalation in costs and operational disruptions that continued to develop as the quarter progressed. Ongoing challenges from supply chain constraints, reduced labour availability and higher logistics costs related to the pandemic were further exacerbated by rail disruptions caused by flooding in Western Canada in November that significantly impeded logistics across Canada, and the subsequent emergence and rapid escalation of the Omicron variant in December. These factors intensified pressures on costs, impacted production levels in several of our operations, and delayed delivery times of products to customers. Notwithstanding this challenging environment the Specialty Products segment continued to perform well, driven by product innovation and strategic commercial decisions.

In the context of this challenging business environment, we continued to take concrete steps to unlock value. The sale of our 57.6% controlling equity position in Reno de Medici S.p.A. generated net proceeds of \$450 million, which were used in part to redeem Senior unsecured notes. In addition to this, we continued to return capital to shareholders through the 50% dividend increase in the second quarter, and ongoing share buy-back program that resulted in 1.65 million shares being repurchased in the third quarter.”

Discussing near-term outlook, Mr. Plourde commented, “The ongoing pandemic and related ramifications on input costs, logistics, labour and demand remain unpredictable. Many of these factors continued in January, but we have begun to see improvement in labour availability in February. Demand remains solid for our packaging businesses, and results will reflect lower raw material costs in the near-term and roll-out of the announced price increases over the coming months. Without question the tissue segment remains challenging, and our priority is to return to our pre-pandemic performance trajectory. The fourth quarter was exceptionally difficult with major and unprecedented headwinds. However, despite these difficult conditions the year was also successful in terms of a well executed exit from Europe and increased financial capacity. Moreover, I would like to take this opportunity to express my heartfelt appreciation for our employees who have played such a key role in our ability to continue servicing our customers through these challenging times.”

Financial Summary

Selected consolidated information

(in millions of Canadian dollars, except amounts per common share) (unaudited)	2021 ²	2020 ²	Q4 2021	Q3 2021	Q4 2020 ²
Sales	3,956	4,105	1,028	1,030	1,030
As Reported					
Operating income (loss) before depreciation and amortization (OIBD)	302	543	(30)	136	163
Operating income (loss)	50	292	(90)	73	104
Net earnings	162	198	105	32	73
per common share	\$1.60	\$2.04	\$1.04	\$0.32	\$0.72
Margin (OIBD) ¹	7.6%	13.2%	(2.9%)	13.2%	15.8%
Adjusted¹					
Operating income before depreciation and amortization (OIBD)	389	546	62	107	139
Operating income	137	295	2	44	80
Net earnings (loss)	27	187	(9)	(1)	42
per common share	\$0.26	\$1.95	(\$0.09)	(\$0.01)	\$0.42
Margin (OIBD)	9.8%	13.3%	6.0%	10.4%	13.5%

Segmented OIBD as reported

(in millions of Canadian dollars) (unaudited)	2021 ²	2020 ²	Q4 2021	Q3 2021	Q4 2020 ²
Packaging Products					
Containerboard	350	436	71	88	150
Specialty Products	74	58	21	17	15
Tissue Papers	(38)	145	(98)	47	27
Corporate Activities	(84)	(96)	(24)	(16)	(29)
OIBD as reported	302	543	(30)	136	163

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

² 2020 and first quarter 2021 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

Segmented adjusted OIBD¹

(in millions of Canadian dollars) (unaudited)	2021 ²	2020 ²	Q4 2021	Q3 2021	Q4 2020 ²
Packaging Products					
Containerboard	372	403	70	94	110
Specialty Products	74	60	21	17	15
Tissue Papers	27	175	(6)	12	40
Corporate Activities	(84)	(92)	(23)	(16)	(26)
Adjusted OIBD¹	389	546	62	107	139

Analysis of results for the three-month period ended December 31, 2021 (compared to the same period last year²)

Sales of \$1,028 million decreased by \$2 million compared with the same period last year. This reflects a \$54 million negative volume impact attributable to the logistics and production constraints in Containerboard and Tissue, and ongoing Covid-related demand impacts in Tissue, and a less favourable Canadian dollar - US dollar exchange rate, which further reduced sales by \$26 million. These were offset by a \$75 million benefit from more favourable pricing and sales mix in all segments except Tissue.

