Quarterly Report 1

for the three-month periods ended
March 31, 2023 and 2022

Cascades
Source of possibilities

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FORWARD-LOOKING

The following document 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 periods ended March 31, 2023 and 2022, together with the most recent Audited Consolidated Financial Statements. Information contained herein includes any significant developments as of May 10, 2023, 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 the SEDAR website 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 (IFRS) as issued by the International Accounting Standards Board (IASB), 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 that are 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.

MANAGEMENT'S DISCUSSION & ANALYSIS TO OUR SHAREHOLDERS

FINANCIAL SNAPSHOT

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	**Q1 2023**	Q4 2022	Q1 2022
Sales	**1,134**	1,135	1,038
Operating loss	**(80)**	(20)	(4)
EBITDA (A) (adjusted earnings before interest, taxes, depreciation and amortization)[1]	**134**	116	58
EBITDA (A) as a percentage of sales[1]	**11.8%**	10.2%	5.6%
Net earnings (loss)			
As reported	**(75)**	(27)	(15)
Adjusted[1]	**33**	22	(15)
Net earnings (loss) per common share (basic) (in Canadian dollars)			
As reported	**($0.75)**	($0.27)	($0.15)
Adjusted[1]	**$0.32**	$0.22	($0.15)
Capital expenditures, net of disposals	**137**	149	96
Dividends declared per common share (in Canadian dollars)	**$0.12**	$0.12	$0.12
FINANCIAL POSITION			
Total assets	**4,970**	5,053	4,533
Net debt[1]	**2,070**	1,966	1,549
Net debt / EBITDA (A) ratio[1]	**4.6x**	5.2x	4.8x
Equity attributable to Shareholders	**1,780**	1,871	1,857
per common share (in Canadian dollars)	**$17.73**	$18.64	$18.48
Working capital as a percentage of sales[1, 4]	**10.6%**	10.5%	9.3%
KEY INDICATORS			
Total shipments (in '000 of s.t.)[2]	**507**	487	503
Manufacturing capacity utilization rate[3]	**89%**	83%	90%
US$/CAN$ - Average rate	**$0.74**	$0.74	$0.79

1 *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.*

2 *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.*

3 *Defined as: Manufacturing internal and external shipments/practical capacity. Excluding Specialty Products segment manufacturing activities.*

4 *Percentage of sales = Average quarterly last twelve months (LTM) working capital / LTM sales.*

SEGMENTED SALES

(in millions of Canadian dollars) (unaudited)	**Q1 2023**	Q4 2022	Q1 2022
Packaging Products			
Containerboard	**561**	567	534
Specialty Products	**161**	161	157
Inter-segment sales	**(7)**	(7)	(8)
	715	721	683
Tissue Papers	**387**	384	314
Inter-segment sales, Corporate Activities, Recovery and Recycling	**32**	30	41
Sales	**1,134**	1,135	1,038

SEGMENTED OPERATING INCOME (LOSS)

(in millions of Canadian dollars) (unaudited)	**Q1 2023**	Q4 2022	Q1 2022
Packaging Products			
Containerboard	**38**	85	44
Specialty Products	**21**	22	24
Tissue Papers	**(92)**	(86)	(35)
Corporate Activities, Recovery and Recycling	**(47)**	(41)	(37)
Operating income (loss)	**(80)**	(20)	(4)

SEGMENTED EBITDA (A)[1]

(in millions of Canadian dollars) (unaudited)	**Q1 2023**	Q4 2022	Q1 2022
Packaging Products			
Containerboard	**126**	119	80
Specialty Products	**27**	20	22
Tissue Papers	**16**	8	(17)
Corporate Activities, Recovery and Recycling	**(35)**	(31)	(27)
EBITDA (A)[1]	**134**	116	58

The main variances[2] in EBITDA (A)[1] are shown below:

(in millions of Canadian dollars) (unaudited)	**Q1 2023 vs Q4 2022**	Q1 2023 vs Q1 2022
Price	**(8)**	79
Freight and production costs	**1**	(25)
Volume & mix, foreign exchange & others	**1**	(12)
Raw material & energy	**24**	34
Variances in EBITDA (A)[1]	**18**	76

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

2 For definitions of certain EBITDA (A)[1] variation categories, please refer to the "Financial Overview" section for more details.

We had a solid first quarter. All three businesses contributed to topline growth year-over-year, as benefits from higher selling prices and an advantageous exchange rate more than offset the impacts of a less favourable mix in Containerboard and lower volumes in Tissue Papers and Specialty Products. Higher sales, notably in Tissue, and lower raw material costs in our packaging businesses drove higher consolidated profitability levels. Sequentially, sales were stable, with stronger volumes in all businesses counterbalancing the impacts of less favourable sales mixes in Containerboard and Tissue and lower selling prices in our packaging businesses. Containerboard results include the final insurance settlement payment of $7 million related to water effluent treatment issues that occurred at our Niagara Falls, NY complex in mid-2021, bringing the insurance settlement total to $12 million.

/s/ Mario Plourde

MARIO PLOURDE
President and Chief Executive Officer
May 10, 2023

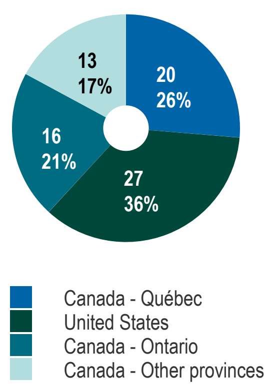
OUR BUSINESS

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. 60 years later, Cascades is a multinational business with close to 80 operating facilities[1] and approximately 10,000 employees[1] across Canada and the United States. The Corporation currently operates three business segments:

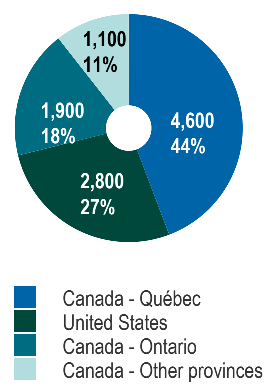
(Business segments) (unaudited)	Number of facilities[1]	Q1 2023 Sales[2] (in $M)	% of sales	Q1 2023 Operating income (loss) (in $M)	Q1 2023 EBITDA (A)[2, 3] (in $M)	Q1 2023 EBITDA (A) Margin[2, 3] (%)	% of EBITDA (A)
PACKAGING PRODUCTS							
Containerboard	25	561	50.6%	38	126	22.5%	74.5%
Specialty Products	20	161	14.5%	21	27	16.8%	16.0%
TISSUE PAPERS	13	387	34.9%	(92)	16	4.1%	9.5%

The locations of our facilities[4] and employees by geographic segments in North America are as follows:

Our facilities

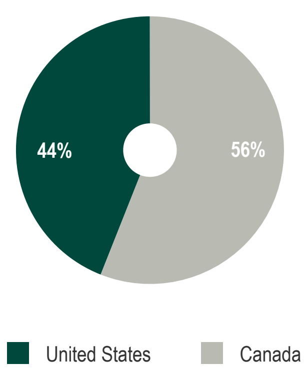


Our employees

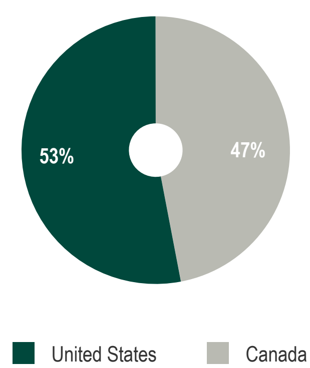


Sales, in the first quarter of 2023, by geographic segments are as follows:

Sales from (in %)



Sales to (in %)



1 Including 50% owned 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 2022 Audited Consolidated Financial Statements for more information on associates and joint ventures.

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

4 Excluding sales offices, distribution and transportation hubs and corporate offices. Including main joint ventures.

BUSINESS HIGHLIGHTS

STRATEGIC PLAN 2022 - 2024

As part of the annual review of its 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 annual plans, all with a view to enhancing shareholder value. On February 24, 2022, Management and the Board of Directors disclosed the Corporation's strategic plan update for the years 2022 to 2024. We provided a comprehensive update of our 2022 to 2024 Strategic Plan in conjunction with our Q1 2023 results on May 11, 2023. The presentation is available on the SEDAR website at www.sedar.com and on www.cascades.com/en/investors.

The following is a summary of our updated financial targets for 2024:

			2024 Financial Targets Presented February 2022	Updated 2024 Financial Targets
Financial Targets	1	**Sales:**	~$5.0B+ in 2024	**~$5.0B**
	2	**EBITDA (A) Margin[4]:**	~13% - 15% in 2024	**~12% - 14%**
	3	**Capital expenditures (Capex):**	~4% of sales in 2023-2024[1]	**~$175M in 2024 (3.5% of sales)**
	4	**Free cash flow[2,3,4]:**	~9% - 11% of sales	**~9% - 10% of sales**
	5	**Net debt / EBITDA (A)[4]:**	2.0x - 2.5x by the end of 2024	**2.5x - 3.0x**

TISSUE PAPERS SEGMENT PROFITABILITY PLAN

On April 25, 2023, the Corporation announced the repositioning of Tissue Papers operating platform. The decision will strengthen the operational, financial and environmental performance of this business segment with the closure of assets that have been underperforming in the existing market environment.

These changes to the operational platform of the Tissue Papers business, and expected normalization of input cost levels and other market factors to reflect 2022 conditions, results in slight modifications to the 2024 objectives for this business, as presented in the strategic plan update.

These actions simplify operations by concentrating the majority of tissue product operating activities at core, geographically well-positioned sites that offer opportunities for future development and will further consolidate the Corporation's position as a leading manufacturer of private label tissue products in the North American retail and Away-from-Home markets.

BEAR ISLAND PROJECT

On May 2, 2023, we announced the production of the first roll of 100% lightweight recycled containerboard at the Bear Island, Virginia mill.

After the commissioning of Greenpac mill nearly 10 years ago, the start-up of Bear Island marks another historic milestone in the strategic modernization of our containerboard manufacturing network, allowing us to pursue long-term growth in packaging and enhance our portfolio of sustainable packaging solutions for our customers, on a North American scale.

The cost of the project is now revised to approximately $690 million (~US$525 million) up from the initial total investment, announced at the end of 2020, of $475 million (US$380 million) due to important cost inflation, delays in the completion of certain construction milestones due to labour and material availability and changes required to the original construction plans.

Since 2018 we have invested a total of $612 million ($100 million in the first quarter of 2023). The project incurred $9 million of operational costs in the first quarter of 2023 compared to $2 million in the same period of 2022 ($19 million in the last twelve months).

The important capital investments for this project combined with our lower consolidated financial results in 2022 led to a notable increase in our net debt to EBITDA (A) ratio[4]. We expect this ratio to decrease as our 2023 business performance improves and Bear Island begins to contribute to cash flow.

1 Excluding strategic projects.

2 Defined as EBITDA (A)[4] - Capex.

3 Interests, cash tax, working capital, leases payments, dividends paid to non-controlling interests and other cash flow items requirements are estimated at ∓$225M - $250M/year.

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

BUSINESS START-UP, ACQUISITION, DISPOSAL AND CLOSURE

The following transactions should be taken into consideration when reviewing the overall and segmented analysis of the Corporation's 2023 and 2022 results.

