2022 Annual Report

Cascades

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Cascades Inc.'s 2022 Annual Information Form
will be available, upon request, from the Corporation's
head office as of March 30, 2023.

This document will also be accessible via the Corporation's website
(www.cascades.com) and will be filed on SEDAR
(www.sedar.com) as of this date.

*On peut se procurer la version française du présent rapport annuel
en s'adressant au siège social de la Société à l'adresse suivante :*

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Table of Contents

Message from the President and Chief Executive Officer 4

Management's Discussion & Analysis

- Financial snapshot 8
- Our business 9
- Business highlights 10
- Near-term outlook 11
- Business drivers 12
- Operational performance indicators 13
- Historical market prices of main products and raw materials 14
- Sensitivity table 15
- Financial overview 16
- Business segment review 19
- Corporate activities 26
- Liquidity and capital resources
- Consolidated financial position as of December 31, 2022, 2021 and 2020 28
- Employee future benefits 30
- Comments on the fourth quarter of 2022
- Capital stock information 32
- Contractual obligations and other commitments 33
- Transactions with related parties
- Changes in accounting policies
- Critical accounting estimates and judgments 34
- Controls and procedures 35
- Risk factors 36
- Contingencies 45
- Supplemental Information on non-IFRS measures and other financial measures 46
- Discontinued operations 52
- Historical financial information 53

Audited Consolidated Financial Statements

- Management report 54
- Independent auditor report 55
- Consolidated balance sheets 59
- Consolidated statements of earnings (loss) 60
- Consolidated statements of comprehensive income 61
- Consolidated statements of equity 62
- Consolidated statements of cash flow 63
- Segmented information 64
- Notes to consolidated financial statements 66

Mario Plourde

President and Chief Executive Officer

Dear fellow shareholders,

In my letter last year, I discussed how Cascades' operating landscape and financial performance was being impacted by significant cost escalation, workforce constraints, and supply chain and logistics challenges. These same conditions intensified in 2022. In fact, the volatility and breadth of these conditions were such that this past year our operations faced more than $475 million of additional costs, a level that was without parallel in our history. Of course, Cascades was not alone in navigating these significant macro headwinds. Yet amidst this challenging business environment, Cascades returned $57 million to shareholders via dividends and share repurchases, and remained steadfast in our belief that "difficulties mastered are opportunities won". The launch of our 2022-2024 Strategic Plan in February 2022 is testimony of this resolve to act upon the opportunities that have been identified to drive strategic growth and profitability across our business segments.

We made significant progress with this plan in 2022, generating substantial returns from these wide-ranging measures that included pricing adjustments, production and operational efficiency enhancements, realignment of our logistics framework, and optimization of our customer base and product catalogue. While extensive, the full benefit of these initiatives takes time to implement and flow through our results, and those that were monetized within the calendar year did not keep pace with the unparalleled cost environment. This timing disconnect was most apparent in the results of our Tissue Papers segment throughout the year, for which price rebalancing efforts differ from those of our packaging businesses, where pricing adjustments are often contractually imbedded. Structurally, this adds a significant amount of complexity and time to implement these countermeasures across our customer base. It also means that benefits realized from these actions will always lag the immediate impact that these headwinds have on financial performance.

While always essential, good navigation, a competitively positioned operational platform, and a committed workforce are even more crucial when the macroeconomic environment becomes challenging. Not only are these elements most within your control, but they determine your maneuverability, your capacity to weather a storm, and your ability to not only set the path you take, but your chances and the speed with which you arrive at your destination. There are, however, an equal number of external factors that you can't control, and your operating reality can be affected in numerous ways and to different degrees by the repercussions that these external factors have on your cost base, customer demand levels, ability to attract and retain talent, and your suppliers. Resolute navigation, competitive equipment and a strong, engaged, and well-trained workforce are the pillars that allow any business to weather these storms.

Navigating the Headwinds of 2022

The initiatives outlined in our Strategic Plan gained traction as the year progressed. This is evident in the trajectory of the Company's consolidated EBITDA (A)[1] margin, which increased from 5.6% in the first quarter to 10.2% in the fourth quarter. Notwithstanding the challenging operating environment of 2022, we are encouraged by this progress, and remain focused on implementing the 2024 objectives laid out in the plan.

Our Containerboard segment was the largest contributor to Cascades' consolidated 2022 performance. This business increased sales levels by 13% annually, a testament to the success of targeted sales strategies and tailwinds from favourable index pricing trends throughout the year. Despite the volatility and elevated level of operating costs of the past year, this business generated an EBITDA (A)[1] margin of 18% in 2022 and the addition of the Bear Island facility to its operational platform beginning in the first quarter of 2023 will improve the financial performance of this segment once this facility is operational.

Our Specialty Products segment performed well throughout 2022, generating solid topline and EBITDA (A)[1] growth in the year. While also faced with cost inflation and workforce limitations, strong demand levels for this segment's innovative sustainable packaging solutions and contracted cost escalator clauses mitigated their impact, resulting in annual sales increasing 19% and an EBITDA (A)[1] margin of 14% in 2022.

Navigating the uncharted waters of 2022 was challenging for our Tissue Papers segment, as it weathered unrelenting cost headwinds, industry-specific market challenges, and internal production constraints. What was unique to this business was the unparalleled scope of additional costs related to higher raw material prices in 2022. Combined, these factors

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.

amounted to total cost headwinds of approximately $170 million. As I mentioned earlier, corrective measures, and in particular pricing adjustments, take time in the tissue industry.

Along with revenue management initiatives, increasing production volumes is central to the Tissue Paper segment's profitability plan. The 2022 objective of producing 65 to 70 million cases of converted products was not met, and this shortfall contributed to this segment's financial performance in the year. This was largely driven by the impact that labour shortages had on our ability to reach our targeted efficiency levels during the year. These factors also further extended the time needed to ramp-up our new converting equipment, installed across our US platform in 2019 and 2020, and integrate the Orchids Paper assets acquired at the end of 2019. We continue to make progress on all these fronts, as demonstrated by the positive momentum of the last two quarters of 2022. The benefits from our initiatives are expected to grow in both momentum and scope as they continue to be rolled-out in 2023 and with early indications that pressure is easing in the labour market, we remain intently focused on escalating the efficiency and production levels across our tissue platform.

Modernizing our Operational Platform

Cascades has completed a significant amount of modernization and strategic investments over the past decade and today the Company's asset base is more modern and well-positioned from a competitive standpoint than at any other time in our history. While the macro environment remains difficult and unpredictable, we are confident that we will see growing operational and financial improvements from these investments.

The Bear Island conversion project, the largest in Cascades' history in terms of capital investment, is a continuation of the Company's drive to position our operational platform for long-term growth and improve our competitive position in the containerboard industry. With an annual capacity of 465,000 short tons of 100% recycled lightweight containerboard, this facility's production will meet the growing market demand for sustainable lightweight solutions and will be amongst the top tier of the industry from both a cost-curve and product quality standpoint. While supply chain disruptions delayed its start-up by approximately three months and significant inflationary headwinds increased total cost levels, the underlying investment thesis for this project remains intact in current market conditions, and we expect positive contribution from this facility in the coming years.

Enhancing Value for our Employees

The 10,000 talents who work in our 80 facilities across North America are both the engine and the heart of Cascades. 2022 was a challenging year on many fronts, requiring commitment and flexibility from every Cascader as the Company implemented a wide spectrum of changes to counteract the high-cost environment. There is no question that workforce availability was a headwind for our operations during the year. But against this backdrop, our teams rolled up their sleeves, expanded the value offering for our employees, and tackled obstacles head on. We are immensely proud and thankful of their level of adaptability, determination, and dedication throughout the year.

The Horizon

Cascades' horizon is long-term, and we regularly adjust with this in sight. We gauge our short-term quarterly performance within the context of this longer-term focus, and make changes that are required, allocate additional resources when and where needed, and implement operational and financial strategies to realign shorter-term performance with our long-term profitability and performance objectives. 2022 was challenging, but we are encouraged by the level of success we had in mitigating the unparalleled cost headwinds faced by our operations throughout the year.

Our top priorities for 2023 are ramping-up our 100% recycled containerboard Bear Island facility in Virginia and monetizing important financial and operational benefits from our tissue profitability plan. Looking further ahead, we will continue to execute the initiatives outlined in our 2022-2024 Strategic Plan and will provide a comprehensive update of the plan in May 2023 when our first quarter results are released. We are optimistic about the future and remain confident that the important modernization investments we have completed together with our ongoing strategic initiatives will drive sustainable long-term value creation.

On behalf of myself and Cascades' management team, I would like to thank you, our shareholders, for your continued trust in our ability to create long-term value for you. This thanks extends equally to our customers, employees, suppliers, and other stakeholders for their unwavering support that has been, and will continue to be, instrumental in the growth of Cascades. We look forward to doing more in 2023 and beyond.

Our Achievements

Recognized for the fourth year in a row as **one of the 100 most responsible companies in the world** by Corporate Knights, Cascades **ranked 20th** among more than 6,000 organizations analyzed and **ranked 1st in its sector** (Packaging).

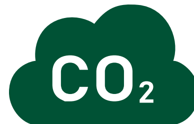
MSCI
ESG RATINGS

CCC | B | BB | BBB | A | AA | AAA

Cascades received an **MSCI ESG Ratings of AA**. MSCI provides in-depth research, ratings and analysis of the environmental, social and governance-related business practices of thousands of companies worldwide.

Cascades **ranked 8th** in the Corporate Knights' **Best 50 Corporate Citizens in Canada** and **ranked 1st in its sector** (Containers & Packaging). The Company has been included in this list since 2007.

For a twelfth consecutive year, Cascades **was recognized as the most responsible company by Quebecers** according to the Baromètre de la consommation responsable, a report published by UQAM's École des sciences de la gestion, Observatoire de la consommation responsable.



Since 2017, Cascades has been recognized as a **GIGA-GURU supplier** by Walmart for its leadership towards reducing greenhouse gas emissions.

Certified Bronze Parity for a third year in a row by La Gouvernance au Féminin, Cascades was among the 64 Canadian companies recognized.

Cascades has been **named one of Canada's Top 100 Employers** for the fourth year in a row.

Cascades is listed in The Career Directory as **a great place to start a career for new graduates.**

MANAGEMENT'S DISCUSSION & ANALYSIS
FINANCIAL SNAPSHOT

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	2022	2021	2020
Sales	**4,466**	3,956	4,105
Operating income	**33**	50	292
EBITDA (A) (Adjusted earnings before interest, taxes, depreciation and amortization)[1]	**376**	389	546
EBITDA (A) as a percentage of sales[1]	**8.4%**	9.8%	13.3%
Net earnings (loss)			
As reported	**(34)**	162	198
Adjusted[1]	**37**	27	187
Net earnings (loss) per common share (basic) (in Canadian dollars)			
As reported	**($0.34)**	$1.60	$2.04
Adjusted[1]	**$0.37**	$0.26	$1.95
Dividends declared per common share (in Canadian dollars)	**$0.48**	$0.48	$0.32
FINANCIAL POSITION (as of December 31)			
Total assets	**5,053**	4,566	5,412
Net debt[1]	**1,966**	1,351	1,679
Net debt / EBITDA (A) ratio[1]	**5.2x**	3.5x	2.5x
Equity attributable to Shareholders	**1,871**	1,879	1,753
per common share (in Canadian dollars)	**$18.64**	$18.63	$17.14
Working capital as a percentage of sales[1, 4]	**10.5%**	8.6%	8.8%
KEY INDICATORS			
Total shipments (in '000 of s.t.)[2]	**2,027**	2,075	2,189
Manufacturing capacity utilization rate[3]	**89%**	90%	92%
US$/CAN$ - Average rate	**$0.77**	$0.80	$0.75

FORWARD-LOOKING

The following document is the annual 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 Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2022 and 2021. Information contained herein includes any significant developments as of February 22, 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.

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.*

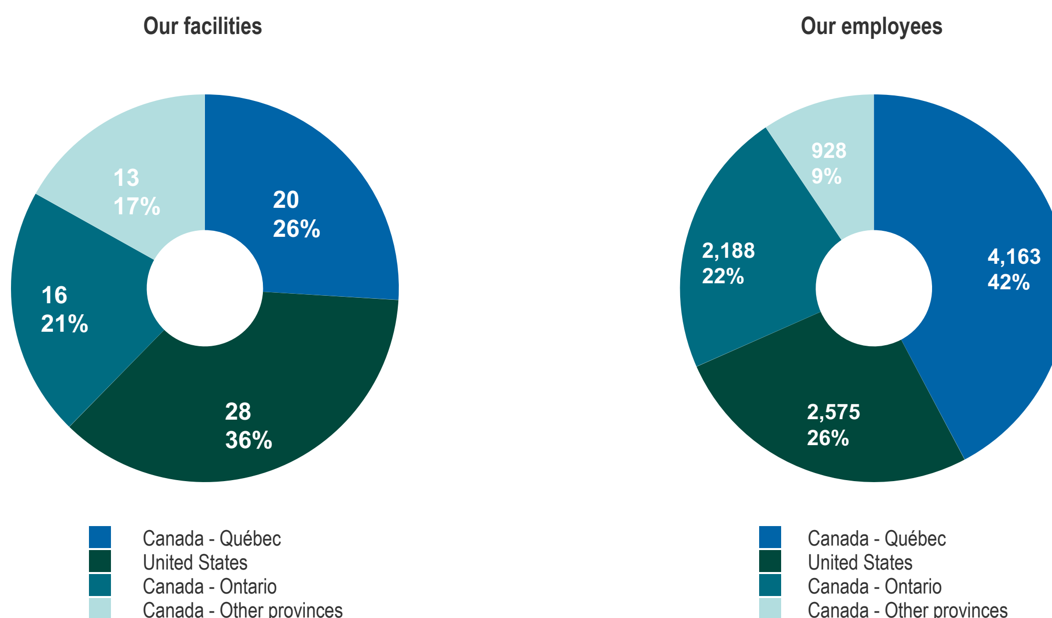
4 *Percentage of sales = Average quarterly last twelve months (LTM) working capital / LTM sales (Not adjusted for retrospective reclassification of discontinued operations).*

OUR BUSINESS

Cascades Inc. is a paper and packaging company that produces, converts and sells packaging and tissue products composed primarily of recycled fibres. Established in 1964 in Kingsey Falls, Québec, Canada, the Corporation was founded by the Lemaire brothers, who saw the economic and social potential of building a company focused primarily on the sustainable development principles of reusing, recovering and recycling. More than 55 years later, Cascades is a multinational business with 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]	2022 Sales[2] (in $M)	% of sales	2022 Operating income (loss) (in $M)	2022 EBITDA (A)[2, 3] (in $M)	2022 EBITDA (A) Margin[2, 3] (%)	% of EBITDA (A)
PACKAGING PRODUCTS							
Containerboard	25	2,265	52.2%	266	401	17.7%	83.5%
Specialty Products	20	654	15.1%	86	92	14.1%	19.2%
TISSUE PAPERS	14	1,422	32.7%	(175)	(13)	(0.9%)	(2.7%)

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



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 corporate strategy, the Corporation analyzes its overall business and the environment in which it competes, sets objectives for the following year and the years ahead and approves its budgets, all with a view to enhancing shareholder value. On February 24, 2022, Management and the Board of Directors disclosed its strategic plan update for the years 2022 to 2024. We will provide a comprehensive update of our 2022 to 2024 Strategic Plan in conjunction with our Q1 2023 results on May 11, 2023.

The following is an update on two of the major initiatives of the strategic plan:

TISSUE PAPERS SEGMENT PROFITABILITY PLAN

The plan is closely monitored by Management and is progressing with initiatives directed towards production efficiency, net revenue management and cost savings. We believe these initiatives will mitigate significant and unprecedented cost headwinds that this segment is facing while also solidifying the Corporation's foundation for future success.

On February 24, 2022, the following objectives were disclosed for our Tissue Papers segment:

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	2022 Target	2024 Target
Volume (in millions of cases)	65 - 70	75 - 80
Sales	~$1.5B	~$1.7B
EBITDA (A)[1]	~$60M - $80M	~$150M

In 2022, the Tissue Papers segment recorded sales of $1,422 million and a negative EBITDA (A)[1] of $13 million. The combination of persistent cost escalation and lower than anticipated sales volumes, largely due to lower productivity and delays in the implementation of industry announced price increases, resulted in this segment lower than expected EBITDA (A)[1] performance for the year. The unplanned and temporary closure of one paper machine at our St. Helens, Oregon paper mill in September also affected performance for the year. Production of the St. Helens paper machine resumed in mid-February 2023. These impacts were partially offset by profitability initiatives, which have begun to generate positive results, the cadence of which will continue throughout 2023.

The impacts of cost headwinds in 2022 reflect the following:

- Raw materials – virgin pulp price index (NBHK) increased by approximately 23%, or US$285/ton;
- Raw materials – white grades recycled fibre index increased by approximately 75%, or US$100/ton;
- Energy – natural gas increased by approximately 73%, or US$2.80/mmBtu;
- Higher costs for transportation, including fuel surcharges, chemical products and production supplies;
- Converted product sales volumes of 59 million cases in 2022 were more than 10% lower than our targeted range of 65 to 70 million cases for the year.

The benefits realized in 2022 from ongoing profitability initiatives are summarized as follows:

- Price increases (Retail/Away-from-Home tissue) – May 2022 and July 2022: ~$115 million;
- Logistics and other cost savings: ~$15 million.

While selling price increases take longer to be realized in our Tissue Papers segment, we are encouraged by the progress being made and expect continued benefits to be generated from additional operational and profitability initiatives across our operations.