The Corporation generated an operating income (loss) before depreciation and amortization (OIBD) of \$(30) million in the fourth quarter of 2021, down from \$163 million in the fourth quarter of 2020. On an adjusted basis¹, fourth quarter OIBD totaled \$62 million, a decrease of \$77 million, or 55% from the \$139 million generated in the same period last year. This decrease is largely attributable to higher raw material costs and inflationary pressures in labour and transportation in all segments, and lower volumes and higher energy costs in Containerboard and Tissue. These were partially offset by benefits of pricing increases in Containerboard and Specialty Products.

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

- \$87 million of impairment charges in the Tissue Papers segment (OIBD and net earnings);
- \$6 million additional restructuring charges and closure costs related to closed plants in Tissue Papers segment (OIBD and net earnings);
- \$20 million loss on repurchase of long-term debt (net earnings);
- \$204 million total gain, net of taxes, from a business disposal within discontinued operations (net earnings).

For the 3-month period ended December 31, 2021, the Corporation posted net earnings of \$105 million, or \$1.04 per common share, compared to net earnings of \$73 million, or \$0.72 per common share, in the same period of 2020. On an adjusted basis¹, the Corporation generated net loss of \$9 million in the fourth quarter of 2021, or \$(0.09) per common share, compared to net earnings of \$42 million, or \$0.42 per common share, in the same period of 2020.

¹ Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.
² 2020 and first quarter 2021 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

Dividend on common shares and normal course issuer bid

The Board of Directors of Cascades declared a quarterly dividend of \$0.12 per common share to be paid on March 24, 2022 to shareholders of record at the close of business on March 10, 2022. This dividend is an "eligible dividend" as per the Income Tax Act (R.C.S. (1985), Canada). During the fourth quarter of 2021, Cascades purchased no common shares for cancellation.

2021 Fourth Quarter Results Conference Call Details

Management will discuss the 2021 fourth quarter financial results during a conference call today at 9:00 a.m. EDT. The call can be accessed by dialing 1-888-390-0620 (international 1-416-764-8651). The conference call, including the investor presentation, will be broadcast live on the Cascades website (www.cascades.com under the "Investors" section). A replay of the call will be available on the Cascades website and may also be accessed by phone until March 24, 2022 by dialing 1-888-390-0541 (international 1-416-764-8677), access code 904516.

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)	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	174	384
Accounts receivable	510	659
Current income tax assets	19	23
Inventories	494	569
Current portion of financial assets	1	5
	1,198	1,640
Long-term assets		
Investments in associates and joint ventures	87	82
Property, plant and equipment	2,522	2,772
Intangible assets with finite useful life	88	160
Financial assets	6	16
Other assets	54	50
Deferred income tax assets	138	170
Goodwill and other intangible assets with indefinite useful life	473	522
	4,566	5,412
Liabilities and Equity		
Current liabilities		
Bank loans and advances	1	12
Trade and other payables	707	861
Current income tax liabilities	12	17
Current portion of long-term debt	74	102
Current portion of provisions for contingencies and charges	12	14
Current portion of financial liabilities and other liabilities	16	25
	822	1,031
Long-term liabilities		
Long-term debt	1,450	1,949
Provisions for contingencies and charges	47	57
Financial liabilities	6	6
Other liabilities	122	202
Deferred income tax liabilities	192	210
	2,639	3,455
Equity		
Capital stock	614	622
Contributed surplus	14	13
Retained earnings	1,274	1,146
Accumulated other comprehensive loss	(23)	(28)
Equity attributable to Shareholders	1,879	1,753
Non-controlling interests	48	204
Total equity	1,927	1,957
	4,566	5,412