2023

CONTAINERBOARD PACKAGING

- On May 2, 2023, the Corporation announced the permanent closure of the paper machine #2 at the plant located in Niagara Falls. The paper machine was stopped since November 2022.

TISSUE PAPERS

- On April 25, 2023, the Corporation announced an important repositioning of its Tissue Papers operating platform to enhance the performance of the business. Beginning in July 2023, Cascades will progressively close its underperforming plants in Barnwell, South Carolina, and Scappoose, Oregon, as well as the virgin paper tissue machine at its St. Helens plant, also in Oregon. Please refer to the "Business Highlights - Strategic Plan 2022 - 2024" section for more details.

SIGNIFICANT FACTS AND DEVELOPMENTS

2022

- On October 19, 2022, the Corporation entered into an agreement with its lenders for its existing credit agreement to increase its authorized term loan to US$260 million from US$160 million and to extend the maturity from December 2025 to December 2027. Concurrently, the Corporation extended its existing $750 million revolving credit facility maturity from July 2025 to July 2026. The financial conditions of both facilities remain unchanged. The Corporation incurred $2 million in capitalizable transaction fees related to the refinancing.

NEAR-TERM OUTLOOK

On a consolidated basis, we are expecting slightly lower results in the second quarter, with lower results in our packaging businesses to offset forecasted stronger results in our Tissue Papers business. In Containerboard, this outlook reflects slightly softer demand, changes in index prices for raw materials and selling prices, and the non-recurrence of the $7 million final insurance settlement received in Q1. We are expecting similar results for our Specialty Products segment, with relatively stable volume, pricing and raw material costs. Lastly, we expect results in our Tissue Papers segment to improve sequentially driven by the additional benefits from profitability initiatives, higher selling prices, lower raw material costs and stable demand.

BUSINESS DRIVERS

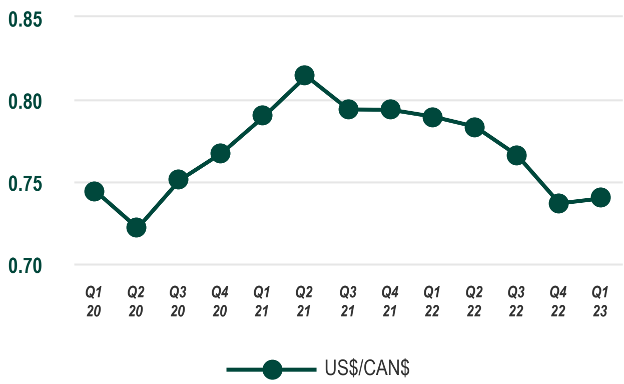
Cascades' results may be impacted by fluctuations in the following areas:

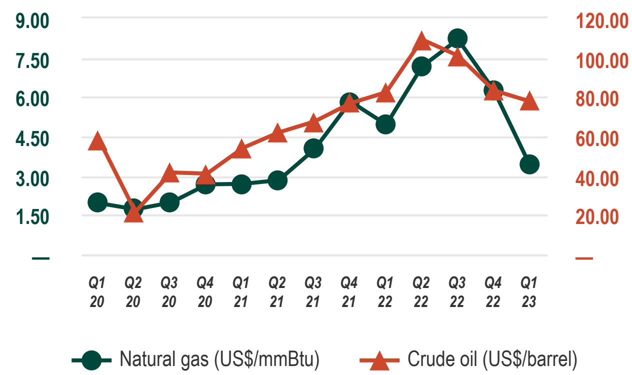
EXCHANGE RATES

Sequentially, the average value of the Canadian dollar was stable compared to the US dollar in the first quarter of 2023. On a year-over-year basis, the average value of the Canadian dollar decreased by 6% compared to the US dollar.

ENERGY COSTS

During the first quarter the average price of natural gas decreased by 45% sequentially and by 31% compared to the same period of last year. In the case of crude oil, the average price was 7% lower sequentially and 6% lower year-over-year, respectively.





(unaudited)	Q1	Q2	Q3	Q4	2021 YEAR	Q1	Q2	Q3	Q4	2022 YEAR	2023 Q1
US$/CAN$ - Average rate	$0.79	$0.81	$0.79	$0.79	$0.80	$0.79	$0.78	$0.77	$0.74	$0.77	**$0.74**
US$/CAN$ - End of the period rate	$0.80	$0.81	$0.79	$0.79	$0.79	$0.80	$0.78	$0.72	$0.74	$0.74	**$0.74**
Natural Gas Henry Hub - US$/mmBtu	$2.69	$2.83	$4.01	$5.83	$3.84	$4.95	$7.17	$8.20	$6.26	$6.64	**$3.42**
Crude oil (US$/barrel)	$54.16	$62.01	$67.60	$76.84	$65.15	$82.49	$109.25	$101.05	$83.39	$94.04	**$77.85**

Source: Bloomberg

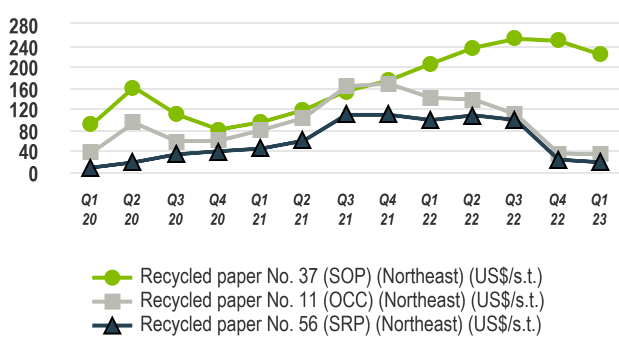
RAW MATERIALS

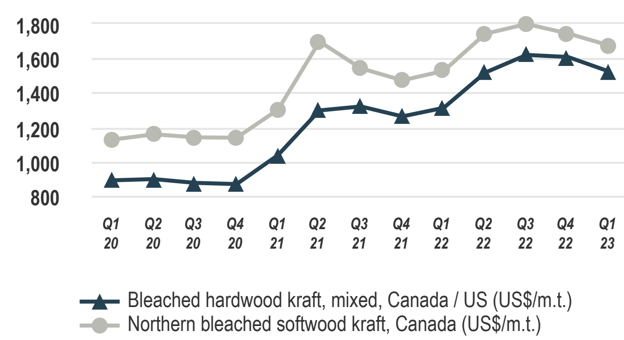
Reference prices - recycled fibre costs in North America[1]

During the first quarter of 2023, the brown grade recycled paper No. 11 (old corrugated containers, OCC) index price decreased by 6% sequentially and 76% year-over-year while the recycled paper No. 56 (sorted residential papers, SRP) decreased by 22% sequentially and 82% year-over-year. The white grade recycled paper No. 37 (sorted office papers, SOP) index price decreased by 10% sequentially and increased by 8% year-over-year.

Reference prices - virgin pulp in North America[1]

During the first quarter of 2023, the reference price for NBSK and NBHK decreased by 4% and 5% respectively, on a sequential basis and increased by 10% and 16% year-over-year.





1 *Source: RISI, excluding mixed papers*

OPERATIONAL PERFORMANCE INDICATORS

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

					2021					2022	**2023**	**LTM**[6]
(unaudited)	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	
OPERATIONAL												
Total shipments (in ’000 short tons (s.t.))[1]												
Packaging Products												
Containerboard	391	385	377	368	1,521	372	379	391	364	1,506	**383**	***1,517***
Tissue Papers	123	138	148	145	554	131	133	134	123	521	**124**	***514***
Total	514	523	525	513	2,075	503	512	525	487	2,027	**507**	***2,031***
Integration rate[2]												
Containerboard	57%	57%	58%	58%	58%	57%	57%	52%	53%	55%	**49%**	***53%***
Tissue Papers	79%	69%	71%	76%	74%	79%	82%	85%	87%	83%	**84%**	***85%***
Manufacturing capacity utilization rate[3]												
Containerboard	97%	96%	94%	89%	94%	93%	96%	93%	83%	91%	**91%**	***91%***
Tissue Papers	80%	78%	84%	85%	82%	84%	81%	88%	81%	83%	**81%**	***83%***
Consolidated total	92%	90%	91%	88%	90%	90%	92%	91%	83%	89%	**89%**	***89%***
FINANCIAL												
Working capital												
In millions of CAN$, at the end of period[4]	376	377	410	297	297	424	493	561	397	397	**487**	
As a percentage of sales[4, 5]	8.4%	8.4%	8.5%	8.6%	8.6%	9.3%	9.6%	10.2%	10.5%	10.5%	**10.6%**	

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.

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.

4 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.

5 Percentage of sales = Average quarterly last twelve months (LTM) working capital / LTM sales.

6 LTM (last twelve months)

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIALS

	2021					2022	2023	Q1 2023 vs. Q1 2022		Q1 2023 vs. Q4 2022	
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**	**Change**	**%**	**Change**	**%**
Selling prices (average)											
PACKAGING PRODUCTS											
Containerboard (US$/short ton)											
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	833	895	935	935	915	920	**872**	**(23)**	**(3%)**	**(43)**	**(5%)**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	745	818	865	865	832	845	**762**	**(56)**	**(7%)**	**(70)**	**(8%)**
Specialty Products (US$/short ton)											
Uncoated recycled boxboard - bending chip, 20-pt. (series B)	845	1,027	1,067	1,100	1,100	1,073	**1,053**	**26**	**3%**	**(47)**	**(4%)**
TISSUE PAPERS (US$/short ton)											
Parent rolls, recycled fibres (transaction)	1,156	1,213	1,271	1,291	1,290	1,266	**1,269**	**56**	**5%**	**(21)**	**(2%)**
Parent rolls, virgin fibres (transaction)	1,515	1,504	1,597	1,644	1,631	1,594	**1,572**	**68**	**5%**	**(59)**	**(4%)**
Raw materials prices (average)											
RECYCLED PAPER											
North America (US$/short ton)											
Sorted residential papers, No. 56 (SRP - Northeast average)	80	98	107	98	23	81	**18**	**(80)**	**(82%)**	**(5)**	**(22%)**
Old corrugated containers, No. 11 (OCC - Northeast average)	127	140	137	109	35	105	**33**	**(107)**	**(76%)**	**(2)**	**(6%)**
Sorted office papers, No. 37 (SOP - Northeast average)	134	205	235	252	248	235	**222**	**17**	**8%**	**(26)**	**(10%)**
VIRGIN PULP (US$/metric ton)											
Northern bleached softwood kraft, Canada	1,478	1,527	1,743	1,800	1,745	1,704	**1,675**	**148**	**10%**	**(70)**	**(4%)**
Bleached hardwood kraft, mixed, Canada/US	1,229	1,312	1,517	1,620	1,608	1,514	**1,523**	**211**	**16%**	**(85)**	**(5%)**