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

BEAR ISLAND PROJECT

The Bear Island strategic investment in the conversion of assets to recycled containerboard production is progressing well despite the current environment of important cost inflation and delays in the completion of certain construction milestones due to labour and material availability. The initial total investment of $475 million (US$380 million) was revised upward in the second quarter of 2022 to a range of $595 - $615 million (US$470 - US$485 million) following significant inflationary pressure on construction costs and supply chain constraints causing delays in the delivery of materials. The cost of the project is now revised to $675 - $690 million (US$515 - US$525 million) due to delays and additional work required to complete the project.

The announced start-up date of the facility was planned for December 14, 2022. However, these factors continued to persist in the third quarter and as a result, the start-up of the project is scheduled for the end of March 2023. The Corporation is working closely with contractors to mitigate further potential delay caused by these elements.

Since 2018 we have invested a total of $512 million ($335 million in 2022). The project incurred $12 million of operational costs in 2022 and $6 million in 2021.

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[1]. This course is expected to be reversed with improved business performance in the coming months and positive cash flows from the Bear Island project following the facility's start-up.

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 2022 and 2021 results.

BOXBOARD EUROPE

- On October 26, 2021, the Corporation closed the sale transaction of its Boxboard Europe segment. The operations are presented as discontinued operations since the second quarter of 2021 with reclassification of the first quarter of 2021, as well as the comparative year 2020.

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.

2021

- On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million).

- On August 5, 2021, the Corporation announced an increase of its quarterly dividend from $0.08 to $0.12 per common share.

NEAR-TERM OUTLOOK

We are remaining prudent in our outlook, as macro-economic conditions continue to be challenging and unpredictable, and inflationary pressures on costs, while easing, continue. Despite this, we have started 2023 in a good position to drive growth throughout the year. We expect sequentially lower results in our Containerboard segment in Q1. This reflects the $5 million partial insurance settlement received in the current quarter and a continuation of slightly softer volume and selling prices, the impacts of which will not be offset by lower raw material cost tailwinds. The Specialty Products business is expected to generate moderately stronger results in the first quarter, as favourable trends in pricing and volume counter the persistently higher production cost environment. Lastly, we expect results in our Tissue Papers segment to slightly improve sequentially. While we anticipate continued positive momentum from operational and profitability initiatives, more favourable raw material prices, and good demand from retail tissue products, our tempered outlook for this segment reflects softer demand for Away-from-Home products, and the delayed restart of the machine at our St. Helens, Oregon facility that occurred on February 10.

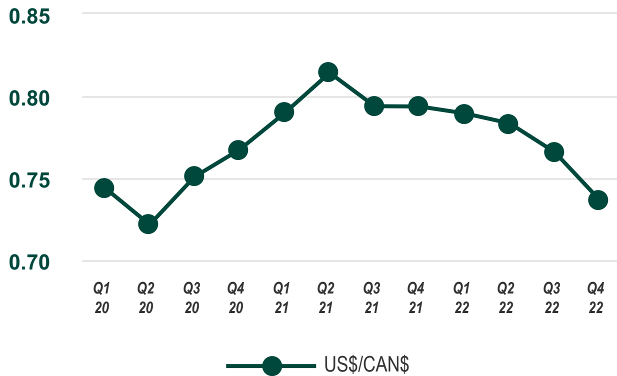
1 Please refer to the “Supplemental Information on Non-IFRS Measures and Other Financial Measures” section for a complete reconciliation.

BUSINESS DRIVERS

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

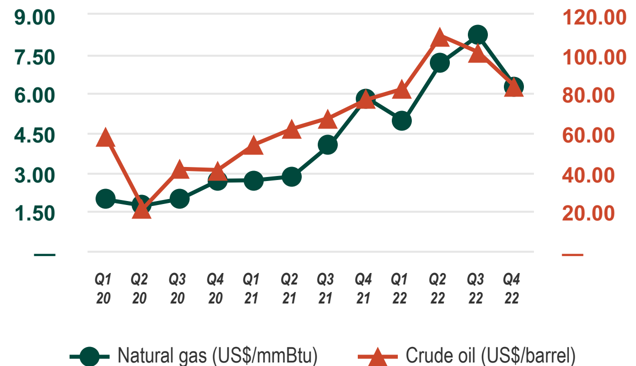
EXCHANGE RATES

On a year-over-year basis, the average value of the Canadian dollar decreased by 4% compared to the US dollar in 2022.



ENERGY COSTS

On a year-over-year basis, the average price of natural gas increased by 73% in 2022. In the case of crude oil, the average price was 44% higher in 2022 than in 2021.



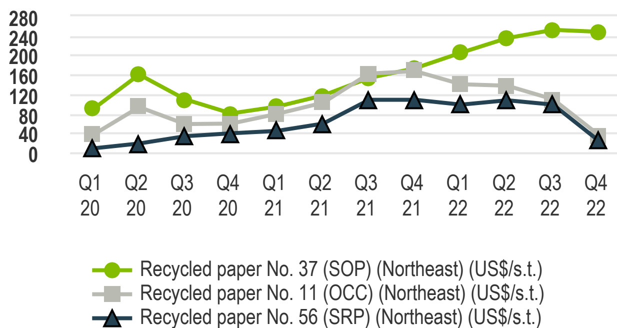
	2020	2021					2022				
(unaudited)	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
US$/CAN$ - Average rate	$0.75	$0.79	$0.81	$0.79	$0.79	$0.80	**$0.79**	**$0.78**	**$0.77**	**$0.74**	**$0.77**
US$/CAN$ - End of the period rate	$0.79	$0.80	$0.81	$0.79	$0.79	$0.79	**$0.80**	**$0.78**	**$0.72**	**$0.74**	**$0.74**
Natural Gas Henry Hub - US$/mmBtu	$2.08	$2.69	$2.83	$4.01	$5.83	$3.84	**$4.95**	**$7.17**	**$8.20**	**$6.26**	**$6.64**
Crude oil (US$/barrel)	$40.54	$54.16	$62.01	$67.60	$76.84	$65.15	**$82.49**	**$109.25**	**$101.05**	**$83.39**	**$94.04**

Source: Bloomberg

RAW MATERIALS

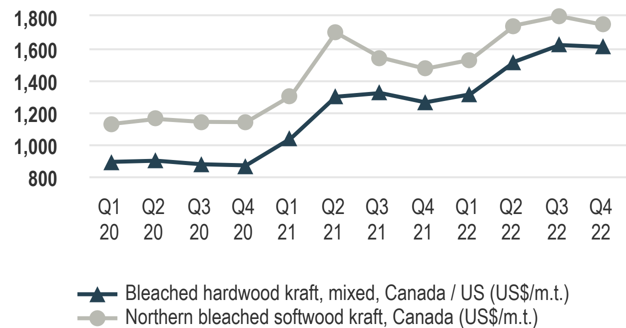
Reference prices - recycled fibre costs in North America[1]

The brown grade recycled paper No. 11 (old corrugated containers, OCC) annual index price decreased by 17% while the recycled paper No. 56 (sorted residential papers, SRP) increased by 1%, in 2022 compared to 2021. The white grade recycled paper No. 37 (sorted office papers, SOP) annual index price increased by 75% in 2022 compared to 2021.



Reference prices - virgin pulp in North America[1]

In 2022, the reference price for NBSK and NBHK increased by 15% and 23% respectively, compared to 2021, reflecting global demand supply dynamics.



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:

	2020					2021					**2022**
(unaudited)	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
OPERATIONAL											
Total shipments (in ’000 s.t.)[1]											
Packaging Products											
Containerboard	1,544	391	385	377	368	1,521	**372**	**379**	**391**	**364**	**1,506**
Tissue Papers	645	123	138	148	145	554	**131**	**133**	**134**	**123**	**521**
Total	2,189	514	523	525	513	2,075	**503**	**512**	**525**	**487**	**2,027**
Integration rate[2]											
Containerboard	56%	57%	57%	58%	58%	58%	**57%**	**57%**	**52%**	**53%**	**55%**
Tissue Papers	75%	79%	69%	71%	76%	74%	**79%**	**82%**	**85%**	**87%**	**83%**
Manufacturing capacity utilization rate[3]											
Containerboard	96%	97%	96%	94%	89%	94%	**93%**	**96%**	**93%**	**83%**	**91%**
Tissue Papers	83%	80%	78%	84%	85%	82%	**84%**	**81%**	**88%**	**81%**	**83%**
Consolidated total	92%	92%	90%	91%	88%	90%	**90%**	**92%**	**91%**	**83%**	**89%**
FINANCIAL											
Working capital											
In millions of CAN$, at the end of period[4]	367	376	377	410	297	297	**424**	**493**	**561**	**397**	**397**
As a percentage of sales[4, 5]	8.8%	8.4%	8.4%	8.5%	8.6%	8.6%	**9.3%**	**9.6%**	**10.2%**	**10.5%**	**10.5%**

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 (Not adjusted for retrospective reclassification of discontinued operations).*

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIALS

	2020					2021					2022	2022 vs. 2021	
These indexes should only be used as trend indicators. They may differ from our actual selling prices and purchasing costs. (unaudited)	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**	**Change**	**%**
Selling prices (average)													
PACKAGING PRODUCTS													
Containerboard (US$/short ton)													
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	723	772	825	858	875	833	**895**	**935**	**935**	**915**	**920**	**87**	**10%**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	623	675	735	775	795	745	**818**	**865**	**865**	**832**	**845**	**100**	**13%**
Specialty Products (US$/short ton)													
Uncoated recycled boxboard - bending chip, 20-pt. (series B)	708	740	793	867	980	845	**1,027**	**1,067**	**1,100**	**1,100**	**1,073**	**228**	**27%**
TISSUE PAPERS (US$/short ton)													
Parent rolls, recycled fibres (transaction)	1,120	1,115	1,159	1,170	1,178	1,156	**1,213**	**1,271**	**1,291**	**1,290**	**1,266**	**110**	**10%**
Parent rolls, virgin fibres (transaction)	1,428	1,453	1,550	1,544	1,511	1,515	**1,504**	**1,597**	**1,644**	**1,631**	**1,594**	**79**	**5%**
Raw materials prices (average)													
RECYCLED PAPER													
North America (US$/short ton)													
Sorted residential papers, No. 56 (SRP - Northeast average)	24	44	59	108	108	80	**98**	**107**	**98**	**23**	**81**	**1**	**1%**
Old corrugated containers, No. 11 (OCC - Northeast average)	61	79	102	162	167	127	**140**	**137**	**109**	**35**	**105**	**(22)**	**(17%)**
Sorted office papers, No. 37 (SOP - Northeast average)	109	94	117	153	173	134	**205**	**235**	**252**	**248**	**235**	**101**	**75%**
VIRGIN PULP (US$/metric ton)													
Northern bleached softwood kraft, Canada	1,141	1,302	1,598	1,542	1,472	1,478	**1,527**	**1,743**	**1,800**	**1,745**	**1,704**	**226**	**15%**
Bleached hardwood kraft, mixed, Canada/US	883	1,037	1,297	1,320	1,262	1,229	**1,312**	**1,517**	**1,620**	**1,608**	**1,514**	**285**	**23%**

Sources: RISI and Cascades

SENSITIVITY TABLE[1]

The following table provides a quantitative estimate of the impact that potential changes in the prices of our main products, the costs of certain raw materials, energy and the exchange rates may have on Cascades' annual operating income, assuming, for each price change, that all other variables remain constant. Estimates are based on Cascades' 2022 manufacturing and converting external shipments and consumption quantities. It is important to note that this table does not consider the Corporation's use of hedging instruments for risk management. These hedging policies and portfolios (see the "Risk Factors" section) should also be considered in order to fully analyze the Corporation's sensitivity to the highlighted factors.

Potential indirect sensitivity to the CAN$/US$ exchange rate is not considered in this table. Some of Cascades' selling prices and raw material costs in Canada are based on US dollar reference prices and costs that are then converted into Canadian dollars. Consequently, fluctuations in the exchange rate may have a direct impact on the value of sales and purchases of Canadian facilities in Canada. However, because it is difficult to measure the precise impact of this fluctuation, we do not take it into consideration in the following table. The impact of the exchange rate on the working capital items and cash positions denominated in currencies other than CAN$ at the Corporation's Canadian units is also excluded. Fluctuations in foreign exchange rates may also impact the translation of the results of our non-Canadian units into CAN$.

(unaudited)	SHIPMENTS/ CONSUMPTION ('000 SHORT TONS, '000 MMBTU FOR NATURAL GAS)	INCREASE	OPERATING INCOME IMPACT (IN MILLIONS OF CAN$)
SELLING PRICE (MANUFACTURING AND CONVERTING)[2]			
Packaging			
Linerboard 42-lb. unbleached kraft, Eastern US	390	US$25/s.t.	**13**
Corrugating medium 26-lb. semichemical, Eastern US	310	US$25/s.t.	**10**
Uncoated recycled boxboard - bending chip, 20-pt., Eastern US	130	US$25/s.t.	**4**
Converting products (cartonboard based only)	820	US$25/s.t.	**28**
	1,650		**55**
Tissue Papers	520	US$25/s.t.	**18**
	2,170		**73**
RAW MATERIALS[2]			
Packaging			
Brown grades (OCC and others)	1,480	US$25/s.t.	**(50)**
Groundwood grades (SRP and others)	80	US$25/s.t.	**(3)**
	1,560		**(53)**
Tissue Papers			
Virgin pulp	190	US$25/s.t.	**(6)**
Brown grades (OCC and others)	180	US$25/s.t.	**(6)**
White grades (SOP and others)	290	US$25/s.t.	**(10)**
	660		**(22)**
NATURAL GAS			
Packaging	3,700	US$1.00/mmBtu	**(5)**
Tissue Papers	4,300	US$1.00/mmBtu	**(6)**
	8,000		**(11)**
EXCHANGE RATE[3]			
U.S. subsidiaries translation		CAN$/US$ 0.01 change	**1**

1 *Sensitivity calculated according to 2022 volumes or consumption with year-end closing exchange rate of CAN$/US$ 1.35, excluding hedging programs and the impact of related expenses such as discounts, commissions on sales and profit-sharing.*

2 *Based on 2022 external manufacturing and converting shipments, as well as fibre and pulp consumption. Including purchases sourced internally from our recovery and recycling operations. Adjusted to reflect acquisitions, disposals and closures, if needed.*

3 *As an example, from CAN$/US$ 1.35 to CAN$/US$ 1.36.*

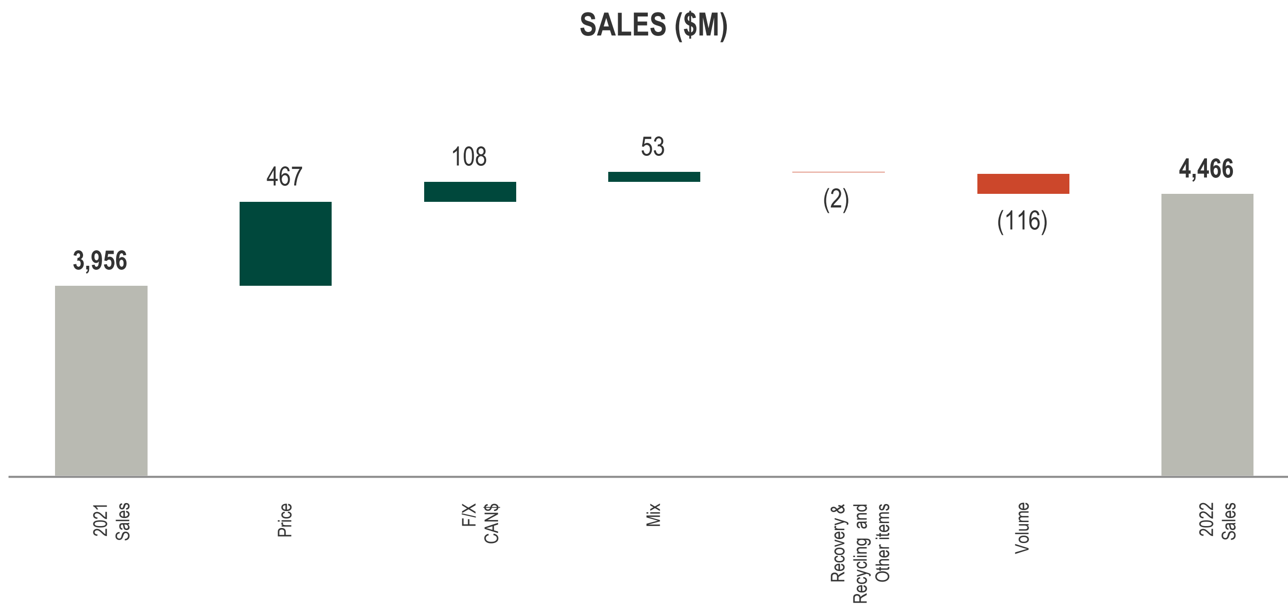
FINANCIAL OVERVIEW - 2022

SALES

For the year ended December 31, 2022, consolidated sales totaled $4,466 million, an increase of $510 million, or 13%, compared to $3,956 million in 2021. This reflects higher selling prices and mix and the positive impact of the foreign exchange rate. This was partially offset by lower volume in all segments.