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	For the 3-month periods ended December 31,		For the years ended December 31,	
	2021	2020	2021	2020
Sales	1,028	1,030	3,956	4,105
Cost of sales and expenses				
Cost of sales (including depreciation and amortization of \$60 million for 3-month period (2020 — \$59 million) and \$252 million for the year (2020 — \$251 million))	933	859	3,465	3,444
Selling and administrative expenses	96	91	356	367
Gain on acquisitions, disposals and others	(1)	(38)	(40)	(43)
Impairment charges and restructuring costs	94	12	110	43
Foreign exchange gain	(3)	—	(2)	(1)
Loss (gain) on derivative financial instruments	(1)	2	17	3
	1,118	926	3,906	3,813
Operating income (loss)	(90)	104	50	292
Financing expense	20	25	84	101
Interest expense (revenue) on employee future benefits and other liabilities	2	(10)	5	(7)
Loss on repurchase of long-term debt	20	—	20	6
Foreign exchange gain on long-term debt and financial instruments	—	(3)	(3)	(6)
Fair value revaluation loss on investments	—	3	—	3
Share of results of associates and joint ventures	(7)	(5)	(18)	(14)
Earnings (loss) before income taxes	(125)	94	(38)	209
Provision for (recovery of) income taxes	(29)	16	9	26
Net earnings (loss) from continuing operations including non-controlling interests for the period	(96)	78	(47)	183
Results from discontinued operations	204	(1)	234	51
Net earnings including non-controlling interests for the period	108	77	187	234
Net earnings attributable to non-controlling interests	3	4	25	36
Net earnings attributable to Shareholders for the period	105	73	162	198
Net earnings (loss) from continuing operations per common share				
Basic	(\$0.98)	\$0.73	(\$0.59)	\$1.74
Diluted	(\$0.98)	\$0.73	(\$0.59)	\$1.72
Net earnings per common share				
Basic	\$1.04	\$0.72	\$1.60	\$2.04
Diluted	\$1.03	\$0.72	\$1.59	\$2.02
Weighted average basic number of common shares outstanding	100,858,870	99,937,437	101,884,051	95,924,835
Weighted average number of diluted common shares	101,746,156	101,009,931	102,902,364	97,061,136
Net earnings (loss) attributable to Shareholders:				
Continuing operations	(99)	74	(59)	169
Discontinued operations	204	(1)	221	29
Net earnings	105	73	162	198

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended December 31,		For the years ended December 31,	
	2021	2020	2021	2020
Net earnings including non-controlling interests for the period	108	77	187	234
Other comprehensive income (loss)				
Items that may be reclassified subsequently to earnings				
Translation adjustments				
Change in foreign currency translation of foreign subsidiaries	(5)	(48)	(8)	(28)
Change in foreign currency translation of foreign subsidiaries from discontinued operations	3	(2)	(18)	21
Change in foreign currency translation related to net investment hedging activities	8	29	11	16
Change in foreign currency translation related to net investment hedging activities from discontinued operations	(3)	1	9	(13)
Cash flow hedges				
Change in fair value of commodity derivative financial instruments	(3)	—	2	2
Provision for income taxes	—	(2)	(2)	(2)
Recovery of (provision for) income taxes from discontinued operations	1	—	(1)	—
	1	(22)	(7)	(4)
Items that are not released to earnings				
Actuarial gain (loss) on employee future benefits	—	—	29	(19)
Actuarial loss on employee future benefits from discontinued operations	—	(3)	—	(3)
Recovery of (provision for) income taxes	—	—	(7)	5
Recovery of income taxes from discontinued operations	—	1	—	1
	—	(2)	22	(16)
Other comprehensive income (loss)	1	(24)	15	(20)
Comprehensive income including non-controlling interests for the period	109	53	202	214
Comprehensive income attributable to non-controlling interests for the period	—	—	13	43
Comprehensive income attributable to Shareholders for the period	109	53	189	171
Comprehensive income (loss) attributable to Shareholders:				
Continuing operations	(98)	56	(33)	145
Discontinued operations	207	(3)	222	26
Comprehensive income	109	53	189	171