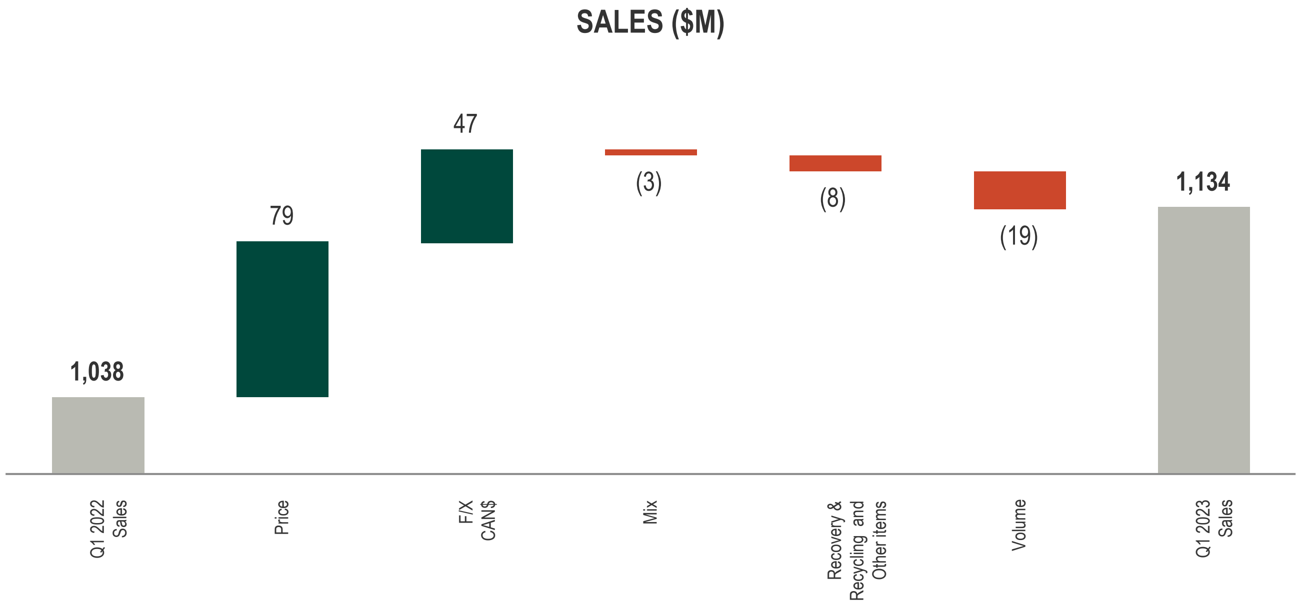
Sources: RISI and Cascades

FINANCIAL OVERVIEW - 2023

SALES

For the three-month period ended March 31, 2023, consolidated sales totaled $1,134 million, an increase of $96 million, or 9%, compared to $1,038 million in the same period of 2022. This reflects higher selling prices and the positive impact of the foreign exchange rate. This was partially offset by lower volume in our Tissue Papers and Specialty Products segments.

The main variances in sales in the first quarter of 2023, compared to the same period 2022, are shown below:
(in millions of Canadian dollars)

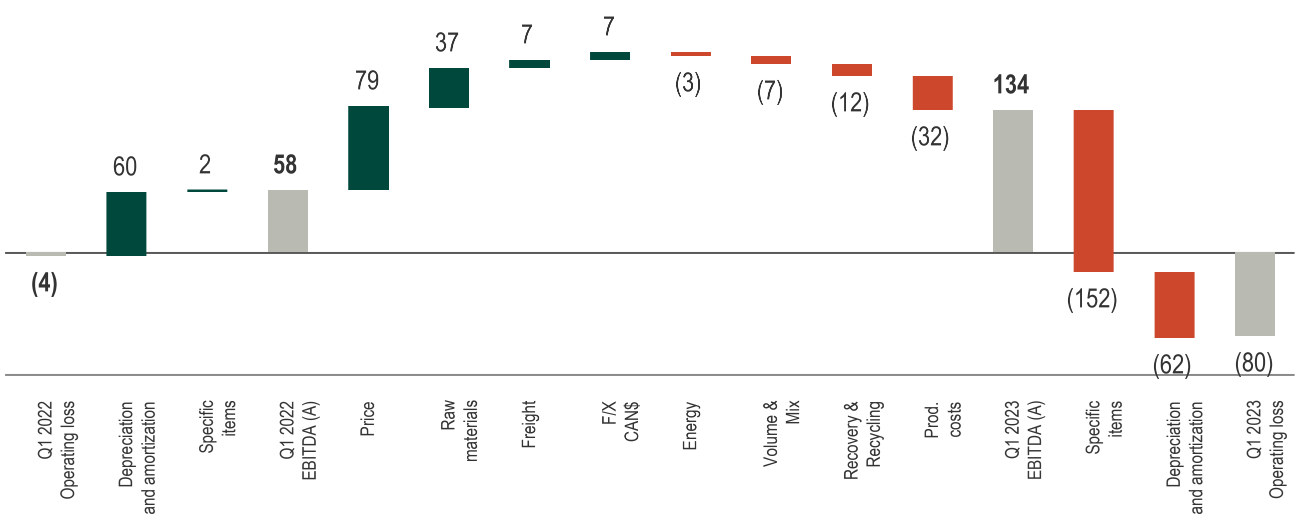


OPERATING LOSS AND EBITDA (A)[1]

For the three-month period ended March 31, 2023, the Corporation recorded an operating loss of $(80) million, compared to an operating loss of $(4) million in the same period of 2022.The operating loss variance is explained by impairment charges amounting to $152 million recorded in 2023 partly offset by better overall operating performance. For more details on impairment charges please refer to the "Segmented Information" section of the Unaudited Condensed Interim Consolidated Financial Statements for the three-month periods ended March 31, 2023 and 2022. The Corporation recorded an EBITDA (A)[1] of $134 million in the first quarter of 2023, compared to $58 million in the same period of 2022. The increase largely reflects higher selling prices in all segments and lower raw material cost in our Packaging products segment, which were counterbalanced by the significant inflationary pressure on production costs and a negative contribution from our Recovery and Recycling activities.

The main variances in operating loss and in EBITDA (A)[1] in the first quarter of 2023, compared to the same period of 2022, are shown below:
(in millions of Canadian dollars)

OPERATING LOSS AND EBITDA (A) ($M)



Raw materials (EBITDA (A)[1])	*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$ (EBITDA (A)[1])	*The estimated impact of the exchange rate is based on the Corporation's Canadian export sales less purchases, denominated in US$, that are impacted by exchange rate fluctuations and by the translation of our non-Canadian subsidiaries EBITDA (A)[1] into CAN$. It also includes the impact of exchange rate fluctuations on the Corporation's Canadian units in currency other than the CAN$ on working capital items and cash positions, as well as our hedging transactions. It excludes indirect sensitivity (please refer to the "Sensitivity Table" section of 2022 Annual report for further details).*
Other production costs (EBITDA (A)[1])	*These costs include the impact of variable and fixed costs based on production costs per unit shipped externally, which are affected by downtime and efficiency.*
Recovery and Recycling activities (Sales and EBITDA (A)[1])	*While this sub-segment is integrated within the other segments of the Corporation, all variations in the results of Recovery and Recycling activities are presented separately and on a global basis in the charts.*

The sales and EBITDA (A)[1] variances analysis by segment is shown in each business segment review (please refer to "Business Segment Review" for more details).

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense increased by $2 million to $62 million in the first quarter of 2023, compared to $60 million in the same period of 2022. This reflects the depreciation of the Canadian dollar which increased the depreciation cost in the first quarter of 2023 by $3 million. While the impairment recorded over the last twelve months offset this impact.

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

FINANCING EXPENSE

The financing expense amounted to $23 million in the first quarter of 2023, compared to $15 million in the same period of 2022, an increase of $8 million. Higher interest rate and the higher level of debt resulted in a variance of $6 million. The average interest rate on our revolving credit facility increased to 6.64% in the first quarter of 2023 from 2.92% in the same period of 2022. As of March 31, 2023, 40% of the Corporation's total long-term debt was at a variable rate and 60% was at a fixed rate.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to $12 million in the first quarter of 2023, compared to $4 million in the same period of 2022. In the first quarter of 2023, it includes a gain of $9 million on the disposal of a non-significant joint venture. Please refer to Note 7 of Unaudited Condensed Interim Consolidated Financial Statements for the three-month periods ended March 31, 2023 and 2022, for more information on share of results of associates and joint ventures.

RECOVERY OF INCOME TAXES

In the first quarter of 2023, the Corporation recorded a recovery of income taxes of $24 million, which compares to a recovery of income taxes of $4 million in the same period of 2022.

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 24.0% in the first quarter of 2023.

NET EARNINGS (LOSS)

For the three-month period ended March 31, 2023, the Corporation posted a net loss of $(75) million, or ($0.75) per common share, compared to a net loss of $(15) million, or ($0.15) per common share, in the same period of 2022. On an adjusted basis[1], the Corporation generated net earnings of $33 million in the first quarter of 2023, or $0.32 per common share, compared to a net loss of $(15) million, or ($0.15) per common share, in the same period of 2022.

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

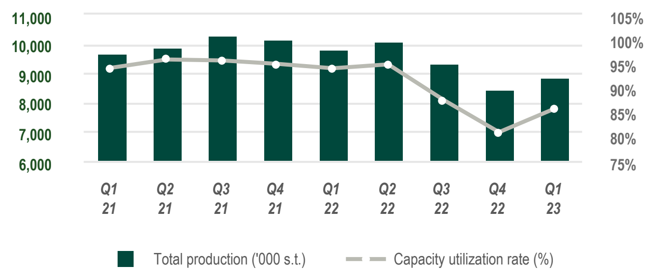
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

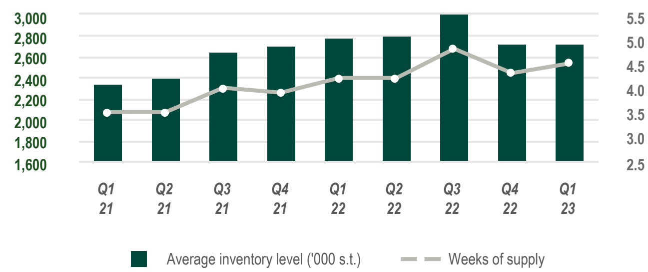
U.S. containerboard industry production and capacity utilization rate [1]

During the first quarter of 2023, total U.S. containerboard production amounted to 8.9 million short tons, a sequential increase of 4% and a year-over-year decrease of 10%. The industry registered an average capacity utilization rate of 86% during the quarter.



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

The average inventory level was stable sequentially and decreased by 2% year-over-year during the first quarter of 2023. Inventory levels stood at approximately 2.7 million short tons at the end of March 2023, representing 4.5 weeks of supply.



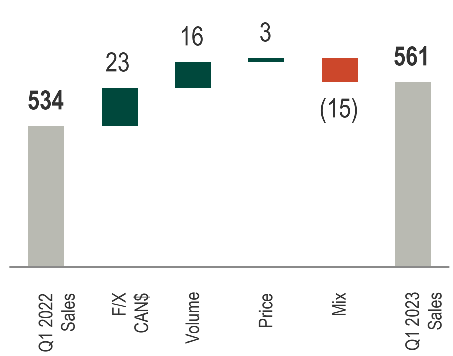
1 Source: RISI

2 Source: Fibre Box Association

Our Performance

The main variances[1] in sales and EBITDA (A)[2] for the Containerboard Packaging segment in the first quarter of 2023, compared to the same period of 2022, are shown below:
(in millions of Canadian dollars)

SALES ($M)



EBITDA (A) ($M)

1 For definitions of certain sales and EBITDA (A)[2] variation categories, please refer to the "Financial Overview" section for more details.