Sales by geographic segments are as follows:

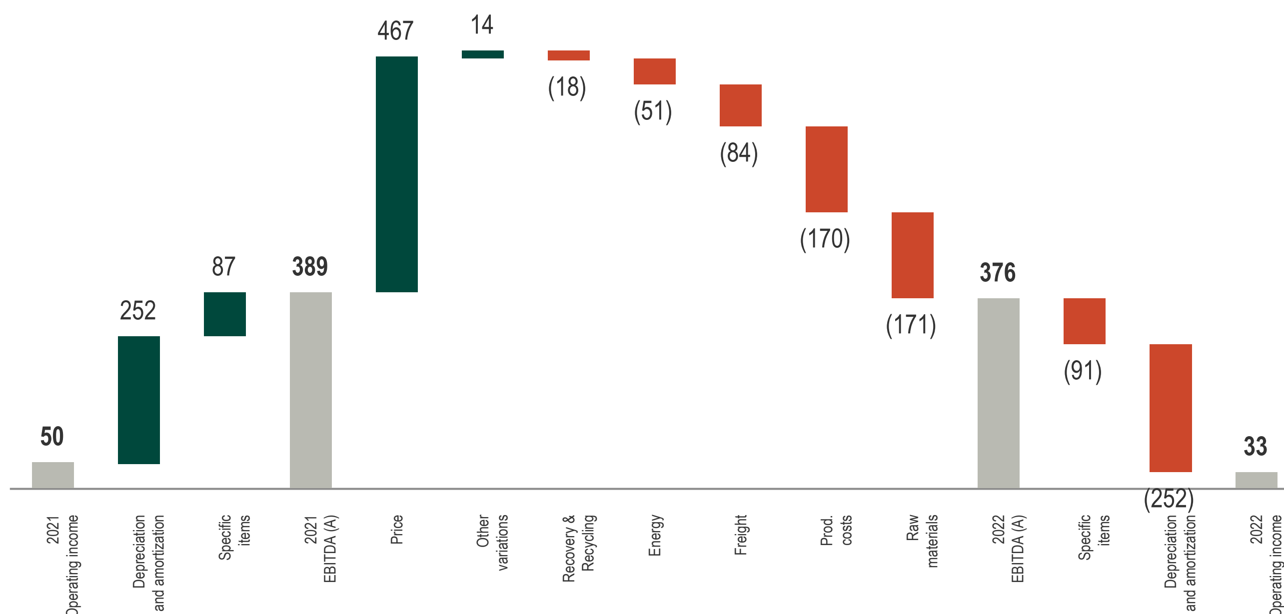
The main variances in sales in 2022, compared to 2021, are shown below:
(in millions of Canadian dollars)



OPERATING INCOME AND EBITDA (A)[1]

For the year ended December 31, 2022, the Corporation recorded an operating income of $33 million, compared to $50 million in 2021. The Corporation recorded an EBITDA (A)[1] of $376 million in 2022, compared to $389 million in 2021. The decrease largely reflects the significant inflationary pressure on all costs and lower volume for all segments, which were counterbalanced by higher selling prices in all segments.

The main variances in operating income and in EBITDA (A)[1] in 2022, compared to 2021, are shown below:
(in millions of Canadian dollars)



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 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 was stable at $252 million in 2022. This reflects the depreciation of the Canadian dollar which increased the depreciation cost in 2022 by $6 million ($4 million in 2021). While the impairment recorded over the year 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 $88 million in 2022, compared to $106 million in 2021, a decrease of $18 million. Higher capitalized interests on major investment projects and lower level of debt at the beginning of the year partially offset by a higher interest rate and the increasing level of debt throughout the year, resulted in a variance of $10 million. The average interest rate on our revolving credit facility increased to 6.18% in 2022 from 3.95% in 2021. As of December 31, 2022, 37% of the Corporation's total long-term debt was at a variable rate and 63% was at a fixed rate. The remaining variance of $8 million resulted from various financial costs, mainly a higher loss on foreign exchange on long-term debt and financial instruments of $12 million in 2022 compared to 2021, offset by a positive variance on loss on repurchase of long-term debt of $20 million in 2021 and nil in 2022.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to $19 million in 2022, compared to $18 million in 2021. Please refer to Note 8 of the 2022 Audited Consolidated Financial Statements for more information on associates and joint ventures.

PROVISION FOR (RECOVERY OF) INCOME TAXES

In 2022, the Corporation recorded a recovery of income taxes of $22 million, which compares to a provision for income taxes of $9 million in 2021.

(in millions of Canadian dollars) (unaudited)	**2022**	2021
Recovery of income taxes based on the combined basic Canadian and provincial income tax rate	**(10)**	(10)
Adjustment for income taxes arising from the following:		
Prior years reassessment	**(6)**	4
Reversal of deferred income tax assets related to prior year losses	**—**	18
Permanent differences	**(6)**	(2)
Other	**—**	(1)
	(12)	19
Provision for (recovery of) income taxes	**(22)**	9

In 2022, the Corporation recorded a $3 million deferred tax benefit as a result of a tax election related to the discontinued operations realized in 2021.

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

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

The effective tax rate and income taxes are affected by the results of certain subsidiaries and joint ventures located in countries where the income tax rates are different from those in Canada, notably the United States. The normal effective tax rate is expected to be in the range of 21% to 27%. The weighted-average applicable tax rate was 24.3% in 2022.

RESULTS FROM DISCONTINUED OPERATIONS

Results from discontinued operations amounted to $234 million in 2021. Results from discontinued operations attributable to Shareholders amounted to $221 million in 2021. Please refer to the “Discontinued Operations” section and Note 5 of the 2022 Audited Consolidated Financial Statements for all details on results from discontinued operations.

NET EARNINGS (LOSS)

For the year ended December 31, 2022, the Corporation posted a net loss of $(34) million, or ($0.34) per common share, compared to net earnings of $162 million, or $1.60 per common share, in 2021. On an adjusted basis[1], the Corporation generated net earnings of $37 million in 2022, or $0.37 per common share, compared to net earnings of $27 million, or $0.26 per common share, in 2021.

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

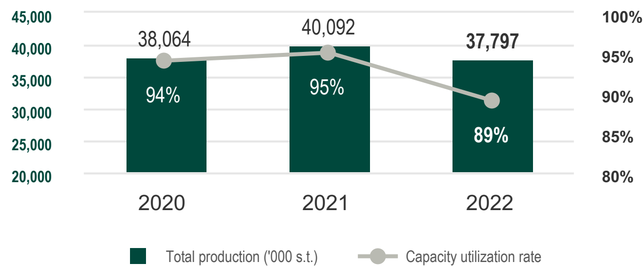
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

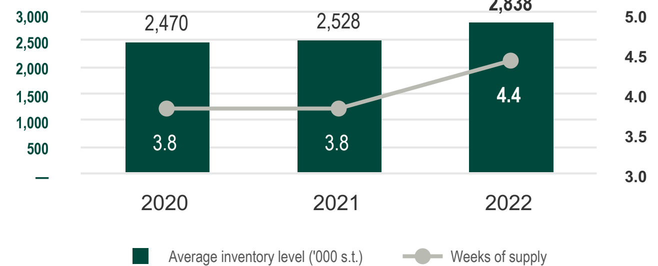
U.S. containerboard industry production and capacity utilization rate[1]

Total U.S. containerboard production amounted to 37.8 million short tons in 2022, a decrease of 6% compared to 2021, reflecting lower demand related to the post-COVID-19 pandemic. As a result, the industry's capacity utilization rate decreased to 89% in 2022 from 95% in 2021.



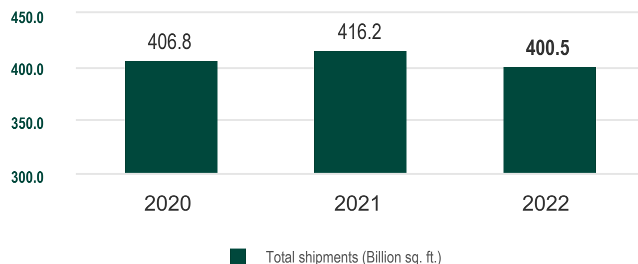
U.S. containerboard inventories at box plants and mills[2]

The average inventory level increased by 12% year-over-year in 2022, reflecting lower demand related to the post-COVID-19 pandemic. The number of weeks of supply in inventory averaged 4.4x for the year, up from 3.8x in 2021.



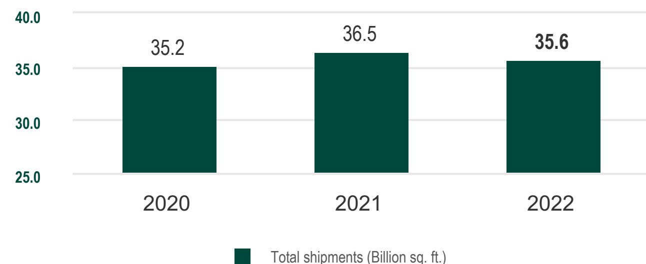
U.S corrugated box industry shipments[2]

Total U.S. corrugated box shipments decreased by 4% in 2022 compared to 2021. This reflects lower demand related to the post-COVID-19 pandemic destocking by end users and high price inflation in the U.S. for general goods and merchandise.



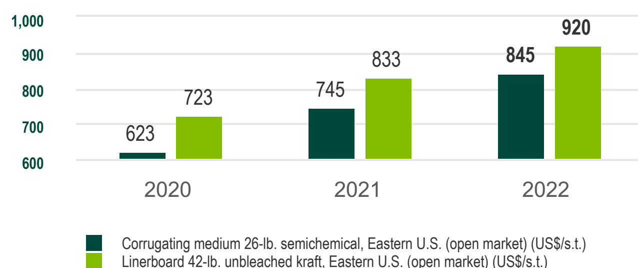
Canadian corrugated box industry shipments[3]

Canadian corrugated box shipments decreased by 2% in 2022 compared to 2021.



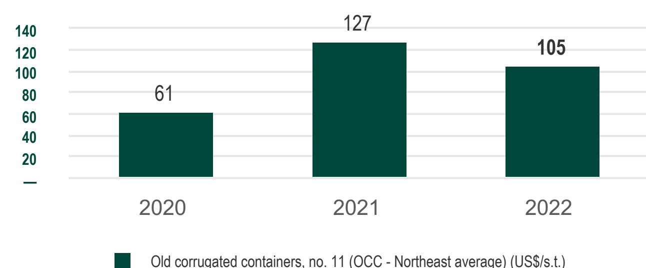
Reference prices - containerboard[1]

2022 reference prices for linerboard and corrugating medium increased by 10% and 13%, respectively, compared to 2021.



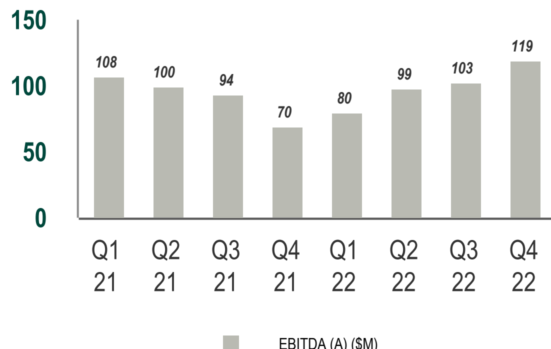
Reference prices - recovered papers (brown grade)[1]

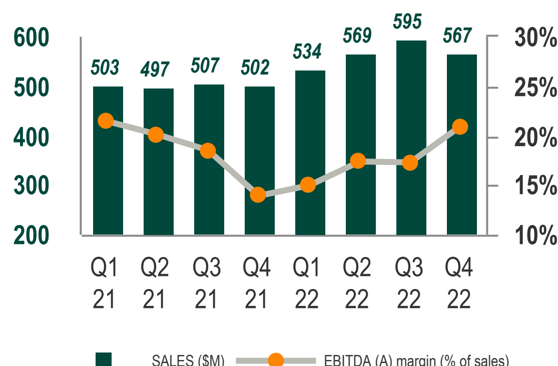
The average reference price of old corrugated containers no.11 ("OCC") decreased by 17% in 2022 compared to 2021.

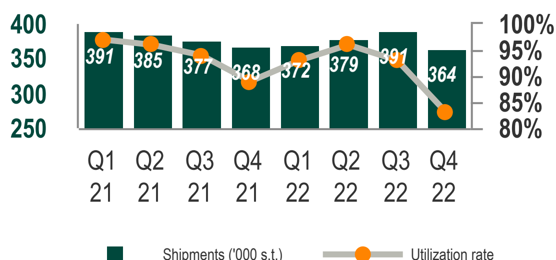


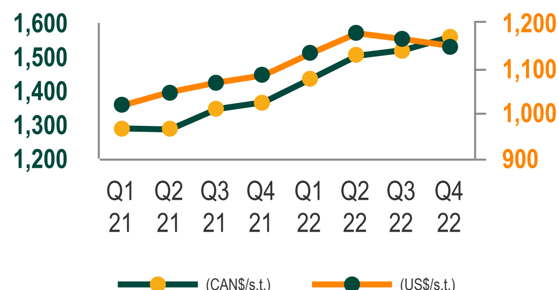
1 *Source: RISI*
2 *Source: Fibre Box Association*
3 *Source: Canadian Corrugated and Containerboard Association*

Our Performance

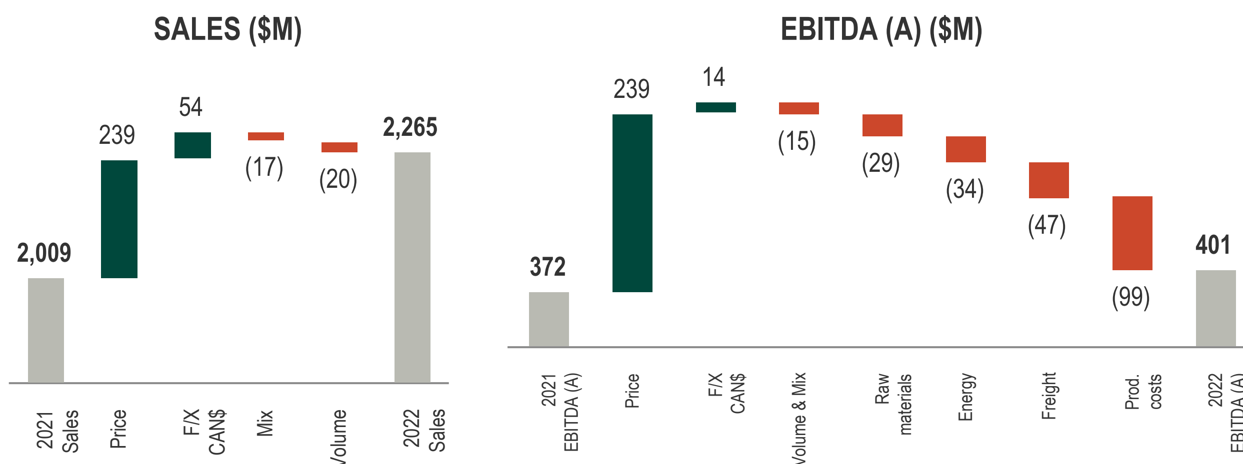








The main variances[2] in sales and EBITDA (A)[1] for the Containerboard Packaging segment in 2022, compared to 2021, are shown below: (in millions of Canadian dollars)



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

	2021	2022	Change in %
Shipments[2] ('000 s.t.)	1,521	1,506	-1%
Average Selling Price (CAN$/unit)	1,321	1,504	14%
Sales ($M)	2,009	2,265	13%
EBITDA (A)[1]	372	401	8%
% of sales	19%	18%	

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.

Total shipments decreased by 15,000 s.t., or 1%, in 2022 compared to 2021.

External parent roll shipments increased by 6,000 s.t., or 1%, compared to 2021. This reflects lower volumes in 2021 as a result of an issue with the water effluent treatment system at our Niagara Falls, NY complex in the second quarter and transportation limitations towards the end of the year. The manufacturing utilization rate decreased by 3% to 91%, largely as a result of the medium production downtime taken to manage inventory during the last six months of the year. The mill integration rate decreased by 3% to 55%, due to higher parent roll shipments to external customers in preparation for the Bear Island start-up in 2023. Including sales to other partners[3], the integration rate was 72% in 2022, slightly below the 73% level in 2021.

Annual shipments from converting activities decreased by 21,000 s.t., or 3%. In terms of square feet, our volume decreased by 3% to 13.8 billion in 2022 from 14.2 billion in 2021. This reflects a 5% decrease in our Canadian converted products shipments, compared to a 2% decline for the Canadian industry. This performance reflects a more difficult beginning of the year, following stronger demand in 2021, in addition to profitability initiatives that resulted in erosion of shipments and lower demand from some key customers. These were offset by a 4% year-over-year increase in our US converted product shipments in 2022, which outperformed the broader market decline of 4%.

The average selling price increased by 14% in 2022, reflecting a 19% increase for parent rolls and a 13% increase for converted products.

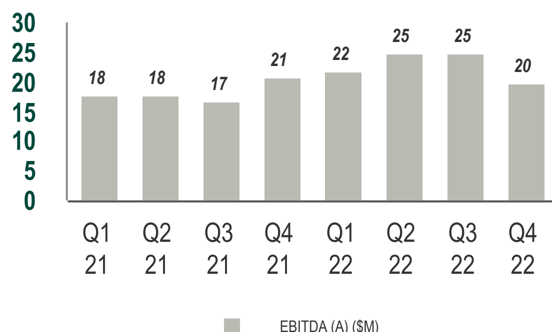
Sales increased by $256 million, or 13%, in 2022 compared to 2021. The higher average selling price added $239 million to sales while the 4% average depreciation of the Canadian dollar compared to the US dollar contributed $54 million to sales. These benefits were partly offset by negative impacts of $20 million related to lower volume and $17 million related to a less favourable sales mix.

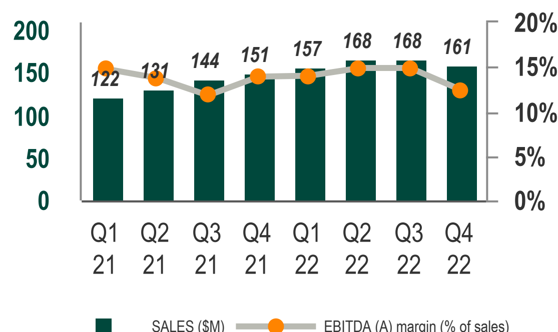
EBITDA (A)[1] increased by $29 million, or 8%, reflecting the annualized benefit of the 2021 price increases and 2022 price increase realizations. Higher average selling price, lower volumes and a less favourable sales mix had a net positive impact of $224 million while the depreciation of the Canadian dollar added $14 million. These were offset by a negative raw material cost impact of $29 million and higher logistics and distribution costs that subtracted an additional $47 million. Inflationary pressure on other production costs, including chemicals, repair and maintenance, labour and other costs, had a combined negative impact of $99 million. This amount also includes operational costs of $12 million related to the Bear Island project in 2022 compared to $6 million for the same period in 2021. Higher energy prices impacted results by a further $34 million compared to last year.