CONSOLIDATED STATEMENTS OF EQUITY

For the year ended December 31, 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
Balance - Beginning of year	622	13	1,146	(28)	1,753	204	1,957
Comprehensive income (loss)							
Net earnings	—	—	162	—	162	25	187
Other comprehensive income (loss)	—	—	22	5	27	(12)	15
Dividends	—	—	184	5	189	13	202
Dividends paid to non-controlling interests from discontinued operations	—	—	(41)	—	(41)	(14)	(55)
Stock options expense	—	1	—	—	1	—	1
Issuance of common shares upon exercise of stock options	2	—	—	—	2	—	2
Redemption of common shares	(10)	—	(16)	—	(26)	—	(26)
Acquisitions of non-controlling interests	—	—	1	—	1	(1)	—
Disposals of non-controlling interests	—	—	—	—	—	(151)	(151)
Balance - End of year	614	14	1,274	(23)	1,879	48	1,927

For the year ended December 31, 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 year	491	15	1,003	(17)	1,492	177	1,669
Comprehensive income (loss)							
Net earnings	—	—	198	—	198	36	234
Other comprehensive income (loss)	—	—	(16)	(11)	(27)	7	(20)
Dividends	—	—	182	(11)	171	43	214
Dividends paid to non-controlling interests from discontinued operations	—	—	(31)	—	(31)	(14)	(45)
Issuance of common shares on public offering	125	—	(4)	—	121	—	121
Stock options expense	—	1	—	—	1	—	1
Issuance of common shares upon exercise of stock options	10	(3)	—	—	7	—	7
Redemption of common shares	(4)	—	(4)	—	(8)	—	(8)
Balance - End of year	622	13	1,146	(28)	1,753	204	1,957

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended December 31,		For the years ended December 31,	
	2021	2020	2021	2020
Operating activities from continuing operations				
Net earnings attributable to Shareholders for the period	105	73	162	198
Results from discontinued operations	(204)	1	(234)	(51)
Results from discontinued operations attributable to non-controlling interests	—	—	13	22
Net earnings (loss) from continuing operations	(99)	74	(59)	169
Adjustments for:				
Financing expense and interest expense (revenue) on employee future benefits and other liabilities	22	15	89	94
Loss on repurchase of long-term debt	20	—	20	6
Depreciation and amortization	60	59	252	251
Gain on acquisitions, disposals and others	(1)	(38)	(40)	(43)
Impairment charges and restructuring costs	94	12	110	43
Unrealized loss (gain) on derivative financial instruments	(1)	2	17	3
Foreign exchange gain on long-term debt and financial instruments	—	(3)	(3)	(6)
Provision for (recovery of) income taxes	(29)	16	9	26
Fair value revaluation loss on investments	—	3	—	3
Share of results of associates and joint ventures	(7)	(5)	(18)	(14)
Net earnings attributable to non-controlling interests	3	4	12	14
Net financing expense paid	(11)	(5)	(96)	(76)
Premium and transaction fees paid on long-term debt redemption	(24)	—	(24)	(4)
Net income taxes received	—	1	2	9
Dividends received	6	3	11	10
Provisions for contingencies and charges and other liabilities	(13)	(7)	(35)	(27)
	20	131	247	458
Changes in non-cash working capital components	49	27	(36)	19
	69	158	211	477
Investing activities from continuing operations				
Disposals in associates and joint ventures	—	—	1	3
Payments for property, plant and equipment	(95)	(72)	(286)	(219)
Proceeds from disposals of property, plant and equipment	2	46	53	55
Change in intangible and other assets	(1)	(2)	(15)	(9)
Cash received from business combinations	—	—	—	2
	(94)	(28)	(247)	(168)
Financing activities from continuing operations				
Bank loans and advances	(6)	3	(11)	1
Change in credit facilities	5	(50)	5	(131)
Issuance of unsecured senior notes, net of related expenses	—	—	—	409
Repurchase of unsecured senior notes	(372)	—	(372)	(264)
Increase in other long-term debt	—	31	5	31
Payments of other long-term debt, including lease obligations	(12)	(85)	(75)	(117)
Settlement of derivative financial instruments	—	—	—	1
Issuance of common shares on public offering, net of transaction fees	—	120	—	120
Issuance of common shares upon exercise of stock options	—	—	2	7
Redemption of common shares	—	(3)	(26)	(8)
Payment of other liabilities	—	—	—	(121)
Dividends paid to non-controlling interests and acquisition of non-controlling interests	(4)	(3)	(16)	(14)
Dividends paid to the Corporation's Shareholders	(12)	(9)	(41)	(31)
	(401)	4	(529)	(117)
Change in cash and cash equivalents during the period from continuing operations	(426)	134	(565)	192
Change in cash and cash equivalents from discontinued operations, including reclassification of beginning of year cash and cash equivalent in 2021	450	27	356	41
Net change in cash and cash equivalents during the period	24	161	(209)	233
Currency translation on cash and cash equivalents	(1)	(4)	(1)	(4)
Cash and cash equivalents - Beginning of the period	151	227	384	155
Cash and cash equivalents - End of the period	174	384	174	384