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

	Q1 2022	Q1 2023	Change in %
Shipments[2] ('000 s.t.)	372	383	3%
Average Selling Price (CAN$/unit)	1,434	1,464	2%
Sales ($M)	534	561	5%
EBITDA (A)[1]	80	126	58%
% of sales	15%	22%	

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

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

3 Including sales to other partners in Greenpac.

Shipments increased by 11,000 s.t., or 3%, in the first quarter of 2023 compared to the same period of 2022.

This reflected an 18,000 s.t., or 10%, increase in external parent roll shipments compared to the same period of 2022. This reflects transportation availability constraints that limited our ability to ship during the first quarter of 2022 as well as higher parent roll shipments to external customers in preparation for the Bear island start-up in 2023. Consequently, the mill integration rate decreased by 8% to 49% compared to the same period of 2022. Including sales to other partners[3], the integration rate also decreased by 8% to 67%, year-over-year. The manufacturing utilization rate decreased by 2% to 91%.

Shipments from converting activities decreased by 7,000 s.t., or 4%, compared to the same period of 2022. In terms of square feet, our volume decreased by 4% to 3.3 billion in the first quarter of 2023 from 3.4 billion in the same period of 2022. This reflects a 5% decrease in Canadian converted product shipments, which is in line with the 5% decrease in the market. Our US converted product shipments decreased by 1% year-over-year, significantly outperforming the 9% market decrease.

The average selling price increased by 2% in the first quarter of 2023 compared to the same period of 2022. This reflected increases of 2% for parent rolls and 6% for converted products, with the consolidated result reflecting a less favourable product mix with more parent rolls.

Sales increased by $27 million in the first quarter of 2023 compared to the same period of 2022. This reflected benefits of $3 million from higher average selling prices, $16 million due to higher volume and $23 million related to the depreciation of the Canadian dollar. These were partly offset by a $15 million negative impact related to a less favourable sales mix, including more parent rolls.

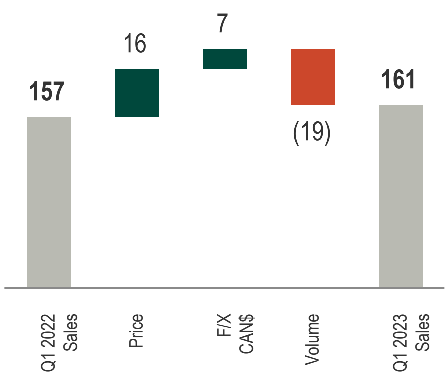
EBITDA (A)[1] increased by $46 million, or 58% in the first quarter of 2023 compared to the same period of 2022, reflecting benefits of $48 million from lower raw material costs, a $3 million positive impact from higher selling prices and a positive impact of $6 million from higher volume. The depreciation of the Canadian dollar favourably impacted results by $7 million year-over-year. Headwinds included a less favourable sales mix impact of $6 million on EBITDA (A)[1] and a $12 million impact related to continued inflationary pressure on operational costs. Results include an insurance settlement related to the water effluent treatment system at our Niagara Falls, NY complex of $7 million, received during the first quarter of 2023. Results also include $9 million of operational expenses related to the Bear Island project in the first quarter of 2023, up from $2 million in the same period in 2022.

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

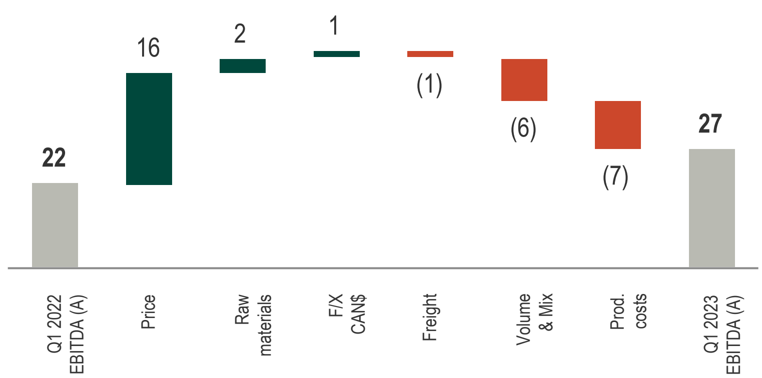
Our Performance

The main variances[1] in sales and EBITDA (A)[2] for the Specialty Products segment in the first quarter of 2023, compared to the same period of 2022, are shown below:
(in millions of Canadian dollars)

SALES ($M)



EBITDA (A) ($M)



	Q1 2022	Q1 2023	Change in %
Sales ($M)	157	161	3%
EBITDA (A)[2]	22	27	23%
% of sales	14%	17%	

Sales increased by $4 million, or 3%, in the first quarter of 2023 compared to the same period of 2022. All sub-segments delivered higher average selling prices, which contributed $16 million to sales. In addition, the depreciation of the Canadian dollar compared to the US dollar benefited sales levels by $7 million. These were partially offset by lower volume in the food packaging sub-sector, primarily driven by labour constraints, which reduced sales by $19 million.

EBITDA (A)[2] increased by $5 million, or 23%, in the first quarter of 2023 compared to the same period of 2022. This strong performance is the result of higher realized spreads (selling price less raw materials), which positively impacted our results by $18 million. These were partially offset by $8 million of higher costs in transportation, production supplies and labour that were largely attributable to general inflationary pressure. In addition, lower volume decreased results by $6 million.

1 For definitions of certain sales and EBITDA (A)[2] variation categories, please refer to the "Financial Overview" section for more details.

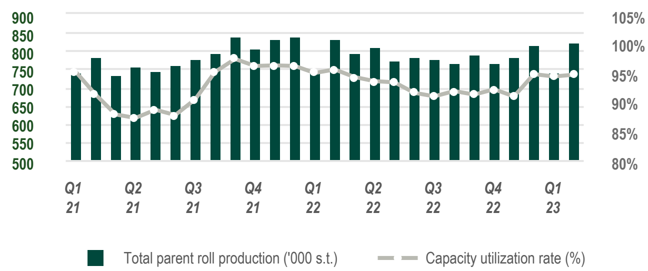
2 Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

TISSUE PAPERS

Our Industry

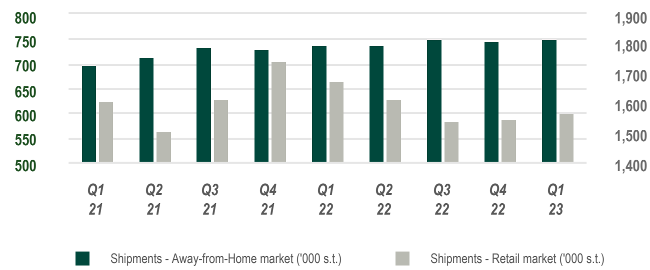
U.S. tissue paper industry production (parent rolls) and capacity utilization rate[1]

During the first quarter of 2023, parent roll production amounted to 2.4 million tons, up 2% sequentially and down 2% compared to the same period last year. The average capacity utilization rate for the quarter stood at 95%, up 4% sequentially and down 1% compared to the first quarter of 2022.



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

Shipments in the Away-from-Home market increased by 1% sequentially and increased by 2% year-over-year in the first quarter of 2023. Shipments in the Retail market increased by 1% compared to the previous quarter and decreased by 4% versus the same period of 2022.

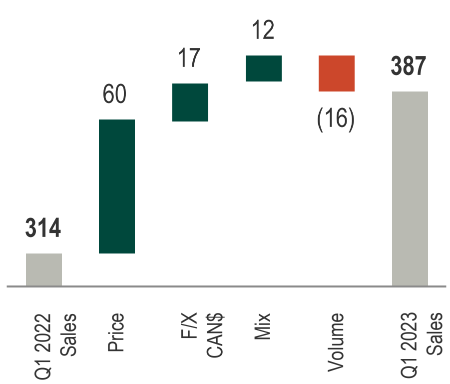


1 Source: RISI

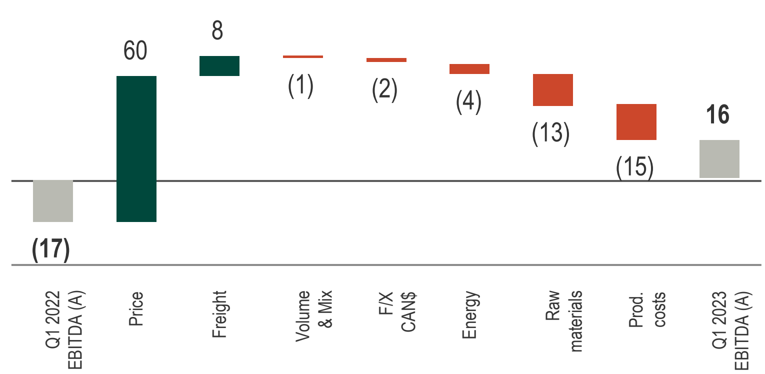
Our Performance

The main variances[1] in sales and EBITDA (A)[2] for the Tissue Papers segment in the first quarter of 2023, compared to the same period of 2022, are shown below:
(in millions of Canadian dollars)

SALES ($M)



EBITDA (A) ($M)



1 For definitions of certain sales and EBITDA (A)[2] variation categories, please refer to the "Financial Overview" section for more details.

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

	Q1 2022	Q1 2023	Change in %
Shipments[2] ('000 s.t.)	131	124	-5%
Average Selling Price (CAN$/unit)	2,398	3,116	30%
Sales ($M)	314	387	23%
EBITDA (A)[1]	(17)	16	194%
% of sales	(5)%	4%	

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

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

Shipments decreased by 7,000 s.t., or 5%, in the first quarter of 2023 compared to the same period of 2022.

Converted product shipments increased by 2,000 s.t., or 2%, on a year-over-year basis. This was mainly driven by higher demand in Consumer Products (+9%) and lower demand in the Away-from-Home market (-6%). In terms of cases, shipments increased by 0.7 million cases, or 5%, to 14.5 million cases in the first quarter of 2023. External manufacturing shipments of parent rolls decreased by 9,000 s.t., or 31%, in the first quarter of 2023 compared to the same period of 2022 as our St. Helens mill was shut for part of the 2023 first quarter due to structural repairs. Consequently, our integration rate increased to 84% compared to 79%.

The 30% increase in the average selling price was primarily due to price increase initiatives in both the Away-from-Home and Consumer Products markets, an average depreciation of the Canadian dollar compared to the US dollar and a favourable mix of products sold due to a lower proportion of parent rolls.

Sales increased by $73 million, or 23%, in the first quarter of 2023 compared to the same period of 2022. This reflects a positive impact of $60 million related to selling price increase initiatives, $12 million from a lower proportion of parent rolls in the sales mix and a $17 million positive impact from the depreciation of the Canadian dollar. These were partially offset by lower total volumes, which had a negative impact of $16 million.

EBITDA (A)[1] increased by $33 million in the first quarter of 2023 compared to the same period of 2022, reflecting a $68 million positive impact from higher selling prices and lower transportation costs which were offset by a $35 million impact from higher raw material, energy, labour and production costs stemming mostly from inflationary pressure.