BUSINESS SEGMENT REVIEW

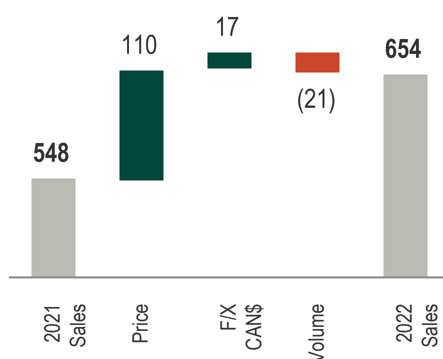
PACKAGING PRODUCTS - SPECIALTY PRODUCTS

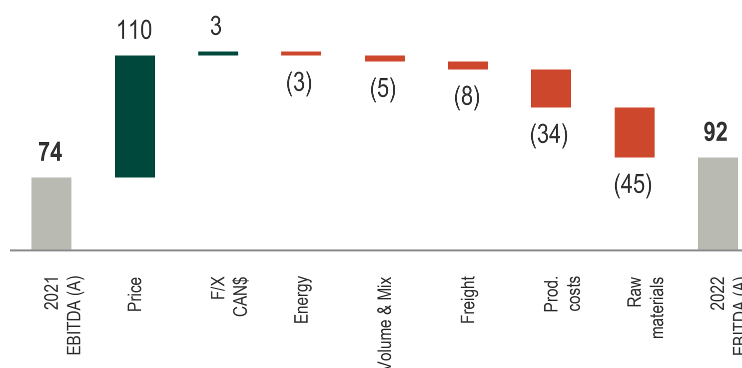
Our Performance





The main variances[2] in sales and EBITDA (A)[1] for the Specialty Products segment in 2022, compared to 2021, are shown below: (in millions of Canadian dollars)





	2021	2022	Change in %
Sales ($M)	548	654	19%
EBITDA (A)[1]	74	92	24%
% of sales	14%	14%	

Sales increased by $106 million, or 19%, in 2022 compared to 2021. Higher average selling prices for all sub-segments increased sales levels by $110 million in the year. In addition, the 4% average depreciation of the Canadian dollar compared to the US dollar had a positive impact of $17 million on sales. Volume was lower in the second half of the year for all of our market sub-segments due to market softening, while the egg packaging sub-segment was impacted throughout the year primarily as a result of the avian flu outbreak.

EBITDA (A)[1] increased by $18 million, or 24%. The solid performance reflects the beneficial impacts from higher realized spreads (selling price less raw materials) and depreciation of the Canadian dollar, which contributed $65 million and $3 million, respectively. These were partially offset by higher transportation, operating, energy, production supplies and other costs, which negatively impacted results by $45 million. In addition, lower volume decreased results by $5 million.

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

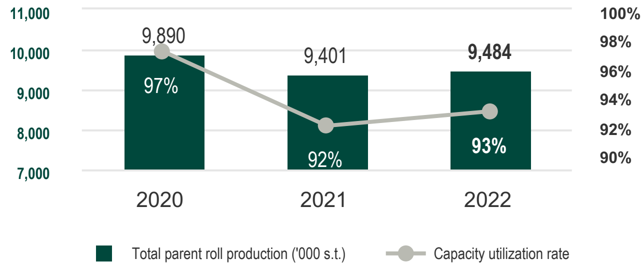
BUSINESS SEGMENT REVIEW

TISSUE PAPERS

Our Industry

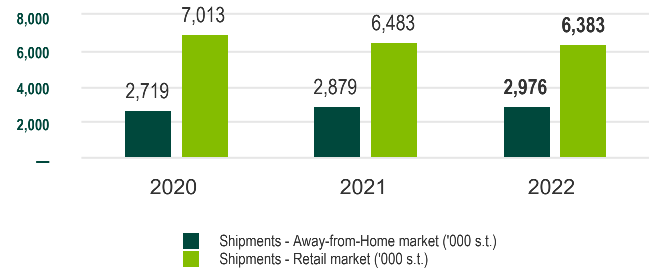
U.S. tissue paper industry production (parent rolls) and capacity utilization rate[1]

Total parent roll production increased by 1% in 2022. The average capacity utilization rate of 92% in 2021 increased by 1% compared to 93% in 2022.



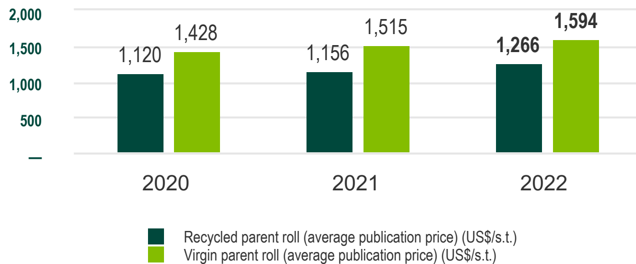
U.S. tissue paper industry converted product shipments[1]

In 2022, shipments for the Retail and the Away-from-Home markets decreased by 2% and increased by 3%, respectively, compared to 2021.



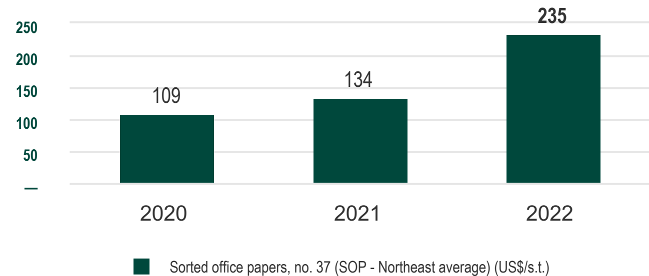
Reference prices - parent rolls[1]

In 2022, the reference price for recycled and virgin parent rolls respectively increased by 10% and 5%, compared to 2021.



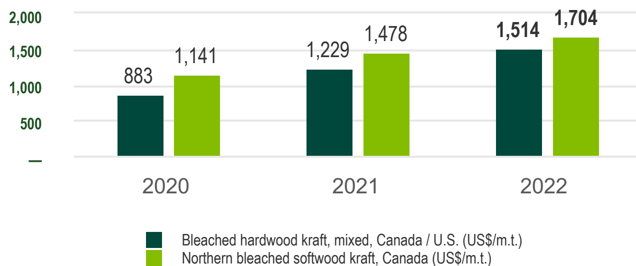
Reference prices - recovered papers (white grade)[1]

The reference price of sorted office papers No.37 ("SOP") increased by 75% in 2022 compared to 2021.



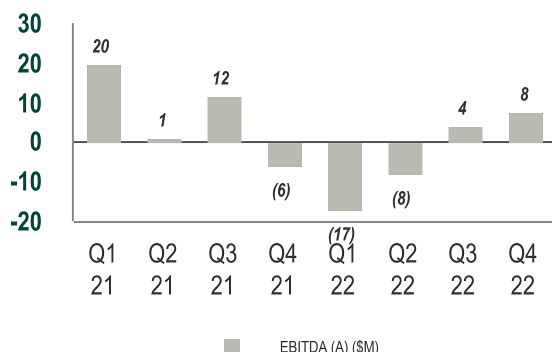
Reference prices - market pulp[1]

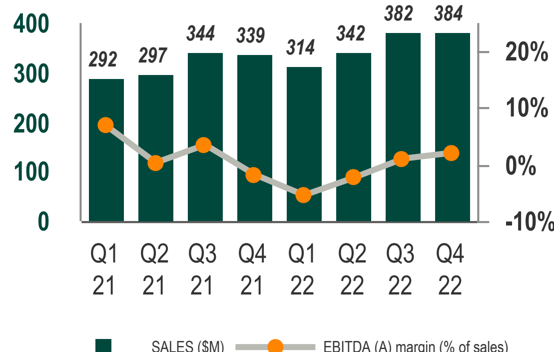
In 2022, the reference price for NBSK and NBHK increased by 15% and 23%, respectively, compared to 2021, reflecting global demand supply dynamics.

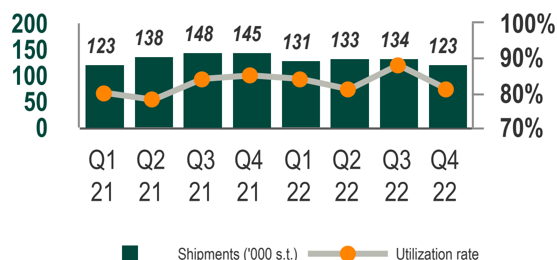


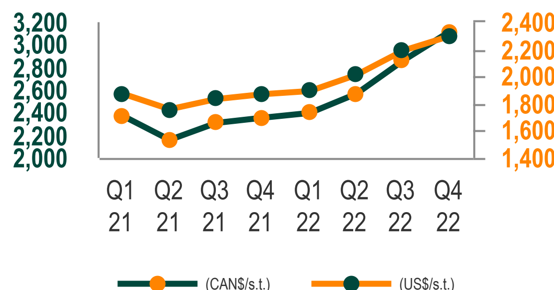
1 Source: RISI

Our Performance

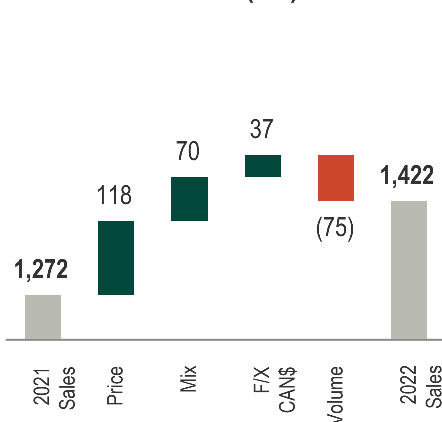


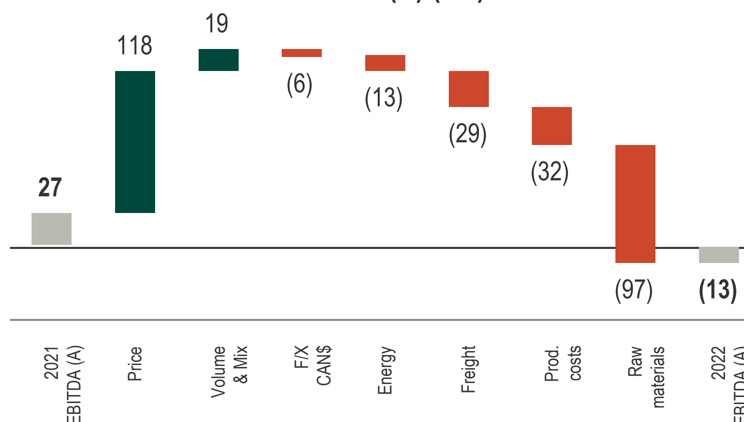






The main variances[2] in sales and EBITDA (A)[1] for the Tissue Papers segment in 2022, compared to 2021, are shown below: (in millions of Canadian dollars)





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

	2021	2022	Change in %
Shipments[2] ('000 s.t.)	554	521	-6%
Average Selling Price (CAN$/unit)	2,299	2,731	19%
Sales ($M)	1,272	1,422	12%
EBITDA (A)[1]	27	(13)	-148%
% of sales	2%	(1)%	

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 33,000 s.t., or 6%, in 2022 compared to 2021.

Converted product shipments increased by 17,000 s.t., or 4%, in 2022 compared to 2021. In terms of cases, shipments increased by 2.4 million cases, or 4%, to 58.8 million cases in 2022 compared to 2021. This is the result of higher demand in both Retail Consumer Products (+3%) and Away-from-Home (+6%) markets following lower production levels in 2021 that were driven by COVID-19 labour shortages and variable demand patterns. External manufacturing shipments of parent rolls decreased by 50,000 s.t., or 37%, in 2022 compared to 2021 mainly due to higher converted products demand and major repair and maintenance at our St. Helens mill in the fourth quarter of 2022 which had a negative impact of approximately 15,000 s.t.. The integration rate increased to 83% during the period, up from 74% in 2021.

The 19% increase in the average selling price was primarily due to price increase initiatives in both the Away-from-Home and Retail Consumer Products markets, the 4% average depreciation of the Canadian dollar compared to the US dollar and a favourable sales mix due to a higher proportion of converted products.

Sales increased by $150 million, or 12%, in 2022 compared to 2021. This was driven by beneficial impacts of $118 million from a higher average selling price, $70 million from a favourable mix as explained above, and $37 million related to the favourable exchange rate. These benefits were partially offset by lower volumes, which negatively impacted sales by $75 million.

EBITDA (A)[1] decreased by $40 million, or 148%, and was mainly due to a $97 million impact from higher raw material costs, a $29 million impact from higher transportation costs and a $32 million impact from higher production costs stemming in part from inflationary pressure. Higher energy prices also had a negative impact of $13 million year-over-year. The price increases were not sufficient to fully offset rapidly increasing costs during the year but will continue to have a positive impact going forward.

CORPORATE ACTIVITIES

Corporate Activities recorded an EBITDA (A)[1] of $(104) million in 2022, compared to $(84) million in 2021. The EBITDA (A)[1] of our Recovery and Recycling activities was $18 million lower in 2022 due to lower volume and raw material index prices. Corporate Activities also incurred additional costs to support the profitability improvement initiatives in the Tissue Papers segment.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to $5 million in 2022, compared to $5 million in 2021. 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 FROM CONTINUING OPERATIONS

Cash flows from operating activities from continuing operations, excluding changes in non-cash working capital components, stood at $260 million in 2022, compared to $247 million in 2021. 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 from continuing operations generated $144 million in liquidity in 2022, compared to $211 million generated in 2021. The decrease is driven by lower profitability and the significant increase in the non-cash working capital compared to 2021. The Corporation paid $87 million of financing expense in 2022, compared to $96 million in 2021. The variance is mainly explained by the early payment of $6 million of interest paid in 2021 following the partial redemption of unsecured senior notes. On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes and paid transaction fees of $2 million and an early repurchase premium totaling US$18 million ($22 million) (see "Business Highlights" section for more details). The Corporation also paid $5 million of income taxes in 2022, compared to $2 million received in 2021. Other elements include payments totaling $12 million in 2022 for severances and other restructuring costs related to closures and margin improvement initiatives, compared to $25 million in 2021.

Changes in non-cash working capital components used $116 million in liquidity in 2022, compared to $36 million used in 2021. General supply chain challenges led to higher inventory levels to mitigate impacts on service level. Ongoing inflation also had a negative impact through the cash converting cycle as it first hits accounts payable and inventory before going through selling price increases and accounts receivable. As of December 31, 2022, average quarterly LTM working capital as a percentage of LTM sales[1] stood at 10.5%, which compares to 8.6% as of December 31, 2021.

INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investing activities from continuing operations used $486 million in liquidity in 2022, compared to $247 million used in 2021.

ASSOCIATES AND JOINT VENTURES

In 2022, the Corporation received $1 million from an advance made to an associate.

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

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	**2022**	2021
Total acquisitions	**619**	373
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	**(31)**	(44)
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	**(87)**	(43)
Payments for property, plant and equipment	**501**	286
Proceeds from disposals of property, plant and equipment	**(19)**	(53)
Payments for property, plant and equipment net of proceeds from disposals	**482**	233

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 2022 were as follows:
(in millions of Canadian dollars)

The major capital projects that were initiated, are in progress or were completed in 2022 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).

SPECIALTY PRODUCTS

- Investment in equipment to increase recycled pulp production for internal usage and converting capacity in cardboard operations.

TISSUE PAPERS

- Investment in equipment to optimize the capacity of our converting lines.

CORPORATE ACTIVITIES

- Investment in the modernization of the water treatment system at the Kingsey Falls complex in Québec, Canada.

PROCEEDS FROM DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

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

2022

The Specialty Products segment received $15 million from the sale of lands and a building related to closed plants in Canada. An additional amount of $1 million deposited in escrow will be released under certain conditions.

2021

The Tissue Papers segment received $51 million from the sale of assets of closed plants in the USA and in Canada.

CHANGE IN INTANGIBLE AND OTHER ASSETS

In 2022, the Corporation invested $3 million, compared to $12 million in 2021, in its ERP information technology system and other software developments. In 2022, the Corporation invested an additional $2 million ($1 million in 2021) for other assets, including deposits related to a warehousing centralization initiative as part of the distribution network optimization.

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

Financing activities from continuing operations generated $272 million in 2022, compared to $529 million used in the same period of 2021, including $48 million ($41 million in 2021) in dividend payments to the Corporation's Shareholders.

INCREASE IN TERM LOAN

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. The increase portion of the term loan was used to reduce the borrowings under the revolving credit facility.

REDEMPTION OF UNSECURED SENIOR NOTES

On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million). The Corporation incurred transaction fees of $2 million, wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid US$5 million ($6 million) of interest accrued on these notes.

Partial redemption was used as follows:

(in millions of Canadian dollars) (unaudited)	2021
Transaction fees	(2)
Repurchase of 2026 and 2028 Notes	(372)
Premium paid on long-term debt redemption	(22)
Decrease of credit facility	(396)

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

The Corporation issued 355,686 common shares at an average price of $4.47 as a result of the exercise of stock options in 2022, representing an aggregate amount of $1 million (in 2021 - $2 million for 235,732 common shares issued at an average price of $6.50).