SEGMENTED INFORMATION

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

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

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

		SALES TO							
		For the 3-month periods ended December 31,							
		Canada		United States		Other countries		Total	
(in millions of Canadian dollars) (unaudited)		2021	2020	2021	2020	2021	2020	2021	2020
Packaging Products									
Containerboard		294	295	207	205	1	—	502	500
Specialty Products		55	46	96	76	—	1	151	123
Inter-segment sales		(4)	(4)	(4)	(2)	—	—	(8)	(6)
		345	337	299	279	1	1	645	617
Tissue Papers		69	71	270	310	—	—	339	381
Inter-segment sales and Corporate Activities		40	29	4	3	—	—	44	32
		454	437	573	592	1	1	1,028	1,030

		SALES TO							
		For the years ended December 31,							
		Canada		United States		Other countries		Total	
(in millions of Canadian dollars) (unaudited)		2021	2020	2021	2020	2021	2020	2021	2020
Packaging Products									
Containerboard		1,197	1,130	811	787	1	1	2,009	1,918
Specialty Products		202	165	346	305	—	3	548	473
Inter-segment sales		(14)	(13)	(18)	(5)	—	—	(32)	(18)
		1,385	1,282	1,139	1,087	1	4	2,525	2,373
Tissue Papers		252	278	1,020	1,336	—	1	1,272	1,615
Inter-segment sales and Corporate Activities		145	115	14	2	—	—	159	117
		1,782	1,675	2,173	2,425	1	5	3,956	4,105

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended December 31,		For the years ended December 31,	
	2021	2020	2021	2020
Packaging Products				
Containerboard	71	150	350	436
Specialty Products	21	15	74	58
	92	165	424	494
Tissue Papers	(98)	27	(38)	145
Corporate Activities	(24)	(29)	(84)	(96)
Operating income (loss) before depreciation and amortization	(30)	163	302	543
Depreciation and amortization	(60)	(59)	(252)	(251)
Financing expense and interest expense (revenue) on employee future benefits and other liabilities	(22)	(15)	(89)	(94)
Loss on repurchase of long-term debt	(20)	—	(20)	(6)
Foreign exchange gain on long-term debt and financial instruments	—	3	3	6
Fair value revaluation loss on investments	—	(3)	—	(3)
Share of results of associates and joint ventures	7	5	18	14
Earnings (loss) before income taxes	(125)	94	(38)	209