CORPORATE ACTIVITIES, RECOVERY AND RECYCLING

Corporate Activities, Recovery and Recycling recorded an EBITDA (A)[1] of $(35) million in the first quarter of 2023, compared to $(27) million in the same period of 2022. The EBITDA (A)[1] of our Recovery and Recycling activities was $12 million lower in the first quarter of 2023, compared to the same period in 2022, due to lower volume and decreasing raw material index prices. Corporate Activities results also benefited from lower professional fees and incurred a loss of $3 million in the first quarter of 2023 following a fire at an external warehouse causing inventory losses.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to $2 million in the first quarter of 2023, compared to $1 million in the same period of 2022. For more details on stock-based compensation, please refer to Note 21 of the 2022 Audited Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities, excluding changes in non-cash working capital components, stood at $89 million in the first quarter of 2023, compared to $19 million in the same period of 2022. This cash flow measurement is relevant to the Corporation's ability to pursue its capital expenditure program and reduce its indebtedness.

Cash flows from operating activities generated $43 million in liquidity in the first quarter of 2023, compared to $73 million used in the same period of 2022. The increase is driven by improved profitability and the significant decrease in the non-cash working capital compared to 2022. The Corporation paid $44 million of financing expense in the first quarter of 2023, compared to $30 million in the same period of 2022. The Corporation also paid $2 million of income taxes in the first quarter of 2023, compared to $1 million paid in the same period of 2022. Other elements include payments totaling $1 million in the first quarter of 2023 for severances and other restructuring costs related to closures and margin improvement initiatives, compared to $7 million in the same period of 2022.

Changes in non-cash working capital components used $46 million in liquidity in the first quarter of 2023, compared to $92 million used in the same period of 2022. Ongoing inflation has a negative impact through the cash converting cycle as it first hits accounts payable and inventory, that were partially counter balanced by the price increases passed over to clients along with the decline in prices for main direct costs. The high level of inventories is mainly explained by the build-up of inventories in preparation for the Bear Island plant start-up, along with the inflationary impact on costs and higher level of certain inventory categories related to seasonality and maintenance of client services in the still challenging logistic network. As of March 31, 2023, average quarterly LTM working capital as a percentage of LTM sales[1] stood at 10.6%, which compares to 10.5% as of December 31, 2022.

INVESTING ACTIVITIES

Investing activities used $129 million in liquidity in the first quarter of 2023, compared to $97 million used in the same period of 2022.

DISPOSALS IN ASSOCIATES AND JOINT VENTURES

In the first quarter of 2023, the Tissue Papers segment received $10 million from the sale of an investment in a non-significant joint venture.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars) (unaudited)	**2023**	2022
Total acquisitions	**105**	99
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	**43**	24
Right-of-use assets acquisitions	**(8)**	(21)
Payments for property, plant and equipment	**140**	102
Proceeds from disposals of property, plant and equipment	**(3)**	(6)
Payments for property, plant and equipment net of proceeds from disposals	**137**	96

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

New capital expenditure projects, including right-of-use assets, by segment in the first quarter of 2023 were as follows:
(in millions of Canadian dollars)

The major capital projects that were initiated, are in progress or were completed in the first quarter of 2023 are as follows:

CONTAINERBOARD PACKAGING

- Bear Island assets in Virginia, USA for site preparation and conversion of equipment to recycled containerboard manufacturing (see "Business Highlights" section for more details).
- Investment in equipment to optimize the converting capacity addition in the USA.

SPECIALTY PRODUCTS

- Investment in thermoforming and extrusion equipment to increase the production capacity and transition the sub-segment to the recycled rigid plastics.

PROCEEDS FROM DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

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

In the first quarter of 2023, the Tissue Papers segment received $2 million from the sale of some machinery and equipment related to a previously closed plant in the USA.

In the first quarter of 2022, the Specialty Products segment received $5 million from the sale of land and a building related to a closed plant in Canada. An additional amount of $1 million deposited in escrow was collected in the first quarter of 2023.

CHANGE IN INTANGIBLE AND OTHER ASSETS

In the first quarter of 2023, the Corporation invested $1 million, compared to $1 million in the same period of 2022, in its ERP information technology system and other software developments.

FINANCING ACTIVITIES

Financing activities generated $49 million in the first quarter of 2023, compared to $33 million generated in the same period of 2022, including $12 million ($12 million in the same period of 2022) in dividend payments to the Corporation's Shareholders.

PAYMENT OF OTHER LONG-TERM DEBT

The Corporation repaid $52 million of other debt without recourse to the Corporation to be refinanced.

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

The Corporation issued no common shares as a result of the exercise of stock options in the first quarter of 2023 (in the same period of 2022 - less than a million dollars for 7,265 common shares issued at an average price of $4.90).

The Corporation purchased no common shares for cancellation in the first quarter of 2023 (in the same period of 2022 - $5 million for 394,021 common shares for cancellation at an average price of $13.04).

DIVIDENDS PAID TO NON-CONTROLLING INTERESTS

Dividends paid to non-controlling interests in Greenpac and Falcon Packaging (distributor in the Specialty Products segment) amounted to $3 million in the first quarter of 2023 ($4 million in the same period of 2022).

CONSOLIDATED FINANCIAL POSITION

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022 AND 2021

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

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	**March 31, 2023**	December 31, 2022	December 31, 2021
Cash and cash equivalents	**64**	102	174
Total assets	**4,970**	5,053	4,566
Total debt[1]	**2,134**	2,068	1,525
Net debt[1]	**2,070**	1,966	1,351
Equity attributable to Shareholders	**1,780**	1,871	1,879
Non-controlling interests	**62**	57	48
Total equity	**1,842**	1,928	1,927
Total equity and net debt[1]	**3,912**	3,894	3,278
Ratio of net debt/(total equity and net debt)[1]	**52.9%**	50.5%	41.2%
Shareholders' equity per common share (in Canadian dollars)	**$17.73**	$18.64	$18.63

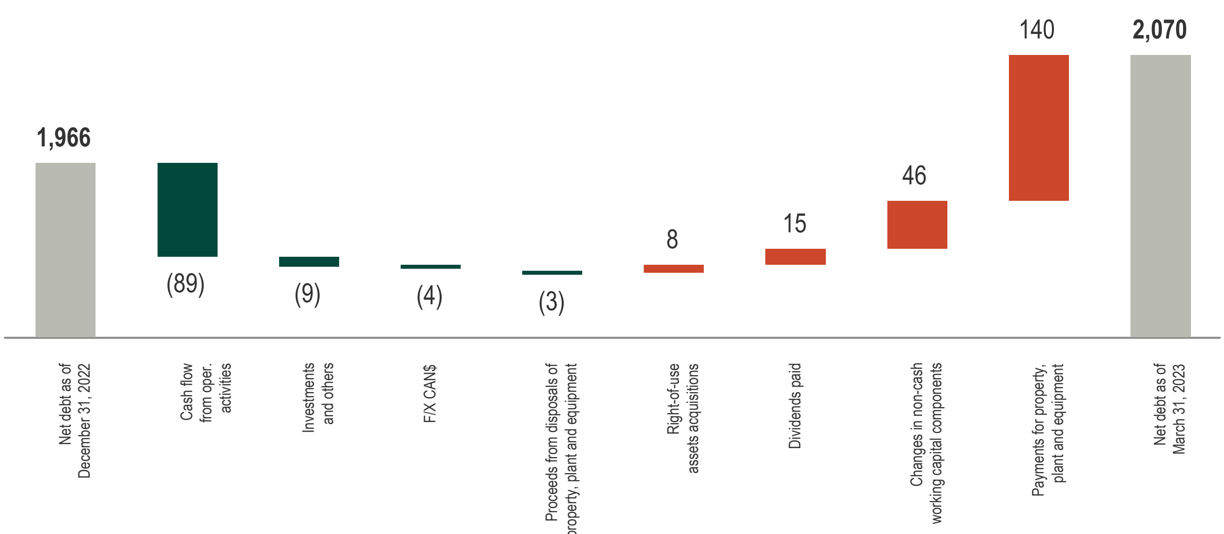
The following table reflects the Corporation's secured debt rating/corporate rating/unsecured debt rating:

Credit rating (outlook)	MOODY'S	STANDARD & POOR'S
December 31, 2022	Baa3/Ba2/Ba3 (stable)	BB+/BB-/BB- (stable)
March 31, 2023	**Baa3/Ba2/Ba3 (stable)**	**BB+/BB-/BB- (stable)**

During the first quarter of 2022, STANDARD & POOR'S revised the Corporation's outlook to stable from positive on cost headwinds and reaffirmed its 'BB-' rating.

NET DEBT[1] RECONCILIATION

The variances in the net debt[1] (total debt[1] less cash and cash equivalents) in the first quarter of 2023 are shown below, with the applicable financial ratios included:
(in millions of Canadian dollars)



376	EBITDA (A)[1] (last twelve months) ($M)	**452**
5.2x	Net debt / EBITDA (A) ratio[1]	**4.6x**

1 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.

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 the next twelve months. 2023 capital expenditures are forecasted to be approximately $325 million, encompassing $175 million for the Bear Island containerboard conversion project in Virginia, USA. As of March 31, 2023, the Corporation had $265 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 of March 31, 2023 are comprised as follows: $29 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and $35 million in unrestricted subsidiaries, mainly Greenpac.

CAPITAL STOCK INFORMATION

COMMON SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol "CAS". From January 1, 2023 to March 31, 2023, Cascades' common share price fluctuated between $8.61 and $11.32. During the same period, 14.2 million Cascades common shares were traded on the Toronto Stock Exchange. On March 31, 2023, Cascades' common shares closed at $10.99. This compares with a closing price of $12.82 on the same closing day last year.

COMMON SHARES OUTSTANDING

As of March 31, 2023, the Corporation's issued and outstanding capital stock consisted of 100,361,627 common shares (100,361,627 as of December 31, 2022) and 2,791,041 issued and outstanding stock options (2,794,344 as of December 31, 2022). In 2023, the Corporation purchased no common shares for cancellation, while no stock options were exercised, no options were granted and 3,303 stock options were forfeited.

As of May 10, 2023, issued and outstanding capital stock consisted of 100,365,132 common shares and 2,784,138 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The normal course issuer bid announced on March 17, 2022 enabled the Corporation to purchase for cancellation up to 2,015,053 common shares between March 19, 2022 and March 18, 2023. During that period, the Corporation purchased 460,400 common shares for cancellation at an average price of $9.38 for $4 million.

The Corporation did not renew its normal course issuer program in 2023.

DIVIDEND POLICY

On May 10, 2023, Cascades' Board of Directors declared a quarterly dividend of $0.12 per common share to be paid on June 8, 2023 to shareholders of record at the close of business on May 26, 2023. On May 10, 2023, dividend yield was 4.2%.

				2021				2022	**2023**
TSX Ticker: CAS	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Common shares outstanding (in millions)[1]	102.3	102.3	100.9	100.9	100.5	100.8	100.4	100.4	**100.4**
Closing price (in Canadian dollars)[1]	$15.73	$15.26	$15.67	$13.97	$12.82	$10.13	$8.04	$8.46	**$10.99**
Average daily volume[2]	342,616	433,394	278,277	272,438	250,944	299,332	293,260	259,071	**225,154**
Dividend yield[1]	2.0%	2.1%	3.1%	3.4%	3.7%	4.7%	6.0%	5.7%	**4.4%**

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, 2021 TO MARCH 31, 2023
(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 CONTROLS 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 March 31, 2023, 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 36 to 45 of our Annual Report for the year ended December 31, 2022 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.