The Corporation purchased 854,421 common shares for cancellation at an average price of $11.07 for $9 million in 2022 (in 2021 - $26 million for 1,651,600 common shares for cancellation at an average price of $15.45).

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

Dividends paid to non-controlling interests in Greenpac and Falcon Packaging (distributor in the Specialty Products segment) amounted to $13 million in 2022 ($14 million in 2021). In 2022, the Corporation also increased its participation in Falcon Packaging for a contribution of $3 million ($2 million in 2021).

CASH FLOWS FROM DISCONTINUED OPERATIONS

In 2021, the Boxboard Europe segment received $4 million from the sale of the land of a closed plant. The Boxboard Europe segment received €5 million ($7 million) from the sale of its French subsidiary that produced virgin based boxboard. The €7 million ($11 million) cash balance of this subsidiary was also disposed of, resulting in a net cash balance decrease of €2 million ($4 million). The Boxboard Europe segment completed two business acquisitions and paid a total of €141 million ($210 million).

On July 5, 2021, the Corporation announced the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or $462 million including foreign exchange contracts and before related transaction fees of $12 million.

Please refer to the "Discontinued Operations" section and Note 5 of the 2022 Audited Consolidated Financial Statements for all details on cash flows from discontinued operations.

CONSOLIDATED FINANCIAL POSITION

AS OF DECEMBER 31, 2022, 2021 AND 2020

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

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	**December 31, 2022**	December 31, 2021	December 31, 2020[2]
Cash and cash equivalents	**102**	174	384
Total assets	**5,053**	4,566	5,412
Total debt[1]	**2,068**	1,525	2,063
Net debt[1]	**1,966**	1,351	1,679
Equity attributable to Shareholders	**1,871**	1,879	1,753
Non-controlling interests	**57**	48	204
Total equity	**1,928**	1,927	1,957
Total equity and net debt[1]	**3,894**	3,278	3,636
Ratio of net debt/(total equity and net debt)[1]	**50.5%**	41.2%	46.2%
Shareholders' equity per common share (in Canadian dollars)	**$18.64**	$18.63	$17.14

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 *Not adjusted for retrospective reclassification of discontinued operations.*

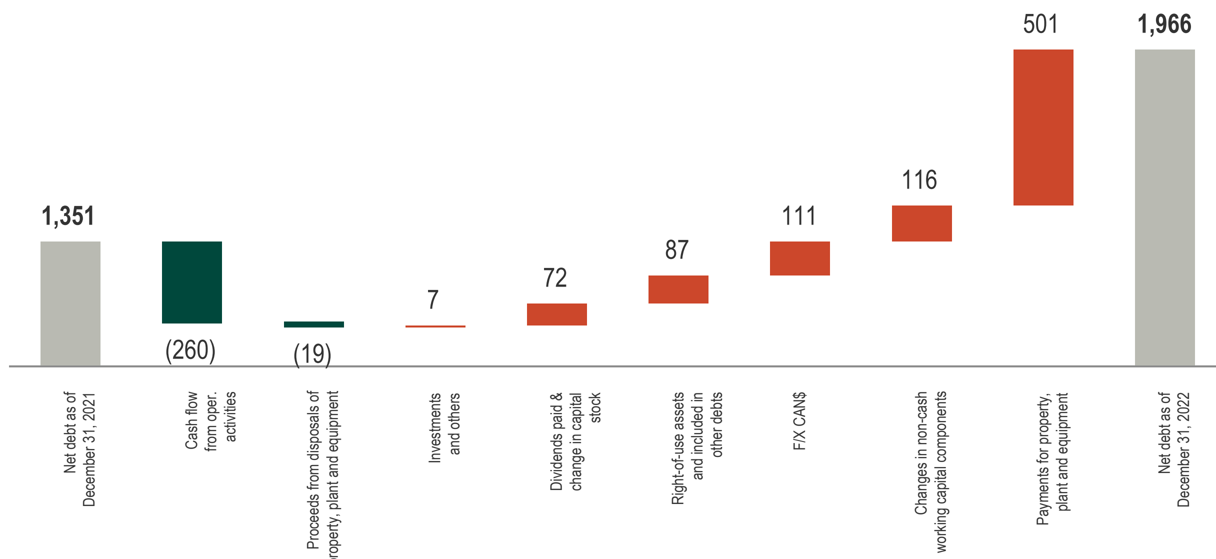
The following table reflects the Corporation's secured debt rating/corporate rating/unsecured debt rating:

Credit rating (outlook)	MOODY'S	STANDARD & POOR'S
December 31, 2021	Baa3/Ba2/Ba3 (stable)	BB+/BB-/BB- (positive)
December 31, 2022	**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 2022 are shown below, with the applicable financial ratios included:
(in millions of Canadian dollars)



389	EBITDA (A)[1] (last twelve months) ($M)	**376**
3.5x	Net debt / EBITDA (A) ratio[1]	**5.2x**

Liquidity available via the Corporation's credit facilities, cash and cash equivalent balance and the anticipated cash flow generated by its operating activities are expected to provide sufficient funds to meet our financial obligations and to fulfill our capital expenditure program for at least the next twelve months. 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 December 31, 2022, the Corporation had $385 million (net of letters of credit in the amount of $15 million) available on its $750 million credit facility (excluding the credit facilities of our subsidiary Greenpac). Cash and cash equivalents as of December 31, 2022 are comprised as follows: $54 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and $48 million in unrestricted subsidiaries, mainly Greenpac.

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

EMPLOYEE FUTURE BENEFITS

The Corporation's employee future benefits assets and liabilities amounted to $399 million and $437 million, respectively, as of December 31, 2022, including an amount of $65 million for post-employment benefits other than pension plans. The pension plans include an amount of $27 million, which does not require any funding by the Corporation until it is paid to the employees. This amount is not expected to increase, as the Corporation has reviewed its benefits program to phase out some of them for future retirees.

With regard to pension plans, the Corporation's risk is limited, since all defined benefit pension plans are closed to new employees and fewer than 10% of its active employees are subject to those pension plans, while the remaining employees are part of the Corporation's defined contribution plans, such as group RRSPs or 401(k).

The measurement date of the employee future benefits plans is December 31 of each year. An actuarial evaluation is performed at least every three years. Based on their liabilities balances as of December 31, 2022, 19% of the Corporation plans have been evaluated on December 31, 2021 (20% in 2020). Plans with higher liability balances were last evaluated in 2019 and will be evaluated again in 2023 for the year ended December 31, 2022.

Considering the assumptions used and the asset ceiling limit, the surplus status for accounting purposes of its pension plans amounted to $10 million as of December 31, 2022, compared to a deficit of $10 million in 2021. The 2022 pension plan expense was $5 million and the cash outflow was $5 million. Due to the investment returns in 2022 and the change in the assumptions, the expected expense for these pension plans is $3 million in 2023. As for the cash flow requirements, these pension plans are expected to require a net contribution of approximately $3 million in 2023. Finally, on a consolidated basis, the solvency ratio of the Corporation's funded pension plans has increased to approximately 105%.

COMMENTS ON THE FOURTH QUARTER OF 2022

SALES

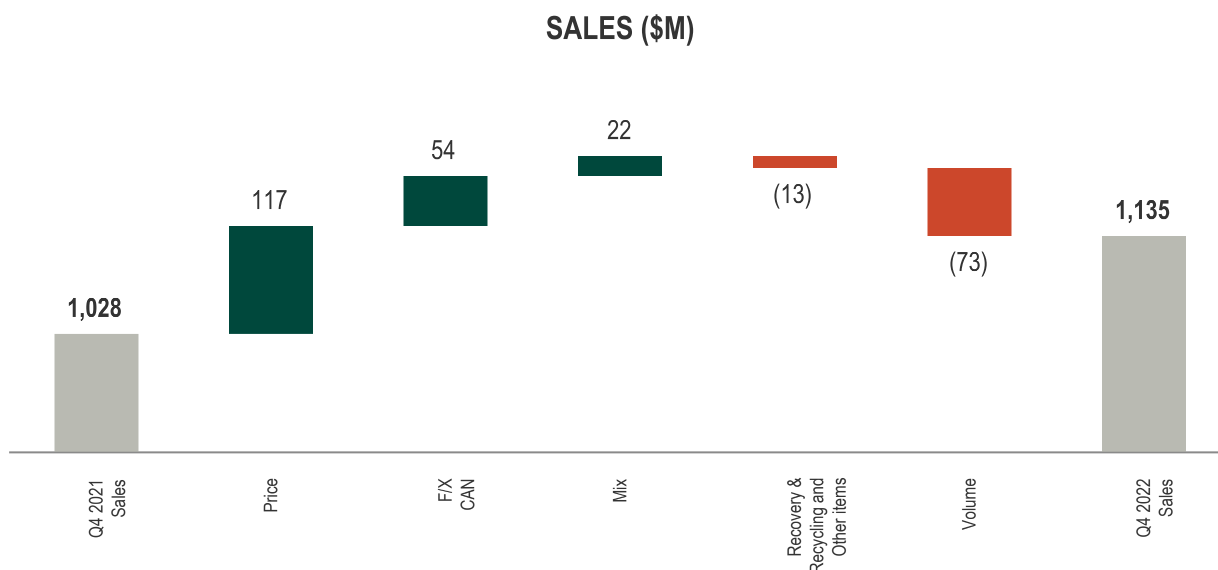
Sales of $1,135 million increased by $107 million, or 10%, in the fourth quarter of 2022 compared to $1,028 million in the same period of 2021. Higher selling prices, better sales mix and a favourable foreign exchange rate had a positive impact on sales. These factors were partially offset by lower volume in all business segments and lower sales from our Recovery and Recycling activities.

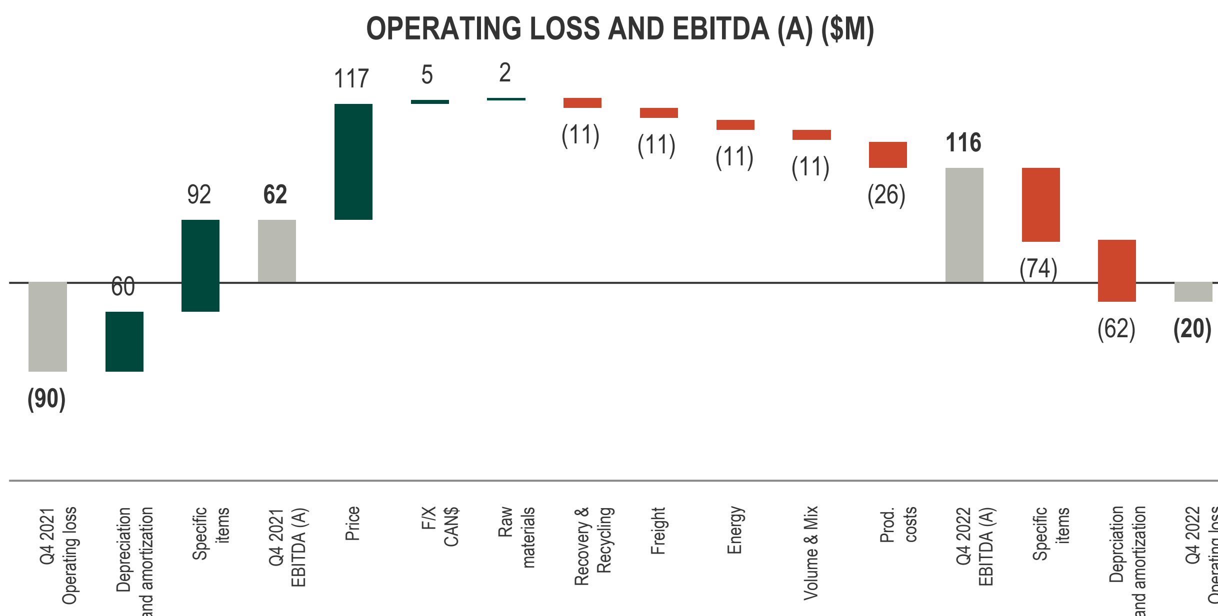
OPERATING LOSS AND EBITDA (A)[1]

The Corporation generated an operating loss of $(20) million in the fourth quarter of 2022, compared to $(90) million in the same period of 2021. The Corporation recorded an EBITDA (A)[1] of $116 million in the fourth quarter of 2022, compared to $62 million in the same period of 2021, an increase of $54 million. The increase reflects higher selling prices, lower raw material costs in our Containerboard segment and a favourable foreign exchange rate which were offset by significant inflationary pressure on all operational costs.

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

The main variances[1] in sales, in operating loss and in EBITDA (A)[2] in the fourth quarter of 2022, compared to the same period of 2021, are shown below:
(in millions of Canadian dollars)





NET EARNINGS (LOSS)

For the 3-month period ended December 31, 2022, the Corporation posted a net loss of $(27) million, or $(0.27) per common share, compared to net earnings of $105 million, or $1.04 per common share, for the same period in 2021. On an adjusted basis[2], the Corporation generated net earnings of $22 million in the fourth quarter of 2022, or $0.22 per common share, compared to a net loss of $(9) million, or $(0.09) per common share, in the same period in 2021.

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.*

CAPITAL STOCK INFORMATION

COMMON SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol "CAS". From January 1, 2022 to December 31, 2022, Cascades' common share price fluctuated between $7.77 and $14.14. During the same period, 68.7 million Cascades common shares were traded on the Toronto Stock Exchange. On December 31, 2022, Cascades' common shares closed at $8.46. This compares with a closing price of $13.97 on the same closing day last year.

COMMON SHARES OUTSTANDING

As of December 31, 2022, the Corporation's issued and outstanding capital stock consisted of 100,361,627 common shares (100,860,362 as of December 31, 2021) and 2,794,344 issued and outstanding stock options (2,373,416 as of December 31, 2021). In 2022, the Corporation purchased 854,421 common shares for cancellation, while 355,686 stock options were exercised, 785,532 options were granted and 8,918 stock options were forfeited.

As of February 22, 2023, issued and outstanding capital stock consisted of 100,361,627 common shares and 2,791,041 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The normal course issuer bid announced on March 17, 2021 enabled the Corporation to purchase for cancellation up to 2,045,621 common shares between March 19, 2021 and March 18, 2022. During that period, the Corporation purchased 2,045,621 common shares for cancellation at an average price of $14.98 for $31 million.

The current normal course issuer bid announced on March 17, 2022 enables the Corporation to purchase for cancellation up to 2,015,053 common shares between March 19, 2022 and March 18, 2023. During the period between March 19, 2022 and February 22, 2023, the Corporation purchased 460,400 common shares for cancellation at an average price of $9.38 for $4 million.

DIVIDEND POLICY

On February 22, 2023, Cascades' Board of Directors declared a quarterly dividend of $0.12 per common share to be paid on March 24, 2023 to shareholders of record at the close of business on March 10, 2023. On February 22, 2023, dividend yield was 4.9%.

				2020				2021				**2022**
TSX Ticker: CAS	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**	**Q2**	**Q3**	**Q4**
Common shares outstanding (in millions)[1]	94.3	95.0	95.0	102.3	102.3	102.3	100.9	100.9	**100.5**	**100.8**	**100.4**	**100.4**
Closing price (in Canadian dollars)[1]	$12.57	$14.79	$16.84	$14.55	$15.73	$15.26	$15.67	$13.97	**$12.82**	**$10.13**	**$8.04**	**$8.46**
Average daily volume[2]	256,827	298,267	257,710	363,795	342,616	433,394	278,277	272,438	**250,944**	**299,332**	**293,260**	**259,071**
Dividend yield[1]	2.5%	2.2%	1.9%	2.2%	2.0%	2.1%	3.1%	3.4%	**3.7%**	**4.7%**	**6.0%**	**5.7%**

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, 2020 TO DECEMBER 31, 2022
(in Canadian dollars)

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The Corporation's principal contractual obligations and commercial commitments relate to outstanding debt, capital expenditures, raw materials and supplies, intangible assets, service agreements, leases and obligations for its pension and post-employment benefit plans. The following table summarizes these obligations as of December 31, 2022:

CONTRACTUAL OBLIGATIONS

Payment due by period (in millions of Canadian dollars) (unaudited)	TOTAL	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS
Long-term debt, including capital and interest	2,578	246	1,626	706
Commitments for capital expenditures, raw materials and supplies and intangible assets	153	134	19	—
Service agreements and exempted leases	38	22	14	2
Leases not yet commenced but already signed	2	—	1	1
Pension plans and other post-employment benefits[1]	901	36	157	708
Total contractual obligations	**3,672**	**438**	**1,817**	**1,417**

1 These amounts represent all the benefits payable to current members during the following years and thereafter without limitations. The majority of benefit payments are payable from trustee-administered funds. The difference will come from future investment returns expected on plan assets and future contributions that will be made by the Corporation for services rendered after December 31, 2022.

TRANSACTIONS WITH RELATED PARTIES

The Corporation has also entered into various agreements with its joint-venture partners, significantly influenced companies and entities that are affiliated with one or more of its directors for the supply of raw materials, including recycled paper, virgin pulp and energy, as well as the supply of unconverted and converted products and other agreements entered into in the normal course of business. Aggregate sales by the Corporation to its joint-venture partners and other affiliates totaled $367 million and $324 million for 2022 and 2021, respectively. Aggregate purchases to the Corporation from its joint-venture partners and other affiliates came to $146 million and $126 million for 2022 and 2021, respectively.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

A. NEW IFRS ADOPTED

Amendment to *IAS 16*

In May 2020, the IASB issued an amendment to *IAS 16 Property, Plant and Equipment* which seeks to clarify the way entities should account for the proceeds from the sale and related production costs, of items produced by an asset prior to it being available for its intended use. The modification requires that sales proceeds recognized before the related asset is available for use be recognized in profit or loss together with the costs associated with the items sold, rather than by adjusting the cost of the asset under construction.