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended December 31,		For the years ended December 31,	
	2021	2020	2021	2020
Packaging Products				
Containerboard	97	44	236	111
Specialty Products	19	10	42	25
	116	54	278	136
Tissue Papers	23	42	49	104
Corporate Activities	20	10	46	26
Total acquisitions	159	106	373	266
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	(13)	(21)	(43)	(53)
	146	85	330	213
Acquisitions for property, plant and equipment included in "Trade and other payables"				
Beginning of period	24	18	31	37
End of period	(75)	(31)	(75)	(31)
Payments for property, plant and equipment	95	72	286	219
Proceeds from disposals of property, plant and equipment	(2)	(46)	(53)	(55)
Payments for property, plant and equipment net of proceeds from disposals	93	26	233	164

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 those of other corporations and some of them may arise in the future and may reduce the Corporation's available cash.

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

RECONCILIATION 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)¹ and to adjusted OIBD¹ by business segment is as follows:

	2021 ²				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	230	59	(108)	(131)	50
Depreciation and amortization	120	15	70	47	252
Operating income (loss) before depreciation and amortization	350	74	(38)	(84)	302
Specific items:					
Gain on acquisitions, disposals and others	—	—	(40)	—	(40)
Impairment charges	1	—	88	—	89
Restructuring costs	4	—	17	—	21
Unrealized loss on derivative financial instruments	17	—	—	—	17
	22	—	65	—	87
Adjusted operating income (loss) before depreciation and amortization¹	372	74	27	(84)	389
Adjusted operating income (loss)¹	252	59	(43)	(131)	137

	2020 ²				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	321	42	72	(143)	292
Depreciation and amortization	115	16	73	47	251
Operating income (loss) before depreciation and amortization	436	58	145	(96)	543
Specific items:					
Loss (gain) on acquisitions, disposals and others	(45)	2	—	—	(43)
Impairment charges	6	—	23	1	30
Restructuring costs	4	—	7	2	13
Unrealized loss on derivative financial instruments	2	—	—	1	3
	(33)	2	30	4	3
Adjusted operating income (loss) before depreciation and amortization¹	403	60	175	(92)	546
Adjusted operating income (loss)¹	288	44	102	(139)	295

	Q4 2021				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	43	17	(115)	(35)	(90)
Depreciation and amortization	28	4	17	11	60
Operating income (loss) before depreciation and amortization	71	21	(98)	(24)	(30)
Specific items:					
Gain on acquisitions, disposals and others	—	—	(1)	—	(1)
Impairment charges	1	—	87	—	88
Restructuring costs	—	—	6	—	6
Unrealized loss (gain) on derivative financial instruments	(2)	—	—	1	(1)
	(1)	—	92	1	92
Adjusted operating income (loss) before depreciation and amortization¹	70	21	(6)	(23)	62
Adjusted operating income (loss)¹	42	17	(23)	(34)	2

¹ Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.
² 2020 and first quarter 2021 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

Q3 2021

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	58	13	29	(27)	73
Depreciation and amortization	30	4	18	11	63
Operating income (loss) before depreciation and amortization	88	17	47	(16)	136
Specific items :					
Gain on acquisitions, disposals and others	—	—	(39)	—	(39)
Restructuring costs	1	—	4	—	5
Unrealized loss on financial instruments	5	—	—	—	5
	6	—	(35)	—	(29)
Adjusted operating income (loss) before depreciation and amortization¹	94	17	12	(16)	107
Operating income (loss) adjusted¹	64	13	(6)	(27)	44

Q4 2020²

(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	122	12	10	(40)	104
Depreciation and amortization	28	3	17	11	59
Operating income (loss) before depreciation and amortization	150	15	27	(29)	163
Specific items:					
Loss (gain) on acquisitions, disposals and others	(40)	—	2	—	(38)
Impairment charges (reversals)	(2)	—	5	1	4
Restructuring costs	—	—	6	2	8
Unrealized loss on derivative financial instruments	2	—	—	—	2
	(40)	—	13	3	(24)
Adjusted operating income (loss) before depreciation and amortization¹	110	15	40	(26)	139
Adjusted operating income (loss)¹	82	12	23	(37)	80