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 earnings before interest, taxes, depreciation and amortization or EBITDA (A): represents the operating income before depreciation and amortization excluding specific items. Used to assess recurring operating performance and the contribution of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Adjusted 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.
- Free cash flow: Used to measure the excess cash the Corporation generates by subtracting capital expenditures (excluding strategic projects) from the EBITDA (A).
- 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 EBITDA (A) to calculate net debt to EBITDA (A) ratio.

Non-IFRS ratios

- Net debt to EBITDA (A) ratio: Used to assess the Corporation's ability to pay its debt and evaluate financial leverage.
- EBITDA (A) margin: Used to assess operating performance and the contribution of each segment on a comparable basis calculated as a percentage of sales.
- 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 cash flow per common share: Used to assess the Corporation's financial flexibility.
- Free cash flow ratio: Used to measure the liquidity and efficiency of how much more cash the Corporation generates than it uses to run the business by subtracting capital expenditures (excluding strategic projects) from the EBITDA (A) calculated as a percentage of sales.

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 chief operating decision-maker (CODM) assesses the performance of each reportable segment based on sales and earnings before interest, taxes, depreciation and amortization, adjusted to exclude specific items (EBITDA (A)). The CODM considers EBITDA (A) to be the best performance measure of the Corporation's activities.

EBITDA (A) by business segment is reconciled to IFRS measure, namely operating income (loss), and is presented in the following table:

	For the 3-month period ended March 31, 2023				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate Activities, Recovery and Recycling**	**Consolidated**
Operating income (loss)	**38**	**21**	**(92)**	**(47)**	**(80)**
Depreciation and amortization	**30**	**5**	**17**	**10**	**62**
Impairment charges	**59**	**1**	**92**	**—**	**152**
Gain on acquisitions, disposals and others	**—**	**—**	**(2)**	**—**	**(2)**
Restructuring costs	**—**	**—**	**1**	**—**	**1**
Unrealized loss (gain) on derivative financial instruments	**(1)**	**—**	**—**	**2**	**1**
EBITDA (A)	**126**	**27**	**16**	**(35)**	**134**

	For the 3-month period ended March 31, 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities, Recovery and Recycling	Consolidated
Operating income (loss)	44	24	(35)	(37)	(4)
Depreciation and amortization	28	4	17	11	60
Gain on acquisitions, disposals and others	—	(6)	—	—	(6)
Restructuring costs	—	—	1	—	1
Unrealized loss (gain) on derivative financial instruments	8	—	—	(1)	7
EBITDA (A)	80	22	(17)	(27)	58

The following table reconciles net loss and net loss per common share, as reported, 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 March 31,		**For the 3-month periods ended March 31,**	
(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	**2023**	2022	**2023**	2022
As reported	**(75)**	(15)	**($0.75)**	($0.15)
Specific items:				
Impairment charges	**152**	—	**$1.14**	—
Gain on acquisitions, disposals and others	**(2)**	(6)	**($0.01)**	($0.05)
Restructuring costs	**1**	1	**$0.01**	$0.01
Unrealized loss on derivative financial instruments	**1**	7	**—**	$0.05
Foreign exchange gain on long-term debt and financial instruments	**—**	(1)	**—**	($0.01)
Share of results of associates and joint ventures	**(9)**	—	**($0.07)**	—
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(35)**	(1)	**—**	—
	108	—	**$1.07**	—
Adjusted	**33**	(15)	**$0.32**	($0.15)
Weighted average basic number of common shares outstanding			**100,361,627**	100,822,921

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 common 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 with EBITDA (A):

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended March 31, 2023	2022
Cash flow from (used by) operating activities	**43**	(73)
Changes in non-cash working capital components	**46**	92
Net income taxes paid	**2**	1
Net financing expense paid	**44**	30
Provisions for contingencies and charges and other liabilities, net of dividends received	**(1)**	8
EBITDA (A)	**134**	58

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

(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	For the 3-month periods ended March 31, 2023	2022
Cash flow from (used by) operating activities	**43**	(73)
Changes in non-cash working capital components	**46**	92
Cash flow from operating activities (excluding changes in non-cash working capital components)	**89**	19
Restructuring costs paid	**1**	7
Adjusted cash flow from operating activities	**90**	26
Payments for property, plant and equipment	**(140)**	(102)
Change in intangible and other assets	**(2)**	(1)
Lease obligation payments	**(14)**	(13)
Proceeds from disposals of property, plant and equipment	**3**	6
	(63)	(84)
Dividends paid to non-controlling interests	**(3)**	(4)
Dividends paid to the Corporation's Shareholders	**(12)**	(12)
Adjusted cash flow used	**(78)**	(100)
Adjusted cash flow used per common share (in Canadian dollars)	**($0.78)**	($0.99)
Weighted average basic number of common shares outstanding	**100,361,627**	100,822,921

The following table reconciles payments for property, plant and equipment, excluding strategic projects and free cash flow. It also provides these two metrics as a percentage of sales:

(in millions of Canadian dollars) (unaudited)	**March 31, 2023 (LTM)**[3]	December 31, 2022	March 31, 2022 (LTM)[3]
Sales[1]	**4,562**	4,466	4,052
EBITDA (A)[1]	**452**	376	325
Payments for property, plant and equipment[1]	**539**	501	317
Less: strategic projects included above[2]	**(371)**	(335)	(144)
Payments for property, plant and equipment, excluding strategic projects	**168**	166	173
Free cash flow: EBITDA (A) less payments for property plant and equipment, excluding strategic projects	**284**	210	152
Free cash flow / Sales	**6.2%**	4.7%	3.8%
Payments for property, plant and equipment, excluding strategic projects / Sales	**3.7%**	3.7%	4.3%

The following table reconciles working capital as reported:

(in millions of Canadian dollars) (unaudited)	**March 31, 2023**	December 31, 2022	December 31, 2021
Accounts receivable	**546**	556	510
Inventories	**614**	587	494
Trade and other payables	**(673)**	(746)	(707)
Working capital	**487**	397	297

1 *Please refer to the "Historical Financial Information" section for a complete reconciliation.*

2 *Strategic projects include the investment for the Bear Island construction project.*

3 *LTM (last twelve months)*

The following table reconciles total debt and net debt with the ratio of net debt to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA (A)):

(in millions of Canadian dollars, except ratios) (unaudited)	**March 31, 2023**	December 31, 2022	December 31, 2021
Long-term debt	**2,044**	1,931	1,450
Current portion of long-term debt	**88**	134	74
Bank loans and advances	**2**	3	1
Total debt	**2,134**	2,068	1,525
Less: Cash and cash equivalents	**(64)**	(102)	(174)
Net debt as reported	**2,070**	1,966	1,351
Last twelve months EBITDA (A)	**452**	376	389
Net debt / EBITDA (A) ratio	**4.6x**	5.2x	3.5x

SPECIFIC ITEMS

The Corporation incurred the following specific items in the first quarters of 2023 and 2022:

IMPAIRMENT CHARGES

2023

In the first quarter, the Containerboard Packaging segment recorded an impairment charge of $59 million on some land ($3 million), building ($22 million) and equipment ($34 million) of a CGU (cash generating unit) subsequent to the permanent closure of one paper machine in the USA. The decision was the result of the tightening market conditions which makes the CGU less profitable. The recoverable amount of the assets in operation, totaling $39 million, was determined using fair value less the cost of disposal based on the market approach of comparable assets on the market.

In the first quarter, the Specialty Products segment recorded an impairment charge of $1 million on some equipment related to a closed plant in the USA. The recoverable amount was determined using fair value less the cost of disposal based on the market approach of comparable assets on the market.

In the first quarter, the Tissue Papers segment record an impairment charge of $12 million on spare parts and $80 million on some buildings ($19 million) and equipment ($61 million), consequent to the strategic repositioning of its operating platform. The decision includes the permanent closure of two plants in the USA and the wind down of one paper mill. The recoverable amount of $130 million was determined using fair value less cost of disposal based on the market approach of comparable assets on the market.

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2023

In the first quarter, the Tissue Papers segment recorded a $2 million gain from the sale of some machinery and equipment related to a previously closed plant in the USA.

2022

In the first quarter, the Specialty Products segment recorded a $6 million gain from the sale of land and a building related to a closed plant in Canada.

RESTRUCTURING COSTS

2023

In the first quarter, the Tissue Papers segment recorded additional costs totaling $1 million related to asset relocation and severances.

2022

In the first quarter, the Tissue Papers segment recorded additional costs totaling $1 million related to asset relocation and severances.

UNREALIZED LOSS (GAIN) ON DERIVATIVE FINANCIAL INSTRUMENTS

In the first quarter of 2023, the Corporation recorded an unrealized loss of $1 million, compared to an unrealized loss of $7 million in the same period of 2022, on certain derivative financial instruments not designated for hedge accounting. The Containerboard Packaging segment recorded an unrealized gain of $1 million in the first quarter of 2023 and an unrealized loss of $8 million in the same period of 2022, due to a steam contract embedded derivatives related to our Niagara Falls containerboard complex. Corporate Activities recorded an unrealized loss of $2 million in the first quarter of 2023 and an unrealized gain of $1 million in the same period of 2022 due to the financial hedging contracts for natural gas purchases.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first quarter of 2023, the Corporation recorded a gain of less than a million dollars on its US$ denominated debt and related financial instruments, compared to a gain of $1 million in the same period of 2022. This is composed of foreign exchange forward contracts not designated for hedge accounting.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

2023

In the first quarter, the Tissue Papers segment recorded a gain in “Share of results of associates and joint ventures” of $9 million from the sale of an investment in a non-significant joint venture.