The standard became effective on January 1, 2022 and had no impact on the Corporation's Consolidated Financial Statements.

B. RECENT IFRS STANDARD NOT YET ADOPTED

IFRS 17 Insurance Contracts was issued in May 2017 as replacement for *IFRS 4 Insurance Contracts*. The amendments deferred the application date of *IFRS 17* to January 1, 2023. *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 Corporation is currently evaluating the impact of this standard on its Consolidated Financial Statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and disclosure of contingencies at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, Management reviews its estimates, including those related to environmental costs, employee future benefits, collectability of accounts receivable, financial instruments, contingencies, income taxes, useful life and residual value of property, plant and equipment and impairment of property, plant and equipment and intangible assets. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they occur.

A. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

In determining the recoverable amount of an asset or CGU, based on the market approach, Management uses the value of comparable assets on the market. In determining the recoverable amount of an asset or CGU, based on the income approach, Management uses several key assumptions, including estimated shipment levels, foreign exchange rates, revenue growth rates, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) (A) margins, discount rates, capitalization rate and capital expenditures.

The Corporation believes its assumptions are reasonable. Based on available information at the assessment date, however, these assumptions involve a high degree of judgment and complexity. Management believes that the following assumptions are the most susceptible to change and therefore could impact the valuation of the assets in the next year.

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS
(see Note 23 of the 2022 Audited Consolidated Financial Statements)

REVENUES, ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA (A)) MARGINS, CASH FLOWS AND GROWTH RATES

The assumptions used for revenues were based on the segment's internal budget and were projected for a period of five years and a long-term growth rate of 2% was applied thereafter. The assumption used for EBITDA (A) margin was based on the segment's historical performance and was kept constant. In arriving at its forecasts, the Corporation considers past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

DISCOUNT RATES

The Corporation assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represents a weighted average cost of capital (WACC) for comparable companies operating in similar industries of the applicable CGU, group of CGUs or reportable segment based on publicly available information.

CAPITALIZATION RATES

The Corporation assumed a capitalization rate in order to calculate the present value of its property cash flows. The capitalization rate represents a real estate valuation measure used to compare different real estate investments. The capitalization rate is calculated as the ratio between the annual rental income produced by a real estate asset to its current market value.

FOREIGN EXCHANGE RATES

When estimating the fair value less cost of disposal, foreign exchange rates are determined using the financial institution's average forecast for the first two years of forecasting. For the following three years, the Corporation uses the last five years' historical average of the foreign exchange rate. Terminal rate is based on historical data of the last twenty years and adjusted to reflect Management's best estimate of market participants expectations.

SHIPMENTS

The assumptions used are based on the Corporation's internal budget for the next year and are usually held constant for the established capacity, for new capacity the ramp up is considered over the forecast period. In arriving at its budgeted shipments, the Corporation considers past experience, economic, industry and market trends.

Considering the sensitivity of the key assumptions used, there is measurement uncertainty since adverse changes in one or a combination of the Corporation's key assumptions could cause a significant change in the carrying amounts of these assets.

B. INCOME TAXES

The Corporation is required to estimate the income taxes in each jurisdiction in which it operates. This includes estimating a value for existing tax losses based on the Corporation's assessment of its ability to use them against future taxable income before they expire. If the Corporation's assessment of its ability to use the tax losses proves inaccurate in the future, more or less of the tax losses might be recognized as assets, which would increase or decrease the income tax expense and, consequently, affect the Corporation's results in the relevant year.

C. EMPLOYEE BENEFITS

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The cost of pensions and other retirement benefits earned by employees is determined by actuaries using the projected benefit method pro-rated on years of service and Management's best estimate of expected plan investment performance, salary escalations, retirement ages of employees and expected health care costs. The accrued benefit obligation is evaluated using the market interest rate at the evaluation date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed annually.

D. GOODWILL, INTANGIBLE ASSETS AND BUSINESS COMBINATIONS

Goodwill and client lists have arisen as a result of business combinations. The acquisition method, which also requires significant estimates and judgments, is used to account for these business combinations. As part of the allocation process in a business combination, estimated fair values are assigned to the net assets acquired. These estimates are based on forecasts of future cash flows, estimates of economic fluctuations and an estimated discount rate. The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. In the event that actual net assets fair values are different from estimates, the amounts allocated to the net assets could differ from what is currently reported. This would then have a direct impact on the carrying value of goodwill. Differences in estimated fair values would also have an impact on the amortization of definite life intangibles.

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 year ended December 31, 2022, 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. The following is a discussion of key areas of business risks and uncertainties that we have identified and our mitigating strategies. The risk areas below are listed in no particular order, as risks are evaluated based on both severity and probability. Readers are cautioned that the following is not an exhaustive list of all the risks we are exposed to, nor will our mitigation strategies eliminate all risks listed.

Risks relating to the Corporation's business

Macroeconomic risks

Inflation surged during the year ending December 31, 2022 at levels unseen in the last decade, at least, and it represents a significant risk to macroeconomic stability. The inflation phenomenon results in rising energy and commodity costs, global equity and capital markets may experience significant volatility and weakness. The duration and impact are unknown at this time, nor is the impact on our operations and the market for our securities. Prolonged periods of inflation could increase our costs and impact our profitability, which could have a material adverse effect on our business and financial condition. High levels of inflation may subject us to significant cost pressures. As a result, governments may adopt initiatives to combat inflation (for example, raising the benchmark interest rate), thus increasing our cost of borrowing and decreasing the liquidity of capital markets. Our clients may have difficulty and may delay their payment for the acquired goods. High inflation can lead to increased costs of labour and our employee compensation expenses. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases and there is no assurance that our revenues will increase at the same rate to maintain the same level of profitability.

Although Cascades does not have direct activities in Russia or Ukraine, a prolonged armed conflict between the two countries or an expansion of the armed conflict to other countries could have a materially adverse effect on world economies and on the Corporation in a variety of ways, including: (i) a general decrease in consumer spending from lower confidence levels; (ii) severe price inflation; (iii) disruptions in capital and financial markets; and (iv) an increase in cyber security risk.

If the Corporation does not successfully manage the demand, supply and operational challenges associated with the effects of the pandemic or other similar widespread public health concerns, our results will be negatively impacted.

The Corporation's business may be negatively impacted by the fear of exposure to, actual effects of, or government response to, the pandemic, such as travel restrictions, business shutdowns or limitations, shelter-in-place orders, recommendations or mandates from governmental authorities to avoid large gatherings or to self-quarantine as a result of the pandemic, or other shutdowns and restrictions. These impacts include, but are not limited to:

- Significant reductions in demand or significant volatility in demand for one or more of the Corporation's products, which may be caused by, among other things: quarantine or other travel restrictions, financial hardship, shifts in demand away from one or more of the Corporation's products, including our Away-from-Home products or our industrial packaging products, or consumer stockpiling activity which may result in a decrease in demand for our products in one period as a result of excessive purchases of the Corporation's products in another period. If prolonged, these events further increase the difficulty of planning for operations and may adversely impact the Corporation's results;
- Inability to meet the Corporation's customers' needs and achieve cost targets due to disruptions in the Corporation's manufacturing and supply arrangements caused by constrained workforce capacity or the loss or disruption of other significant manufacturing or supply materials such as raw materials or other finished product components, transportation, or other manufacturing and distribution capability. While the Corporation has not been required to do so to date, in the future the Corporation may be required to limit or shutdown our manufacturing facilities to comply with any future, more stringent government mandates, which may adversely impact the Corporation's results;
- Failure of third parties on which the Corporation relies, including its suppliers, contract manufacturers, distributors and other contractors, to meet their obligations to the Corporation, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties or their inability to deliver goods or services based on governmental restrictions or other mandates and may adversely impact the Corporation's operations;
- Increased expenses related to the implementation of procedures to comply with governmental regulations and recommendations and maintain the health and safety of the Corporation's employees such as remote working (which, in turn, creates additional cyber security risks), health screenings and enhanced cleaning and sanitation protocols. The Corporation could continue to incur costs related to its mitigation efforts and it may have to enact additional, more expensive measures to continue to comply with governmental regulations and recommendations, which may become more stringent in the future, in order to ensure the health and safety of its employees; or

- Government actions in one or more of the jurisdictions in which Cascades operates, resulting in Cascades no longer having the benefits of being deemed an “essential business” (or other government actions undertaken to restrict the business activities of businesses deemed essential) and, as a result, forcing the Corporation to scale back its operations or halt them entirely, or government action resulting in any of our suppliers, contract manufacturers, distributors and other contractors no longer being deemed essential and thus impacting the Corporation’s ability to deliver its products and services to its customers, which may adversely impact its operations and results.

Despite the Corporation’s efforts to manage and remedy these impacts to the Corporation, their ultimate impact also depends on factors beyond its control, including the duration and severity of the pandemic, as well as third-party actions taken to contain its spread and mitigate its public health effects. The adverse effects described above may also apply to other epidemics, pandemics and other public health emergencies.

To the extent the pandemic adversely affects the Corporation’s business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, such as those relating to the Corporation’s high level of indebtedness, its need to generate sufficient cash flows to service its indebtedness, and its ability to comply with the covenants contained in the agreements that govern its indebtedness.

The markets for some of the Corporation’s products tend to be cyclical in nature and prices for some of its products, as well as raw material and energy costs, may fluctuate significantly, which can adversely affect its business, operating results, profitability and financial position.

The markets for some of the Corporation’s products, particularly containerboard, are cyclical. As a result, prices for these types of products and for its two principal raw materials, recycled paper and virgin fibre, have fluctuated significantly in the past and will likely continue to fluctuate significantly in the future, principally due to market imbalances between supply and demand. Demand is heavily influenced by the strength of the global economy and the countries or regions in which Cascades does business, particularly Canada and the United States, the Corporation’s two primary markets. Demand is also influenced by fluctuations in inventory levels held by customers and consumer preferences. Supply depends primarily on industry capacity and capacity utilization rates. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand, which can potentially cause downward price pressure. Industry participants may also, at times, add new capacity or increase capacity utilization rates, potentially causing supply to exceed demand and exerting downward price pressure. In addition, in the event of depressed market prices for recycled paper, the availability of recycled paper may decrease.

Depending on market conditions and related demand, Cascades may have to take market-related downtime. In addition, the Corporation may not be able to maintain current prices or implement additional price increases in the future. If Cascades is unable to do so, its revenues, profitability and cash flows could be adversely affected. In addition, other participants may introduce new capacity or increase capacity utilization rates, which could also adversely affect the Corporation’s business, operating results and financial position.

Prices for recycled and virgin fibre also fluctuate considerably. The costs of these materials present a potential risk to the Corporation’s profit margins in the event that it is unable to pass along price increases to its customers on a timely basis. Although changes in the price of recycled fibre generally correlate with changes in the price of products made from recycled paper, this may not always be the case. If Cascades were unable to implement increases in the selling prices for its products to compensate for increases in the price of recycled or virgin fibre, the Corporation’s profitability and cash flows would be adversely affected.

In addition, Cascades uses energy, mainly natural gas and fuel oil, to generate steam, which it then uses in the production process and to operate machinery. Energy prices, particularly for natural gas and fuel oil, have continued to remain very volatile. Cascades continues to evaluate its energy costs and consider ways to factor energy costs into its pricing. However, should energy prices increase, the Corporation’s production costs, competitive position and operating results would be adversely affected. A substantial increase in energy costs would adversely affect the Corporation’s operating results and could have broader market implications that could further adversely affect the Corporation’s business or financial results.

Cascades faces significant competition and some of its competitors may have greater cost advantages, be able to achieve greater economies of scale or be able to better withstand periods of declining prices and adverse operating conditions, which could negatively affect the Corporation’s market share and profitability.

The markets for the Corporation’s products are highly competitive. In some of the markets in which Cascades competes, such as tissue papers, it competes with a small number of other producers. In some businesses, such as the containerboard industry, competition tends to be global. In others, such as the tissue industry, competition tends to be regional. In the Corporation’s packaging products segment, it also faces competition from alternative packaging materials, such as plastic and Styrofoam, which can lead to excess capacity, decreased demand and pricing pressures.

Competition in the Corporation's markets is primarily based on price, as well as customer service and the quality, breadth and performance characteristics of its products. The Corporation's ability to compete successfully depends on a variety of factors, including:

- the Corporation's ability to maintain high plant efficiencies, operating rates and lower manufacturing costs;
- the availability, quality and cost of raw materials, particularly recycled and virgin fibre, as well as labour; and
- the cost of energy.

Some of the Corporation's competitors may, at times, have lower fibre, energy and labour costs and less restrictive environmental and governmental regulations to comply with than Cascades. For example, fully integrated manufacturers or those whose requirements for pulp or other fibre are met fully from their internal sources, may have some competitive advantages over manufacturers that are not fully integrated, such as Cascades, in periods of relatively high raw material pricing, in that the former are able to ensure a steady source of these raw materials at costs that may be lower than prices in the prevailing market. In contrast, competitors that are less integrated than Cascades may have cost advantages in periods of relatively low pulp or fibre prices because they may be able to purchase pulp or fibre at prices lower than the costs the Corporation incurs in the production process. Other competitors may be larger in size or scope than Cascades, which may allow them to achieve greater economies of scale on a global basis or to better withstand periods of declining prices and adverse operating conditions.

In addition, there has been an increasing trend among the Corporation's customers towards consolidation. With fewer customers in the market for the Corporation's products, the strength of its negotiating position with these customers could be weakened, which could have an adverse effect on its pricing, margins and profitability.

Because of the Corporation's international operations, it faces political, social and exchange rate risks that can negatively affect its supply chain, manufacturing capabilities, distribution activities, operating results, net earnings and financial condition.

The Corporation's international operations present it with a number of risks and challenges, including:

- effective marketing of its products in other countries;
- tariffs and other trade barriers;
- different regulatory schemes and political environments applicable to the Corporation's operations in areas such as environmental and health and safety compliance; and
- exposure to health epidemics and pandemics such as the ongoing coronavirus outbreak and other highly communicable diseases or viruses.

Cascades has customers and operations located outside Canada. In 2022, approximately 52% of the Corporation's consolidated sales were in the United States. In 2022, 19% of sales from Canadian operations were made to the United States.

In addition, the Corporation's consolidated financial statements are reported in Canadian dollars, while a portion of its sales is made in other currencies, primarily the U.S. dollar. A decrease of the Canadian dollar against the U.S. dollar could adversely affect the Corporation's operating results and financial condition. As of December 31, 2022, the Corporation had, on a consolidated basis, total U.S. dollar-denominated debt of US$1,320 million.

Moreover, in some cases, the currency of the Corporation's sales does not match the currency in which it incurs costs, which can negatively affect the Corporation's profitability. Fluctuations in exchange rates can also affect the relative competitive position of a particular facility where the facility faces competition from non-local producers, as well as the Corporation's ability to successfully market its products in export markets. As a result, if the Canadian dollar were to remain permanently strong compared to the US dollar, it could affect the profitability of the Corporation's facilities, which could lead Cascades to shutdown facilities either temporarily or permanently, all of which could adversely affect its business or financial results.

The Corporation uses various foreign exchange forward contracts and related currency option instruments to anticipate sales net of purchases, interest expenses and debt repayment. These hedging instruments may not be effective in offsetting risks, may generate losses or otherwise may adversely affect the Corporation's financial results as compared to what its results would have been had the hedges not been implemented.

The Corporation's operations are subject to comprehensive environmental regulations and involve expenditures which may be material in relation to its operating cash flow.

The Corporation is subject to environmental laws and regulations imposed by the various governments and regulatory authorities in all countries in which it operates. These environmental laws and regulations impose stringent standards on the Corporation regarding, among other things:

- air emissions;
- water discharges;
- use and handling of hazardous materials;
- use, handling and disposal of waste; and
- remediation of environmental contamination.

The Corporation is also subject to the U.S. Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as well as to other applicable legislation in the United States and Canada that holds companies accountable for the investigation and remediation of hazardous substances. The Corporation, for some of our Québec plants, is also subject to an emissions market aimed at reducing worldwide CO_2 emissions. Each unit has been allocated emission rights ("CO_2 quota"). On a calendar year basis, the Corporation must buy the necessary credits to cover its deficit on the open market if its emissions are higher than quota.

The Corporation's failure to comply with applicable environmental laws, regulations or permit requirements may result in civil or criminal fines, penalties or enforcement actions. These may include regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, the installation of pollution control equipment or remedial actions, any of which could entail significant expenditures. It is difficult to predict the future development of such laws and regulations or their impact on future earnings and operations, but these laws and regulations may require capital expenditures to ensure compliance. In addition, amendments to or more stringent implementation of, current laws and regulations governing the Corporation's operations could have a material adverse effect on its business, operating results or financial position. Furthermore, although Cascades generally tries to plan for capital expenditures relating to environmental and health and safety compliance on an annual basis, actual capital expenditures may exceed those estimates. In such an event, Cascades may be forced to curtail other capital expenditures or other activities. In addition, the enforcement of existing environmental laws and regulations has become increasingly strict. The Corporation may discover currently unknown environmental problems or conditions in relation to its past or present operations or may face unforeseen environmental liabilities in the future.

These conditions and liabilities may:

- require site remediation or other costs to maintain compliance or correct violations of environmental laws and regulations; or
- result in governmental or private claims for damage to persons, property or the environment.

Either of these possibilities could have a material adverse effect on the Corporation's financial condition or operating results.

Cascades may be subject to strict liability and, under specific circumstances, joint and several (solidary) liability for the investigation and remediation of soil, surface and groundwater contamination, including contamination caused by other parties on properties that it owns or operates and on properties where the Corporation or its predecessors have arranged for the disposal of regulated materials. As a result, the Corporation is involved from time to time in administrative and judicial proceedings and inquiries relating to environmental matters. The Corporation may become involved in additional proceedings in the future, the total amount of future costs and other environmental liabilities of which could be material.