Net earnings, as per IFRS, are reconciled below with operating income (loss), adjusted operating income¹ and adjusted operating income before depreciation and amortization¹:

(in millions of Canadian dollars) (unaudited)	2021 ²	2020 ²	Q4 2021	Q3 2021	Q4 2020 ²
Net earnings attributable to Shareholders for the period	162	198	105	32	73
Net earnings attributable to non-controlling interests	25	36	3	14	4
Results from discontinued operations	(234)	(51)	(204)	(25)	1
Provision for (recovery of) income taxes	9	26	(29)	30	16
Fair value revaluation loss on investments	—	3	—	—	3
Share of results of associates and joint ventures	(18)	(14)	(7)	(4)	(5)
Foreign exchange loss (gain) on long-term debt and financial instruments	(3)	(6)	—	3	(3)
Financing expense and interest expense (revenue) on employee future benefits and other liabilities and loss on repurchase of long-term debt	109	100	42	23	15
Operating income (loss)	50	292	(90)	73	104
Specific items:					
Gain on acquisitions, disposals and others	(40)	(43)	(1)	(39)	(38)
Impairment charges	89	30	88	—	4
Restructuring costs	21	13	6	5	8
Unrealized loss (gain) on derivative financial instruments	17	3	(1)	5	2
	87	3	92	(29)	(24)
Adjusted operating income¹	137	295	2	44	80
Depreciation and amortization	252	251	60	63	59
Adjusted operating income before depreciation and amortization¹	389	546	62	107	139

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

² 2020 and first quarter 2021 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

The following table reconciles net earnings and net earnings per common share, as per IFRS, with adjusted net earnings (loss)¹ and adjusted net earnings (loss)¹ 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 ³				
	2021 ²	2020 ²	Q4 2021	Q3 2021	Q4 2020 ²	2021 ²	2020 ²	Q4 2021	Q3 2021	Q4 2020 ²
As per IFRS	162	198	105	32	73	\$1.60	\$2.04	\$1.04	\$0.32	\$0.72
Specific items:										
Gain on acquisitions, disposals and others	(40)	(43)	(1)	(39)	(38)	(\$0.32)	(\$0.38)	(\$0.01)	(\$0.31)	(\$0.34)
Impairment charges	89	30	88	—	4	\$0.75	\$0.24	\$0.74	—	\$0.04
Restructuring costs	21	13	6	5	8	\$0.15	\$0.10	\$0.04	\$0.04	\$0.05
Unrealized loss (gain) on derivative financial instruments	17	3	(1)	5	2	\$0.11	\$0.03	(\$0.01)	\$0.03	\$0.02
Loss on repurchase of long-term debt	20	6	20	—	—	\$0.13	\$0.05	\$0.13	—	—
Unrealized loss (gain) on interest rate swaps and option fair value	1	(11)	1	—	(11)	—	(\$0.12)	—	—	(\$0.12)
Foreign exchange loss (gain) on long-term debt and financial instruments	(3)	(6)	—	3	(3)	(\$0.02)	(\$0.05)	—	\$0.03	(\$0.02)
Fair value revaluation loss on investments	—	3	—	—	3	—	\$0.02	—	—	\$0.02
Included in discontinued operations, net of tax	(224)	6	(204)	(20)	8	(\$2.14)	\$0.04	(\$2.02)	(\$0.12)	\$0.05
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest ³	(16)	(12)	(23)	13	(4)	—	(\$0.02)	—	—	—
	(135)	(11)	(114)	(33)	(31)	(\$1.34)	(\$0.09)	(\$1.13)	(\$0.33)	(\$0.30)
Adjusted¹	27	187	(9)	(1)	42	\$0.26	\$1.95	(\$0.09)	(\$0.01)	\$0.42
Weighted average basic number of common shares outstanding						101,884,051	95,924,835	100,858,870	102,129,769	99,937,437

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

² 2020 and first quarter 2021 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations.