HISTORICAL FINANCIAL INFORMATION

	2021					2022					**2023**	**LTM[2]**
(in millions of Canadian dollars, unless otherwise noted) (unaudited)	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	
Sales												
Packaging Products												
Containerboard	503	497	507	502	2,009	534	569	595	567	2,265	**561**	***2,292***
Specialty Products	122	131	144	151	548	157	168	168	161	654	**161**	***658***
Inter-segment sales	(7)	(7)	(10)	(8)	(32)	(8)	(10)	(11)	(7)	(36)	**(7)**	***(35)***
	618	621	641	645	2,525	683	727	752	721	2,883	**715**	***2,915***
Tissue Papers	292	297	344	339	1,272	314	342	382	384	1,422	**387**	***1,495***
Inter-segment sales, Corporate Activities, Recovery and Recycling	32	38	45	44	159	41	50	40	30	161	**32**	***152***
Total	942	956	1,030	1,028	3,956	1,038	1,119	1,174	1,135	4,466	**1,134**	***4,562***
Operating income (loss)	44	23	73	(90)	50	(4)	32	25	(20)	33	**(80)**	***(43)***
EBITDA (A)[1]												
Packaging Products												
Containerboard	108	100	94	70	372	80	99	103	119	401	**126**	***447***
Specialty Products	18	18	17	21	74	22	25	25	20	92	**27**	***97***
	126	118	111	91	446	102	124	128	139	493	**153**	***544***
Tissue Papers	20	1	12	(6)	27	(17)	(8)	4	8	(13)	**16**	***20***
Corporate Activities, Recovery and Recycling	(24)	(21)	(16)	(23)	(84)	(27)	(25)	(21)	(31)	(104)	**(35)**	***(112)***
Total	122	98	107	62	389	58	91	111	116	376	**134**	***452***
Margin (EBITDA (A) / Sales) (%)[1]	13.0%	10.3%	10.4%	6.0%	9.8%	5.6%	8.1%	9.5%	10.2%	8.4%	**11.8%**	***9.9%***
Net earnings (loss)	22	3	32	105	162	(15)	10	(2)	(27)	(34)	**(75)**	***(94)***
Adjusted[1]	29	8	(1)	(9)	27	(15)	10	20	22	37	**33**	***85***
Net earnings (loss) from continuing operations per basic common share (in Canadian dollars)	$0.17	$0.04	$0.18	($0.98)	($0.59)	($0.15)	$0.10	($0.02)	($0.27)	($0.34)	**($0.75)**	***($0.94)***
Net earnings (loss) from discontinued operations per basic common share (in Canadian dollars)	$0.05	($0.02)	$0.14	$2.02	$2.19	—	—	—	—	—	**—**	***—***
Net earnings (loss) per common share (in Canadian dollars)												
Basic	$0.22	$0.02	$0.32	$1.04	$1.60	($0.15)	$0.10	($0.02)	($0.27)	($0.34)	**($0.75)**	***($0.94)***
Diluted	$0.22	$0.02	$0.32	$1.03	$1.59	($0.15)	$0.10	($0.02)	($0.27)	($0.34)	**($0.75)**	***($0.94)***
Basic, adjusted[1]	$0.29	$0.07	($0.01)	($0.09)	$0.26	($0.15)	$0.10	$0.20	$0.22	$0.37	**$0.32**	***$0.84***
Cash flow from operating activities (excluding changes in non-cash working capital components)	82	87	58	20	247	19	81	60	100	260	**89**	***330***
Payments for property, plant and equipment	(71)	(66)	(54)	(95)	(286)	(102)	(117)	(122)	(160)	(501)	**(140)**	***(539)***
Net debt[1]	1,654	1,707	1,760	1,351	1,351	1,549	1,712	2,011	1,966	1,966	**2,070**	
Net debt / EBITDA (A) (LTM) ratio[1]	2.5x	3.5x	3.8x	3.5x	3.5x	4.8x	5.4x	6.2x	5.2x	5.2x	**4.6x**	

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

2 LTM (last twelve months)

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	NOTE	March 31, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		**64**	102
Accounts receivable		**546**	556
Current income tax assets		**10**	11
Inventories		**614**	587
Current portion of financial assets	5	**5**	9
		1,239	1,265
Long-term assets			
Investments in associates and joint ventures		**95**	94
Property, plant and equipment[1]		**2,857**	2,945
Intangible assets with finite useful life		**69**	73
Financial assets	5	**3**	4
Other assets		**72**	70
Deferred income tax assets		**147**	114
Goodwill and other intangible assets with indefinite useful life		**488**	488
		4,970	5,053
Liabilities and Equity			
Current liabilities			
Bank loans and advances		**2**	3
Trade and other payables		**673**	746
Current income tax liabilities		**4**	4
Current portion of long-term debt	4	**88**	134
Current portion of provisions for contingencies and charges		**7**	8
Current portion of financial liabilities and other liabilities	5	**26**	22
		800	917
Long-term liabilities			
Long-term debt	4	**2,044**	1,931
Provisions for contingencies and charges		**41**	41
Financial liabilities	5	**9**	7
Other liabilities		**98**	97
Deferred income tax liabilities		**136**	132
		3,128	3,125
Equity			
Capital stock	6	**611**	611
Contributed surplus		**15**	14
Retained earnings		**1,126**	1,212
Accumulated other comprehensive income		**28**	34
Equity attributable to Shareholders		**1,780**	1,871
Non-controlling interests		**62**	57
Total equity		**1,842**	1,928
		4,970	5,053

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

1 Please refer to the "Segmented Information" section for more information.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	NOTE	For the 3-month periods ended March 31, 2023	2022
Sales		**1,134**	1,038
Supply chain and logistic		**663**	667
Wages and employee benefits expenses		**273**	241
Depreciation and amortization		**62**	60
Maintenance and repair		**58**	56
Other		**6**	16
Impairment charges		**152**	—
Gain on acquisitions, disposals and others		**(2)**	(6)
Restructuring costs		**1**	1
Unrealized loss on derivative financial instruments		**1**	7
Operating loss		**(80)**	(4)
Financing expense	8	**23**	15
Share of results of associates and joint ventures	7	**(12)**	(4)
Loss before income taxes		**(91)**	(15)
Recovery of income taxes		**(24)**	(4)
Net loss including non-controlling interests for the period		**(67)**	(11)
Net earnings attributable to non-controlling interests		**8**	4
Net loss attributable to Shareholders for the period		**(75)**	(15)
Net loss per common share			
Basic		**($0.75)**	($0.15)
Diluted		**($0.75)**	($0.15)
Weighted average basic number of common shares outstanding		**100,361,627**	100,822,921
Weighted average number of diluted common shares		**100,701,239**	101,608,760

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended March 31, 2023	2022
Net loss including non-controlling interests for the period	**(67)**	(11)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to earnings		
Translation adjustments		
Change in foreign currency translation of foreign subsidiaries	**(2)**	(11)
Change in foreign currency translation related to net investment hedging activities	**1**	3
Cash flow hedges		
Change in fair value of commodity derivative financial instruments	**(6)**	6
Recovery of (provision for) income taxes	**1**	(2)
	(6)	(4)
Items that are not released to earnings		
Actuarial gain on employee future benefits	**1**	19
Provision for income taxes	**—**	(5)
	1	14
Other comprehensive income (loss)	**(5)**	10
Comprehensive loss including non-controlling interests for the period	**(72)**	(1)
Comprehensive income attributable to non-controlling interests for the period	**8**	4
Comprehensive loss attributable to Shareholders for the period	**(80)**	(5)

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

CONSOLIDATED STATEMENTS OF EQUITY

For the 3-month period ended March 31, 2023

(in millions of Canadian dollars) (unaudited)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of period	**611**	**14**	**1,212**	**34**	**1,871**	**57**	**1,928**
Comprehensive income (loss)							
Net earnings (loss)	**—**	**—**	**(75)**	**—**	**(75)**	**8**	**(67)**
Other comprehensive income (loss)	**—**	**—**	**1**	**(6)**	**(5)**	**—**	**(5)**
	—	**—**	**(74)**	**(6)**	**(80)**	**8**	**(72)**
Dividends	**—**	**—**	**(12)**	**—**	**(12)**	**(3)**	**(15)**
Stock options expense	**—**	**1**	**—**	**—**	**1**	**—**	**1**
Balance - End of period	**611**	**15**	**1,126**	**28**	**1,780**	**62**	**1,842**

For the 3-month period ended March 31, 2022

(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	614	14	1,274	(23)	1,879	48	1,927
Comprehensive income (loss)							
Net earnings (loss)	—	—	(15)	—	(15)	4	(11)
Other comprehensive income (loss)	—	—	14	(4)	10	—	10
	—	—	(1)	(4)	(5)	4	(1)
Dividends	—	—	(12)	—	(12)	(4)	(16)
Redemption of common shares	(2)	—	(3)	—	(5)	—	(5)
Balance - End of period	612	14	1,258	(27)	1,857	48	1,905

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 March 31, 2023	2022
Operating activities			
Net loss attributable to Shareholders for the period		**(75)**	(15)
Adjustments for:			
Financing expense	8	**23**	15
Depreciation and amortization		**62**	60
Impairment charges		**152**	—
Gain on acquisitions, disposals and others		**(2)**	(6)
Restructuring costs		**1**	1
Unrealized loss on derivative financial instruments		**1**	7
Recovery of income taxes		**(24)**	(4)
Share of results of associates and joint ventures	7	**(12)**	(4)
Net earnings attributable to non-controlling interests		**8**	4
Net financing expense paid		**(44)**	(30)
Net income taxes paid		**(2)**	(1)
Dividends received	7	**1**	—
Provisions for contingencies and charges and other liabilities		**—**	(8)
		89	19
Changes in non-cash working capital components	8	**(46)**	(92)
		43	(73)
Investing activities			
Disposals in associates and joint ventures	7	**10**	—
Payments for property, plant and equipment		**(140)**	(102)
Proceeds from disposals of property, plant and equipment		**3**	6
Change in intangible and other assets		**(2)**	(1)
		(129)	(97)
Financing activities			
Bank loans and advances		**(1)**	6
Change in credit facilities		**122**	57
Payments of other long-term debt, including lease obligations	4	**(57)**	(9)
Redemption of common shares	6	**—**	(5)
Dividends paid to non-controlling interests		**(3)**	(4)
Dividends paid to the Corporation’s Shareholders		**(12)**	(12)
		49	33
Net change in cash and cash equivalents during the period		**(37)**	(137)
Currency translation on cash and cash equivalents		**(1)**	—
Cash and cash equivalents - Beginning of the period		**102**	174
Cash and cash equivalents - End of the period		**64**	37

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

SEGMENTED INFORMATION

The Corporation's operations are managed in three segments: Containerboard and Specialty Products (which constitutes the Corporation's Packaging Products) and Tissue Papers. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in the most recent Audited Consolidated Financial Statements for the year ended December 31, 2022.

The Corporation's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The Chief Executive Officer has authority for resource allocation and management of the Corporation's performance and is therefore the CODM. The CODM assesses the performance of each reportable segment based on sales and earnings before interest, taxes, depreciation and amortization, adjusted to exclude specific items (EBITDA (A)). The CODM considers EBITDA (A) to be the best performance measure of the Corporation's activities.

Sales 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.

EBITDA (A) does not have a standardized meaning under IFRS; accordingly, it may not be comparable to similarly named measures used by other companies. Investors should not view EBITDA (A) as an alternative measure to, for example, net earnings, or as a measure of operating results, which are IFRS measures.