To date, the Corporation is in compliance, in all material respects, with all applicable environmental legislation or regulations. However, the Corporation expects to incur ongoing capital and operating expenses in order to achieve and maintain compliance with applicable environmental requirements.

Cascades may be subject to losses that might not be covered in whole or in part by its insurance coverage.

Cascades carries comprehensive liability, fire and extended coverage insurance on all of its facilities, with policy specifications and insured limits customarily carried in its industry for similar properties. In addition, some types of losses, such as losses resulting from wars, acts of terrorism or natural disasters, are generally not insured because they are either uninsurable or not economically practical. Moreover, insurers have recently become more reluctant to insure against these types of events. Should an uninsured loss or a loss in excess of insured limits occur, Cascades could lose capital invested in that property, as well as the anticipated future revenues derived from the manufacturing activities conducted on that property, while remaining obligated for any mortgage indebtedness or other financial obligations related to the property. Any such loss could adversely affect its business, operating results or financial condition.

Labour disputes or shortages could have a material adverse effect on the Corporation's cost structure and ability to run its mills and plants as it depends on attracting and retaining qualified personnel.

As of December 31, 2022, the Corporation had approximately 10,000 employees, with approximately 30% of its workforce unionized. The Corporation's inability to negotiate acceptable contracts with its unions upon expiration of an existing contract could result in strikes or work stoppages by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike or another form of work stoppage, Cascades could experience a significant disruption in operations or higher labour costs, which could have a material adverse effect on its business, financial condition, operating results and cash flows. Of the 29 collective bargaining agreements, 8 have expired and are currently under negotiation, 9 will expire in 2023 and 8 will expire in 2024.

The Corporation generally begins the negotiation process several months before agreements are due to expire and is currently in the process of negotiating with the unions where the agreements have expired or will soon expire. However, Cascades may not be successful in negotiating new agreements on satisfactory terms, if at all.

Cascades's success depends in part upon its ability to continue to attract and retain qualified management, regulatory, technical, and sales and marketing executives and personnel in various geographical locations. The failure to attract, integrate, motivate and retain skilled and qualified personnel could have a material adverse effect on the business. The Corporation competes for such personnel against numerous companies. There can be no assurance that it will be successful in attracting or retaining such personnel and the failure to do so could have a material adverse effect on our financial condition and results of operations.

Cascades may make investments in entities that it does not fully control and may not receive dividends or returns from those investments in a timely fashion or at all.

Cascades has established joint ventures, made investments in associates and acquired significant participation in subsidiaries in order to increase its vertical integration, enhance customer service and increase efficiency in its marketing and distribution in the United States and other markets. The Corporation's principal joint ventures, associates and significant participation in subsidiaries are:

- two 50%-owned joint ventures with Sonoco Products Corporation, of which one is in Canada (two plants) and one is in the United States (two plants), that produce specialty paper packaging products such as headers, rolls and wrappers; and
- a 79.90%-owned subsidiary, Greenpac Holding LLC, a North American manufacturer of linerboard. The percentage including indirect ownership stands at 86.35% for consolidation and accounting purposes (see Note 8 of the 2022 Audited Consolidated Financial Statements for more details).

Apart from Greenpac Holding LLC, Cascades does not have control over these entities. The Corporation's inability to control entities in which it invests may affect its ability to receive distributions from these entities or to fully implement its business plan. The incurrence of debt or entrance into other agreements by an entity not under the Corporation's control may result in restrictions or prohibitions on that entity's ability to pay distributions to the Corporation. Even where these entities are not restricted by contract or by law from paying dividends or making distributions to Cascades, the Corporation may not be able to influence the payout or timing of these dividends or distributions. In addition, if any of the other investors in a non-controlled entity fail to observe their commitments, the entity may not be able to operate according to its business plan or Cascades may be required to increase its level of commitment. If any of these events were to transpire, the Corporation's business, operating results, financial condition and ability to make payments on indebtedness could be adversely affected.

In addition, the Corporation has entered into various shareholder agreements relating to its joint ventures and equity investments. Some of these agreements contain "shotgun" provisions, which provide that if one Shareholder offers to buy all the shares owned by the other parties to the agreement, the other parties must either accept the offer or purchase all the shares owned by the offering Shareholder at the same price and conditions. Some of the agreements also stipulate that, in the event that a Shareholder is subject to bankruptcy proceedings or otherwise defaults on any indebtedness, the non-defaulting parties to that agreement are entitled to invoke the "shotgun" provision or sell their shares to a third party. The Corporation's ability to purchase the other Shareholders' interests in these joint ventures if they were to exercise these "shotgun" provisions could be limited by the covenants in the Corporation's credit facility and the indenture.

In addition, Cascades may not have sufficient funds to accept the offer or the ability to raise adequate financing should the need arise, which could result in the Corporation having to sell its interests in these entities or otherwise alter its business plan.

Acquisitions have been and are expected to continue to be a substantial part of the Corporation's growth strategy, which could expose the Corporation to difficulties in integrating the acquired operation, diversion of management time and resources, and unforeseen liabilities, among other business risks.

Acquisitions have been a significant part of the Corporation's growth strategy. Cascades expects to continue to selectively seek strategic acquisitions in the future. The Corporation's ability to consummate and to effectively integrate any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on its resources and, to the extent necessary, its ability to obtain financing on satisfactory terms, if at all. Acquisitions may expose the Corporation to additional risks, including:

- difficulties in integrating and managing newly acquired operations and improving their operating efficiency;
- difficulties in maintaining uniform standards, controls, procedures and policies across all of the Corporation's businesses;
- entry into markets in which Cascades has little or no direct prior experience;
- the Corporation's ability to retain key employees of the acquired company;
- disruptions to the Corporation's ongoing business; and
- diversion of management time and resources.

In addition, future acquisitions could result in Cascades' incurring additional debt to finance the acquisition or possibly assuming additional debt as part of it, as well as costs, contingent liabilities and amortization expenses. The Corporation may also incur costs and divert Management's attention for potential acquisitions that are never consummated. For acquisitions Cascades does consummate, expected synergies may not materialize. The Corporation's failure to effectively address any of these issues could adversely affect its operating results, financial condition and ability to service debt, including its outstanding senior notes.

Although Cascades performs a due diligence investigation of the businesses or assets that it acquires and anticipates continuing to do so for future acquisitions, the acquired business or assets may have liabilities that Cascades fails or is unable to uncover during its due diligence investigation and for which the Corporation, as a successor owner, may be responsible. When feasible, the Corporation seeks to minimize the impact of these types of potential liabilities by obtaining indemnities and warranties from the seller, which may in some instances be supported by deferring payment of a portion of the purchase price. However, these indemnities and warranties, if obtained, may not fully cover the liabilities because of their limited scope, amount or duration, or the financial resources of the indemnitor or warrantor, or for other reasons.

The Corporation undertakes impairment tests, which could result in a write-down of the value of assets and, as a result, have a material adverse effect.

IFRS requires that Cascades undertakes impairment tests of long-lived assets and goodwill to determine whether a write-down of such assets is required. A write-down of asset value as a result of impairment tests would result in a non-cash charge that reduces the Corporation's reported earnings. Furthermore, a reduction in the Corporation's asset value could have a material adverse effect on the Corporation's compliance with total debt-to-capitalization tests under its current credit facilities and, as a result, limit its ability to access further debt capital.

Messrs. Bernard, Laurent and Alain Lemaire and their families (the "Lemaires") collectively own a significant percentage of the common shares.

The Lemaires collectively own a significant percentage of the common shares of the Corporation and there may be situations in which their interests and the interests of other holders of shares do not align. There is no formal agreement among the Lemaires with respect to the voting of their common shares and, over the past few years, the control of their shares has become more dispersed within their respective families. However, because the Corporation's remaining shares are widely held, the Lemaires may still effectively be able to influence:

- the election of all of the Corporation's directors and, as a result, control matters requiring board approval;
- matters submitted to a shareholder vote, including mergers, acquisitions and consolidations with third parties and the sale of all or substantially all of the Corporation's assets; and
- the Corporation's business direction and policies.

If Cascades is not successful in retaining or replacing its key personnel, including its President and Chief Executive Officer, its Vice-President and Chief Financial Officer, its Chief of Strategy and Legal Affairs, and its Executive Chairman of the Board and co-founder Alain Lemaire, the Corporation's business, financial condition or operating results could be adversely affected.

Although Cascades believes that its key personnel will remain active in the business and that Cascades will continue to be able to attract and retain other talented personnel and replace key personnel should the need arise, competition in recruiting replacement personnel could be significant. Cascades does not carry key-man insurance on the members of its senior management.

Cascades' business activities, intellectual property, operating results and financial position could suffer if Cascades is unable to protect its information systems against, or effectively respond to, cyber-attacks or other cyber incidents.

The Corporation relies on information technology, other computer resources and its employees to process, transmit and store electronic data in its daily business activities and to carry out important operational and marketing activities. Despite the implementation of security measures, the Corporation's technology systems and those of third parties on which it relies, are vulnerable to damage, disability or failure due to computer viruses, malware or other harmful circumstance, intentional penetration or disruption of the Corporation's information technology resources by a third party, natural disasters, hardware or software corruption or failure or error (including a failure of security controls incorporated into or applied to such hardware or software), telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions (including the failure to follow its security protocols), or lost connectivity to its networked resources. A significant and extended disruption in the functioning of these resources would result in an interruption of the Corporation's operations and could damage its reputation and cause the Corporation to lose customers, sales and revenue.

In addition, security breaches involving the Corporation's systems or third-party providers may occur, such as unauthorized access, denial of service, computer viruses and other disruptive problems caused by hackers. This could result in the unintended public disclosure or the misappropriation of proprietary, personal and confidential information or in the inability to access company data (including due to ransomware), and require the Corporation to incur significant expense to address and resolve these kinds of issues. The release of confidential information may also lead to identity theft and related fraud, litigation or other proceedings against the Corporation by affected individuals and/or business partners and/or by regulators and the outcome of such proceedings, which could include penalties or fines, could have a material and adverse effect on its business activities, intellectual property, operating results and financial condition. The occurrence of any of these incidents could result in adverse publicity, loss of consumer confidence or employees, and reduced sales and profits. In addition, the costs of maintaining adequate protection against such threats, including potentially higher insurance costs, as they develop rapidly in the future (or as legal requirements related to data security increase) could be material. Cyber security represents a company-wide challenge and the related risks are part of the enterprise risk management program that is presented to the Corporation's audit and finance committee.

As a result of the foregoing, the Corporation may have to modify its business systems and practices with the goal of further improving data security, which would result in increased expenditures and operating complexity. Although the Corporation has to date not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Corporation's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Climate change could negatively affect Cascades' business and operations.

There is concern that carbon dioxide and other greenhouse gases in the atmosphere have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. The Corporation operates plants and delivers products to clients in locations that may be subject to climate stress events such as sea-level rise and increased storm frequency or intensity. Caused by climate change or not, the occurrence of one or more natural disasters or extreme weather conditions, such as a hurricane, tornado, earthquake or flooding, may disrupt the productivity of the Corporation's facilities or the operation of its supply chain and unfavourably impact the demand for or its consumers' ability to purchase, its products. Further, climate changes could require higher remediation and insurance costs for the Corporation.

Concern over climate change may result in new or increased regional, federal and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases or to limit or impose additional costs on commercial water use due to local water scarcity concerns. In the event that such regulation is more stringent than current regulatory obligations or the measures that the Corporation is currently undertaking to monitor and improve its energy efficiency and water conservation, the Corporation may experience disruptions in, or significant increases in its costs of, operation and delivery and the Corporation may be required to make additional investments in facilities and equipment or relocate its facilities. In particular, increasing regulation of fuel emissions could substantially increase the cost of energy, including fuel, required to operate the Corporation's facilities or transport and distribute its products, thereby substantially increasing the distribution and supply chain costs associated with its products. As a result, the effects of climate change could negatively affect the Corporation's business and operations.

There is also increased focus, including by governmental and non-governmental organizations, investors, customers and consumers on environmental sustainability matters, including deforestation, land use, climate impact, water use and recyclability or recoverability of packaging, including plastic. The Corporation's reputation could be damaged if it or others in its industry do not act, or are perceived not to act, responsibly with respect to the Corporation's impact on the environment.

Risks relating to the Corporation's indebtedness

The significant amount of the Corporation's debt could adversely affect its financial health and prevent it from fulfilling its obligations under its outstanding indebtedness.

The Corporation has a significant amount of debt. As of December 31, 2022, it had $1,966 million of net debt[1] outstanding on a consolidated basis, including lease obligations of $208 million and net cash and cash equivalents of $102 million.

The Corporation's leverage could have major consequences for holders of its shares. For example, it could:

- make it more difficult for the Corporation to satisfy its obligations with respect to its indebtedness;
- increase the Corporation's vulnerability to competitive pressures and to general adverse economic or market conditions and require it to dedicate a substantial portion of its cash flow from operations to servicing debt, reducing the availability of its cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its business and industry; and
- limit its ability to obtain additional sources of financing.

The Corporation's ability to service its indebtedness will depend on its ability to generate cash in the future. The Corporation cannot provide assurance that its business will generate sufficient cash flow from operations or that future borrowings will be available in an amount sufficient to enable it to service its indebtedness or to fund other liquidity needs. Additionally, if the Corporation is not in compliance with the covenants and obligations under its debt instruments, it would be in default, and the lenders could call the debt, which would have a material adverse effect on its business.

Cascades may incur additional debt in the future, which would intensify the risks it now faces as a result of its leverage as described above.

Even though the Corporation is substantially leveraged, it and its subsidiaries will be able to incur substantial additional indebtedness in the future. Although its credit facility and the indentures governing the notes restrict the Corporation and its restricted subsidiaries from incurring additional debt, these restrictions are subject to important exceptions and qualifications. As of December 31, 2022, the Corporation had $385 million (net of letters of credit in the amount of $15 million) available on its $750 million revolving credit facility (excluding the credit facilities of our subsidiary Greenpac). If the Corporation or its subsidiaries incur additional debt, the risks that it and they now face as a result of its leverage could intensify.

The Corporation's operations are substantially restricted by the terms of its debt, which could limit its ability to plan for or react to market conditions, or to meet its capital needs.

The Corporation's credit facilities and the indenture governing its senior notes include a number of significant restrictive covenants. These covenants restrict, among other things, the Corporation's ability to:

- incur debt;
- pay dividends on stock, repurchase stock or redeem subordinated debt;
- make investments;
- sell assets, including capital stock in subsidiaries;
- guarantee other indebtedness;
- enter into agreements that restrict dividends or other distributions from restricted subsidiaries (solely in the case of the Corporation's credit facility);
- enter into transactions with affiliates;
- create or assume liens securing debt;
- sell or transfer lease back transactions;
- engage in mergers or consolidations; and
- enter into a sale of all or substantially all of our assets.

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

These covenants could limit the Corporation's ability to plan for or react to market conditions or to meet its capital needs.

The Corporation's current credit facility contains other, more restrictive covenants, including financial covenants that require it to achieve certain financial and operating results, and maintain compliance with specified financial ratios. The Corporation's ability to comply with these covenants and requirements may be affected by events beyond its control and it may have to curtail some of its operations and growth plans to maintain compliance.

The restrictive covenants contained in the Corporation's senior note indenture, along with the Corporation's credit facility, do not apply to its joint ventures, minority investments and unrestricted subsidiaries.

The Corporation's failure to comply with the covenants contained in its credit facility or its senior note indenture, including as a result of events beyond its control or due to other factors, could result in an event of default that could cause accelerated repayment of the debt.

If Cascades is not able to comply with the covenants and other requirements contained in the indenture, its credit facility or its other debt instruments, an event of default under the relevant debt instrument could occur. If an event of default does occur, it could trigger a default under its other debt instruments, Cascades could be prohibited from accessing additional borrowings and the holders of the defaulted debt could declare amounts outstanding with respect to that debt, which would then be immediately due and payable. The Corporation's assets and cash flow may not be sufficient to fully repay borrowings under its outstanding debt instruments. In addition, the Corporation may not be able to refinance or restructure the payments on the applicable debt. Even if the Corporation were able to secure additional financing, it might not be available on favourable terms. A significant or prolonged downtime in general business and difficult economic conditions may affect the Corporation's ability to comply with the covenants in its debt instruments and could require it to take actions to reduce its debt or to act in a manner contrary to its current business objectives.

Cascades is a holding corporation and depends on its subsidiaries to generate sufficient cash flow to meet its debt service obligations.

Cascades is structured as a holding corporation and its only significant assets are the capital stock or other equity interests in its subsidiaries, joint ventures and minority investments. As a holding corporation, Cascades conducts substantially all of its business through these entities. Consequently, the Corporation's cash flow and ability to service its debt obligations are dependent on the earnings of its subsidiaries, joint ventures and minority investments, and the distribution of those earnings to Cascades, or on loans, advances or other payments made by these entities to Cascades. The ability of these entities to pay dividends or make other payments or advances to Cascades will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. In the case of the Corporation's joint ventures, associates and minority investments, Cascades may not exercise sufficient control to cause distributions to itself. Although its credit facility and the indenture, respectively, limit the ability of its restricted subsidiaries to enter into consensual restrictions on their ability to pay dividends and make other payments to the Corporation, these limitations do not apply to its joint ventures, associates, minority investments or unrestricted subsidiaries. The limitations are also subject to important exceptions and qualifications.