³ 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 income taxes" section for more details.

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

(in millions of Canadian dollars) (unaudited)	2021 ¹	2020 ¹	Q4 2021	Q3 2021	Q4 2020 ¹
Cash flow from operating activities from continuing operations	211	477	69	45	158
Changes in non-cash working capital components	36	(19)	(49)	13	(27)
Depreciation and amortization	(252)	(251)	(60)	(63)	(59)
Net income taxes received	(2)	(9)	—	(1)	(1)
Net financing expense paid	96	76	11	41	5
Premium and transaction fees paid on long-term debt redemption	24	4	24	—	—
Gain on acquisitions, disposals and others	40	43	1	39	38
Impairment charges and restructuring costs	(110)	(43)	(94)	(5)	(12)
Unrealized loss (gain) on derivative financial instruments	(17)	(3)	1	(5)	(2)
Provisions for contingencies and charges and other liabilities, net of dividends received	24	17	7	9	4
Operating income (loss)	50	292	(90)	73	104
Depreciation and amortization	252	251	60	63	59
Operating income (loss) before depreciation and amortization	302	543	(30)	136	163

¹ 2020 and first quarter 2021 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations.

The following table reconciles cash flow from operating activities from continuing operations with cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components) and adjusted cash flow from operating activities from continuing operations¹. It also reconciles adjusted cash flow from operating activities from continuing operations¹ to adjusted free cash flow¹, which is also calculated on a per common share basis:

(in millions of Canadian dollars, except per common share amounts or otherwise noted) (unaudited)	2021 ²	2020 ²	Q4 2021	Q3 2021	Q4 2020 ²
Cash flow from operating activities from continuing operations	211	477	69	45	158
Changes in non-cash working capital components	36	(19)	(49)	13	(27)
Cash flow from operating activities from continuing operations(excluding changes in non-cash working capital components)	247	458	20	58	131
Restructuring costs	25	11	7	12	6
Premium and transaction fees paid on long-term debt redemption	24	4	24	—	—
Specific items paid	49	15	31	12	6
Adjusted cash flow from operating activities from continuing operations¹	296	473	51	70	137
Capex expenditures	(286)	(219)	(95)	(54)	(72)
Change in intangible and other assets	(15)	(9)	(1)	(3)	(2)
Lease obligation payments	(47)	(43)	(12)	(12)	(13)
Proceeds from disposals of property, plant and equipment	53	55	2	50	46
Dividends paid to the Corporation's Shareholders and to non-controlling interests	1	257	(55)	51	96
	(55)	(45)	(16)	(17)	(12)
Adjusted free cash flow generated (used)¹	(54)	212	(71)	34	84
Adjusted free cash flow generated (used)¹ per common share (in Canadian dollars)	(\$0.53)	\$2.21	(\$0.70)	\$0.33	\$0.84
Weighted average basic number of common shares outstanding	101,884,051	95,924,835	100,858,870	102,129,769	99,937,437

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

² 2020 and first quarter 2021 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations.

The following table reconciles total debt¹ and net debt¹ with the ratio of net debt¹ to adjusted operating income before depreciation and amortization (adjusted OIBD¹):

(in millions of Canadian dollars) (unaudited)	December 31, 2021	September 30, 2021	December 31, 2020
Long-term debt	1,450	1,830	1,949
Current portion of long-term debt	74	74	102
Bank loans and advances	1	7	12
Total debt¹	1,525	1,911	2,063
Less: Cash and cash equivalents	174	151	384
Net debt¹ as reported	1,351	1,760	1,679
Adjusted OIBD ¹ as reported on a last twelve months basis (including discontinued operations for the year ended December 31, 2020)	389	466	675
Net debt / Adjusted OIBD ratio¹	3.5x	3.8x	2.5x

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

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