	SALES TO							
	For the 3-month periods ended March 31,							
	Canada		United States		Other countries		Total	
(in millions of Canadian dollars) (unaudited)	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Packaging Products								
Containerboard	**329**	328	**231**	206	**1**	—	**561**	534
Specialty Products	**56**	57	**104**	100	**1**	—	**161**	157
Inter-segment sales	**(4)**	(4)	**(3)**	(4)	**—**	—	**(7)**	(8)
	381	381	**332**	302	**2**	—	**715**	683
Tissue Papers	**126**	95	**261**	219	**—**	—	**387**	314
Inter-segment sale, Corporate Activities, Recovery and Recycling	**25**	37	**6**	4	**1**	—	**32**	41
	532	513	**599**	525	**3**	—	**1,134**	1,038

EBITDA (A) by business segment is reconciled to IFRS measure, namely operating income (loss), and is presented in the following table:

	For the 3-month period ended March 31, 2023				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate Activities, Recovery and Recycling**	**Consolidated**
Operating income (loss)	**38**	**21**	**(92)**	**(47)**	**(80)**
Depreciation and amortization	**30**	**5**	**17**	**10**	**62**
Impairment charges	**59**	**1**	**92**	**—**	**152**
Gain on acquisitions, disposals and others	**—**	**—**	**(2)**	**—**	**(2)**
Restructuring costs	**—**	**—**	**1**	**—**	**1**
Unrealized loss (gain) on derivative financial instruments	**(1)**	**—**	**—**	**2**	**1**
EBITDA (A)	**126**	**27**	**16**	**(35)**	**134**

	For the 3-month period ended March 31, 2022				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities, Recovery and Recycling	Consolidated
Operating income (loss)	44	24	(35)	(37)	(4)
Depreciation and amortization	28	4	17	11	60
Gain on acquisitions, disposals and others	—	(6)	—	—	(6)
Restructuring costs	—	—	1	—	1
Unrealized loss (gain) on derivative financial instruments	8	—	—	(1)	7
EBITDA (A)	80	22	(17)	(27)	58

IMPAIRMENT CHARGES

2023

In the first quarter, the Containerboard Packaging segment recorded an impairment charge of $59 million on some land ($3 million), building ($22 million) and equipment ($34 million) of a CGU (cash generating unit) subsequent to the permanent closure of one paper machine in the USA. The decision was the result of the tightening market conditions which makes the CGU less profitable. The recoverable amount of the assets in operation, totaling $39 million, was determined using fair value less the cost of disposal based on the market approach of comparable assets on the market. Please refer to Note 10 of the Unaudited Condensed Interim Consolidated Financial Statements for the three-month periods ended March 31, 2023 and 2022, for more information.

In the first quarter, the Specialty Products segment recorded an impairment charge of $1 million on some equipment related to a closed plant in the USA. The recoverable amount was determined using fair value less the cost of disposal based on the market approach of comparable assets on the market.

In the first quarter, the Tissue Papers segment record an impairment charge of $12 million on spare parts and $80 million on some buildings ($19 million) and equipment ($61 million), consequent to the strategic repositioning of its operating platform. The decision includes the permanent closure of two plants in the USA and the wind down of one paper mill. The recoverable amount of $130 million was determined using fair value less cost of disposal based on the market approach of comparable assets on the market. Please refer to Note 10 of the Unaudited Condensed Interim Consolidated Financial Statements for the three-month periods ended March 31, 2023 and 2022, for more information.

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2023

In the first quarter, the Tissue Papers segment recorded a $2 million gain from the sale of some machinery and equipment related to a previously closed plant in the USA.

2022

In the first quarter, the Specialty Products segment recorded a $6 million gain from the sale of land and a building related to a closed plant in Canada.

RESTRUCTURING COSTS

2023

In the first quarter, the Tissue Papers segment recorded additional costs totaling $1 million related to asset relocation and severances.

2022

In the first quarter, the Tissue Papers segment recorded additional costs totaling $1 million related to asset relocation and severances.

UNREALIZED LOSS (GAIN) ON DERIVATIVE FINANCIAL INSTRUMENTS

In the first quarter of 2023, the Corporation recorded an unrealized loss of $1 million, compared to an unrealized loss of $7 million in the same period of 2022, on certain derivative financial instruments not designated for hedge accounting. The Containerboard Packaging segment recorded an unrealized gain of $1 million in the first quarter of 2023 and an unrealized loss of $8 million in the same period of 2022, due to a steam contract embedded derivatives related to our Niagara Falls containerboard complex. Corporate Activities recorded an unrealized loss of $2 million in the first quarter of 2023 and an unrealized gain of $1 million in the same period of 2022 due to the financial hedging contracts for natural gas purchases.

(in millions of Canadian dollars) (unaudited)	PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT For the 3-month periods ended March 31, 2023	 2022
Packaging Products		
Containerboard	**89**	75
Specialty Products	**4**	11
	93	86
Tissue Papers	**9**	5
Corporate Activities, Recovery and Recycling	**3**	8
Total acquisitions	**105**	99
Right-of-use assets acquisitions	**(8)**	(21)
	97	78
Acquisitions for property, plant and equipment included in “Trade and other payables”		
Beginning of the period	**106**	75
End of the period	**(63)**	(51)
Payments for property, plant and equipment	**140**	102
Proceeds from disposals of property, plant and equipment	**(3)**	(6)
Payments for property, plant and equipment net of proceeds from disposals	**137**	96

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 under the ticker symbol “CAS”.

The Board of Directors approved the Unaudited Condensed Interim Consolidated Financial Statements on May 10, 2023.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Unaudited Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) 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, 2022, 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, 2022. Also, income taxes in the interim periods are accrued using the tax rate that would be applicable to the expected annual earnings or losses for each jurisdiction.

NEW IFRS ADOPTED

IFRS 17 Insurance Contracts was issued in May 2017 as replacement for *IFRS 4 Insurance Contracts*. *IFRS 17 Insurance Contracts,* applies to insurance contracts regardless of the entity that issues them and so it does not apply only to traditional insurance entities. *IFRS 17 Insurance Contracts* defines an insurance contract as an agreement where one party, the insurer, accepts significant insurance risk from another party, the policy holder, by agreeing to compensate the policy holder if a specified uncertain future event adversely affects the policy holder.

The standard became effective on January 1, 2023 and had no impact on the Corporation's Unaudited Condensed Interim Consolidated Financial Statements.

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.

Further information on critical accounting estimates and judgments is detailed in the Audited Consolidated Financial Statements as of and for the year ended December 31, 2022.

NOTE 4
LONG-TERM DEBT

(in millions of Canadian dollars)	NOTE	MATURITY	March 31, 2023	December 31, 2022
Revolving credit facility, weighted average interest rate of 6.64% as of March 31, 2023 and consists of US$349 million (December 31, 2022 - US$258 million)	4(b)	2026	**471**	350
5.125% Unsecured senior notes of $175 million		2025	**175**	175
5.125% Unsecured senior notes of US$206 million		2026	**278**	279
5.375% Unsecured senior notes of US$445 million and $6 million of unamortized premium as of March 31, 2023 (December 31, 2022 - US$445 million and $6 million of unamortized premium)		2028	**608**	610
Term loan of US$260 million, interest rate of 6.91% as of March 31, 2023	4(b)	2027	**352**	352
Lease obligations with recourse to the Corporation			**181**	186
Other debts with recourse to the Corporation			**29**	31
Lease obligations without recourse to the Corporation			**20**	22
Other debts without recourse to the Corporation			**27**	69
			2,141	2,074
Less: Unamortized financing costs			**9**	9
Total long-term debt			**2,132**	2,065
Less:				
Current portion of lease obligations with recourse to the Corporation			**48**	46
Current portion of other debts with recourse to the Corporation			**8**	12
Current portion of lease obligations without recourse to the Corporation			**8**	8
Current portion of other debts without recourse to the Corporation	4(c)		**24**	68
			88	134
			2,044	1,931

a. As of March 31, 2023, the long-term debt had a fair value of $2,079 million (December 31, 2022 – $1,969 million).

b. On October 19, 2022, the Corporation entered into an agreement with its lenders for its existing credit agreement to increase its authorized term loan to US$260 million from US$160 million and to extend the maturity from December 2025 to December 2027. Concurrently, the Corporation extended its existing $750 million revolving credit facility maturity from July 2025 to July 2026. The financial conditions of both facilities remain unchanged. The Corporation incurred $2 million in capitalizable transaction fees related to the refinancing.

c. The loan matures on December 11, 2023 and bears interest at a rate determined by the leverage ratio of the subsidiary holding the debt as defined in its credit agreement. The loan was partially repaid in the first quarter of 2023.

NOTE 5
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 of 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 a 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 of March 31, 2023 and December 31, 2022 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 of March 31, 2023
(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	3	—	—	3
Derivative financial assets	8	—	8	—
	11	—	8	3
Financial liabilities				
Derivative financial liabilities	(16)	—	(16)	—
	(16)	—	(16)	—

(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)
	As of December 31, 2022			
Financial assets				
Equity investments	3	—	—	3
Derivative financial assets	13	—	13	—
	16	—	13	3
Financial liabilities				
Derivative financial liabilities	(15)	—	(15)	—
	(15)	—	(15)	—

NOTE 6
CAPITAL STOCK

REDEMPTION OF COMMON SHARES

In 2022, the Corporation renewed its normal course issuer bid program for a maximum of 2,015,053 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, 2022 to March 18, 2023. During the period between January 1, 2023 and March 18, 2023, the Corporation redeemed no common shares under this program.

In 2023, the Corporation did not renew its normal course issuer bid program.

NOTE 7
SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars)	**2023**	2022
Non-significant associates	**1**	1
Significant joint ventures	**2**	3
Gain from the sale of an investment in a non-significant joint venture	**9**	—
	12	4

2023

In the first quarter, the Tissue Papers segment recorded a gain in “Share of results of associates and joint ventures” of $9 million from the sale of an investment in a non-significant joint venture. The Tissue Papers segment received $10 million from this sale.

The Corporation received dividends of $1 million from these associates and joint ventures in the first quarter of 2023, compared to an amount less than a million dollars in the same period of 2022.

NOTE 8
ADDITIONAL INFORMATION

A. CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS ARE DETAILED AS FOLLOWS:

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars)	**2023**	2022
Accounts receivable	**13**	(45)
Current income tax assets	**—**	10
Inventories	**(39)**	(46)
Trade and other payables	**(20)**	(2)
Current income tax liabilities	**—**	(9)
	(46)	(92)

B. FINANCING EXPENSE

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars)	**2023**	2022
Interest on long-term debt (including lease obligations interest)	**20**	14
Amortization of financing costs	**1**	—
Other interest and banking fees	**1**	1
Interest expense on employee future benefits	**1**	1
Foreign exchange gain on long-term debt and financial instruments	**—**	(1)
	23	15

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first quarter of 2023, the Corporation recorded a gain of less than a million dollars on its US$ denominated debt and related financial instruments, compared to a gain of $1 million in the same period of 2022. This is composed of foreign exchange forward contracts not designated for hedge accounting.

NOTE 9
COMMITMENTS

CAPITAL EXPENDITURES

Major capital expenditures contracted at the end of the reporting period but not yet incurred total $77 million, including $50 million for the Bear Island project.

NOTE 10
EVENTS AFTER THE REPORTING PERIOD

Repositioning of Tissue Papers operating platform

On April 25, 2023, the Corporation announced an important repositioning of its Tissue Papers operating platform and, beginning in July 2023, Cascades will progressively close its underperforming plants in Barnwell, South Carolina, and Scappoose, Oregon, as well as the virgin paper tissue machine at its St. Helens plant, also in Oregon. A portion of this production will be absorbed by open capacity at our other facilities and by the increase in productivity at its sites. Closure costs, including severance, are expected to total approximately $20 to $25 million to be recorded in the coming periods.

Niagara Falls closure of paper machine #2, Containerboard Packaging

On May 2, 2023, the Corporation announced the permanent closure of the paper machine #2 at the plant located in Niagara Falls. Closure costs, including severance, are expected to be less than a million to be recorded in the coming periods.

Please refer to the "Segmented Information" section of the Unaudited Condensed Interim Consolidated Financial Statements for the three-month periods ended March 31, 2023 and 2022, for more information.

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

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