The ability of the Corporation's subsidiaries to generate cash flow from operations that is sufficient to allow the Corporation to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of the Corporation's control. If the Corporation's subsidiaries do not generate sufficient cash flow from operations to satisfy the Corporation's debt obligations, Cascades may have to undertake alternative financing plans, such as refinancing or re-structuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. Refinancing may not be possible and assets may not be able to be sold, or, if they are sold, Cascades may not realize sufficient amounts from those sales. Additional financing may not be available on acceptable terms, if at all, or the Corporation may be prohibited from incurring it, if available, under the terms of its various debt instruments in effect at the time. The Corporation's inability to generate sufficient cash flow to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have an adverse effect on its business, financial condition and operating results. The earnings of the Corporation's operating subsidiaries and the amount that they are able to distribute to the Corporation as dividends or otherwise may not be adequate for the Corporation to service its debt obligations.

Variable rate indebtedness subjects Cascades to interest rate risk, which could cause its debt service obligations to increase significantly.

The Corporation’s borrowings under its credit facility bear interest at variable rates and, accordingly, expose the Corporation to interest rate risk. If interest rates increase, our debt service obligations on our variable rate indebtedness could increase even though the amount borrowed remained the same and our net income could decrease. The applicable margin with respect to the loans under the Corporation’s credit facility is a percentage per annum equal to a reference rate plus the applicable margin. In order to manage its exposure to interest rate risk, the Corporation may in the future enter into derivative financial instruments, typically interest rate swaps and caps, involving the exchange of floating for fixed rate interest payments. If the Corporation is unable to enter into interest rate swaps, it may adversely affect its cash flow and may impact its ability to make required principal and interest payments on its indebtedness.The LIBOR, as a benchmark for establishing the applicable interest rate, will be abandoned in July 2023 and is being replaced by the Secured Overnight Financing Rate (SOFR). For all the outstanding variable rate indebtedness agreements, except one, the Corporation adopted SOFR for establishing its interest rate, this did not have any significant impact on the cost of servicing the debt. The only agreement left to transition to SOFR from LIBOR, is the loan that 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.

Risks related to the common shares

The market price of the common shares may fluctuate and purchasers may not be able to resell the common shares at or above the Offering Price.

The market price of the common shares may fluctuate due to a variety of factors relative to the Corporation’s business, including announcements of new developments, fluctuations in the Corporation’s operating results, sales of the common shares in the marketplace, failure to meet analysts’ expectations, general conditions in all of our segments or the worldwide economy and related uncertainty, many of which are beyond the Corporation’s control. In recent years, the common shares, the stock of other companies operating in the same sectors and the stock market in general have experienced significant price fluctuations, which have been unrelated to the operating performance of the affected companies. There can be no assurance that the market price of the common shares will not continue to experience significant fluctuations in the future, including fluctuations that are unrelated to the Corporation’s performance.

Payments of dividends

Any decision to pay dividends on the common shares is subject to the discretion of the Board of Directors and based on, among other things, Cascades’ earnings and financial requirements for operations, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time. As a result, no assurance can be given as to whether Cascades will declare and pay any dividends in the future, or the frequency or amount of any such dividend.

Potential dilution

The Corporation’s articles permit the issuance of an unlimited number of common shares and an unlimited number of Class A and Class B preferred shares, issuable in series. In order to successfully complete targeted acquisitions or to fund its other activities, the Corporation may issue additional equity securities that could dilute share ownership. The dilutive effect of these issuances may adversely affect the Corporation’s ability to obtain additional capital or impair the Corporation’s share price.

CONTINGENCIES

ENVIRONMENTAL COSTS

The Corporation is currently working with representatives of the Ontario Ministry of the Environment (MOE) - Northern Region and Environment Canada - Great Lakes Sustainability Fund in Toronto regarding its potential responsibility for an environmental impact identified at its former Thunder Bay facility. Both authorities lead the working group and they are developing a site management plan relating to the sediment quality adjacent to Thunder Bay's lagoon. Several meetings have been held during the past years with the MOE and Environment Canada and a management plan based on sediment dredging has been proposed by a third-party consultant. Both governments are looking at this proposal with stakeholders to agree on this remediation action plan that would likely be implemented in the coming years.

The Corporation has recorded an environmental reserve to address its estimated exposure for this matter.

LEGAL CLAIMS

In the normal course of operations, the Corporation is party to various legal actions and contingencies, mostly related to contract disputes, environmental and product warranty claims, and labour issues. While the final outcome with respect to legal actions outstanding or pending as of December 31, 2022 cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial position, the results of its operations or its cash flows.

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): Used to assess 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.

During the year ended December 31, 2022, 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.

The reconciliation of operating income (loss) to EBITDA (A) by business segment is as follows:

	For the 3-month period ended December 31, 2022				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**85**	**22**	**(86)**	**(41)**	**(20)**
Depreciation and amortization	**30**	**5**	**17**	**10**	**62**
Impairment charges	**8**	**3**	**75**	**—**	**86**
Gain on acquisitions, disposals and others	**—**	**(10)**	**—**	**—**	**(10)**
Restructuring costs	**—**	**—**	**2**	**—**	**2**
Unrealized gain on derivative financial instruments	**(4)**	**—**	**—**	**—**	**(4)**
EBITDA (A)	**119**	**20**	**8**	**(31)**	**116**

	For the 3-month period ended December 31, 2021				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	43	17	(115)	(35)	(90)
Depreciation and amortization	28	4	17	11	60
Impairment charges	1	—	87	—	88
Gain on acquisitions, disposals and others	—	—	(1)	—	(1)
Restructuring costs	—	—	6	—	6
Unrealized loss (gain) on derivative financial instruments	(2)	—	—	1	(1)
EBITDA (A)	70	21	(6)	(23)	62

	2022				
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**266**	**86**	**(175)**	**(144)**	**33**
Depreciation and amortization	**118**	**19**	**74**	**41**	**252**
Impairment charges	**10**	**3**	**89**	**—**	**102**
Gain on acquisitions, disposals and others	**—**	**(16)**	**(4)**	**—**	**(20)**
Restructuring costs	**—**	**—**	**3**	**—**	**3**
Unrealized loss (gain) on derivative financial instruments	**7**	**—**	**—**	**(1)**	**6**
EBITDA (A)	**401**	**92**	**(13)**	**(104)**	**376**

	2021				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	230	59	(108)	(131)	50
Depreciation and amortization	120	15	70	47	252
Impairment charges	1	—	88	—	89
Gain on acquisitions, disposals and others	—	—	(40)	—	(40)
Restructuring costs	4	—	17	—	21
Unrealized loss on derivative financial instruments	17	—	—	—	17
EBITDA (A)	372	74	27	(84)	389

The following table reconciles net earnings (loss) and net earnings (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 December 31,		For the years ended December 31,		For the 3-month periods ended December 31,		For the years ended December 31,	
(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
As reported	**(27)**	105	**(34)**	162	**($0.27)**	$1.04	**($0.34)**	$1.60
Specific items:								
Impairment charges	**86**	88	**102**	89	**$0.64**	$0.74	**$0.76**	$0.75
Gain on acquisitions, disposals and others	**(10)**	(1)	**(20)**	(40)	**($0.09)**	($0.01)	**($0.17)**	($0.32)
Restructuring costs	**2**	6	**3**	21	**$0.02**	$0.04	**$0.03**	$0.15
Unrealized loss (gain) on derivative financial instruments	**(4)**	(1)	**6**	17	**($0.03)**	($0.01)	**$0.04**	$0.11
Loss on repurchase of long-term debt	**—**	20	**—**	20	**—**	$0.13	**—**	$0.13
Unrealized loss on options fair value	**—**	1	**—**	1	**—**	—	**—**	—
Foreign exchange loss (gain) on long-term debt and financial instruments	**(3)**	—	**9**	(3)	**($0.02)**	—	**$0.08**	($0.02)
Included in discontinued operations, net of tax	**—**	(204)	**—**	(224)	**—**	($2.02)	**—**	($2.14)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(22)**	(23)	**(29)**	(16)	**($0.03)**	—	**($0.03)**	—
	49	(114)	**71**	(135)	**$0.49**	($1.13)	**$0.71**	($1.34)
Adjusted	**22**	(9)	**37**	27	**$0.22**	($0.09)	**$0.37**	$0.26
Weighted average basic number of common shares outstanding					**100,361,627**	100,858,870	**100,647,972**	101,884,051

The following table reconciles cash flow from operating activities from continuing operations with EBITDA (A):

	For the 3-month periods ended December 31,		For the years ended December 31,	
(in millions of Canadian dollars) (unaudited)	**2022**	2021	**2022**	2021
Cash flow from operating activities from continuing operations	**196**	69	**144**	211
Changes in non-cash working capital components	**(96)**	(49)	**116**	36
Net income taxes paid (received)	**—**	—	**5**	(2)
Net financing expense paid	**15**	11	**87**	96
Premium and transaction fees paid on long-term debt redemption	**—**	24	**—**	24
Provisions for contingencies and charges and other liabilities, net of dividends received	**1**	7	**24**	24
EBITDA (A)	**116**	62	**376**	389

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. Please refer to "Provision for (recovery of) income taxes" section for more details.

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

	For the 3-month periods ended December 31,		For the years ended December 31,	
(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	**2022**	2021	**2022**	2021
Cash flow from operating activities from continuing operations	**196**	69	**144**	211
Changes in non-cash working capital components	**(96)**	(49)	**116**	36
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	**100**	20	**260**	247
Restructuring costs paid	**3**	7	**12**	25
Premium and transaction fees paid on long-term debt redemption	**—**	24	**—**	24
Specific items paid	**3**	31	**12**	49
Adjusted cash flow from operating activities from continuing operations	**103**	51	**272**	296
Payments for property, plant and equipment	**(160)**	(95)	**(501)**	(286)
Change in intangible and other assets	**(2)**	(1)	**(5)**	(15)
Lease obligation payments	**(15)**	(12)	**(55)**	(47)
Proceeds from disposals of property, plant and equipment	**11**	2	**19**	53
	(63)	(55)	**(270)**	1
Dividends paid to non-controlling interests	**(4)**	(4)	**(13)**	(14)
Dividends paid to the Corporation's Shareholders	**(12)**	(12)	**(48)**	(41)
Adjusted cash flow used	**(79)**	(71)	**(331)**	(54)
Adjusted cash flow used per common share (in Canadian dollars)	**($0.79)**	($0.70)	**($3.29)**	($0.53)
Weighted average basic number of common shares outstanding	**100,361,627**	100,858,870	**100,647,972**	101,884,051

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)	**2022**	2021
Sales	**4,466**	3,956
EBITDA (A)	**376**	389
Payments for property, plant and equipment	**501**	286
Less: strategic projects included above[1]	**(335)**	(101)
Payments for property, plant and equipment, excluding strategic projects	**166**	185
Free cash flow: EBITDA (A) less payments for property plant and equipment, excluding strategic projects	**210**	204
Free cash flow / Sales	**4.7%**	5.2%
Payments for property, plant and equipment, excluding strategic projects / Sales	**3.7%**	4.7%

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

The following table reconciles working capital as reported:

(in millions of Canadian dollars) (unaudited)	**December 31, 2022**	December 31, 2021	December 31, 2020[1]
Accounts receivable	**556**	510	659
Inventories	**587**	494	569
Trade and other payables	**(746)**	(707)	(861)
Working capital	**397**	297	367

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)	**December 31, 2022**	December 31, 2021	December 31, 2020[1]
Long-term debt	**1,931**	1,450	1,949
Current portion of other debts without recourse to the Corporation to be refinanced	**67**	—	—
Current portion of long-term debt	**67**	74	102
Bank loans and advances	**3**	1	12
Total debt	**2,068**	1,525	2,063
Less: Cash and cash equivalents	**(102)**	(174)	(384)
Net debt as reported	**1,966**	1,351	1,679
Last twelve months EBITDA (A) (before discontinued operations for the year ended December 31, 2020)	**376**	389	675
Net debt / EBITDA (A) ratio	**5.2x**	3.5x	2.5x

SPECIFIC ITEMS

The Corporation incurred the following specific items in 2022 and 2021:

IMPAIRMENT CHARGES

2022

The Containerboard Packaging segment recorded an impairment charge of $10 million ($8 million in the fourth quarter) on some property, plant and equipment related to the closure of a plant in Canada and to unused assets in Canada and the USA. The recoverable amount was determined using the market approach of comparable assets on the market.

The Specialty Products segment recorded an impairment charge of $3 million in the fourth quarter on goodwill, related to the closure of a plant in USA. The recoverable amount of goodwill was determined using an income approach.

The Tissue Papers segment recorded an impairment charge of $4 million on spare parts and $10 million on some property, plant and equipment related to the permanent closure of a plant in the USA. The recoverable amount was determined using the market approach of comparable assets on the market.

The Tissue Papers segment also recorded, in the fourth quarter, an impairment charge of $55 million on machinery and equipment related to assets acquired in 2019 in the USA due to slower ramp-up and lower efficiency than expected. The recoverable amount was determined using the market approach of comparable assets on the market. For the same plants, an impairment charge related to buildings of $20 million was recorded. The recoverable amount was established using the income method over a period of 20 years and a capitalization rate of 7.25%.

2021

The Containerboard Packaging segment recorded an impairment charge of $1 million in the fourth quarter on an asset that became idle following the introduction of a new technology. The recoverable amount was lower than its carrying amount, which was based on its fair value less cost of disposal determined using the market approach of comparable assets on the market.

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

1 *Not adjusted for retrospective reclassification of discontinued operations.*

The market dynamic led to lower than usual volumes in the Tissue Papers segment. Specifically, volume impacts in the Away-from-Home market began in the second quarter of 2020, while lower volumes in the Consumer Products market started in the second quarter of 2021 following higher than usual demand in the prior year. The current market dynamic led the Corporation to record an impairment charge totaling $71 million in the fourth quarter on goodwill and other intangible assets reflecting uncertainty about the recoverable amount of the segment compared to its carrying value. The Tissue Papers segment also recorded an impairment charge of $16 million in the fourth quarter on property, plant and equipment of one of its United States CGUs due to sustained difficult market conditions and assets underperformance. The recoverable amount of these assets was determined using the market approach of comparable assets on the market EBITDA multiple or an income approach.

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2022

The Specialty Products segment recorded a $16 million ($10 million in the fourth quarter) gain from the sale of lands and a building related to closed plants in Canada.

The Tissue Papers segment recorded a $4 million gain from the settlement of a supply agreement.

2021

The Tissue Papers segment recorded a $40 million ($1 million in the fourth quarter) gain from the sale of buildings related to closed plants in the USA and in Canada.

RESTRUCTURING COSTS

2022

The Tissue Papers segment recorded additional costs totaling $3 million ($2 million in the fourth quarter) related to asset relocation and severances.

2021

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

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

The Tissue Papers segment recorded additional costs totaling $17 million ($6 million in the fourth quarter) related to asset relocation and severances.

UNREALIZED LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

In 2022, the Corporation recorded an unrealized loss of $6 million ($4 million unrealized gain in the fourth quarter), compared to an unrealized loss of $17 million ($1 million unrealized gain in the fourth quarter) in 2021, on certain derivative financial instruments not designated for hedge accounting. The Containerboard Packaging segment recorded an unrealized loss of $7 million in 2022 and $17 million in 2021 is due to a steam contract embedded derivatives related to our Niagara Falls containerboard complex. Corporate Activities recorded an unrealized gain of $1 million in 2022 due to the financial hedging contracts for natural gas purchases.

LOSS ON REPURCHASE OF LONG-TERM DEBT

In the fourth quarter of 2021, the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million) and wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid transaction fees totaling $2 million.

UNREALIZED LOSS ON OPTIONS FAIR VALUE

In the fourth quarter of 2021, the Corporation recorded an unrealized loss of $1 million, pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC.

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

In 2022, the Corporation recorded a loss of $9 million ($3 million gain in the fourth quarter) on its US$ denominated debt and related financial instruments, compared to a gain of $3 million (nil in the fourth quarter) in 2021. This is composed of foreign exchange forward contracts not designated for hedge accounting.

SPECIFIC ITEMS INCLUDED IN RECOVERY OF INCOME TAXES

In the fourth quarter of 2022, the Corporation recorded a $3 million deferred tax benefit as a result of a tax election related to the discontinued operations realized in 2021.

SPECIFIC ITEMS INCLUDED IN DISCONTINUED OPERATIONS

2021

The Boxboard Europe segment recorded a $2 million loss from the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. The Boxboard Europe segment also recorded an $18 million gain from a business acquisition. The segment also recorded an unrealized gain on financial instruments of $6 million (before income tax of $2 million).

In the fourth quarter, the Corporate Activities recorded a gain of $228 million (before income tax of $24 million) from the sale of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM).

Please refer to the “Discontinued Operations” section and Note 5 of the 2022 Audited Consolidated Financial Statements for more details.

DISCONTINUED OPERATIONS

On July 5, 2021, the Corporation announced the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or $462 million including foreign exchange contracts and before related transaction fees of $12 million. The transaction closed on October 26, 2021. The Corporation recorded a gain of $228 million before income taxes of $24 million. The Corporation used tax assets to offset this tax expense, resulting in no income tax payable on this transaction. The operations are presented as discontinued operations since the second quarter of 2021 with reclassification of the first quarter of 2021, as well as the comparative years.

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

See the “Business Highlights” section and Note 5 of the 2022 Audited Consolidated Financial Statements for all details regarding the discontinued operations.

HISTORICAL FINANCIAL INFORMATION

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	2020 YEAR	2021 Q1	Q2	Q3	Q4	YEAR	2022 Q1	Q2	Q3	Q4	YEAR
Sales											
Packaging Products											
Containerboard	1,918	503	497	507	502	2,009	**534**	**569**	**595**	**567**	**2,265**
Specialty Products	473	122	131	144	151	548	**157**	**168**	**168**	**161**	**654**
Inter-segment sales	(18)	(7)	(7)	(10)	(8)	(32)	**(8)**	**(10)**	**(11)**	**(7)**	**(36)**
	2,373	618	621	641	645	2,525	**683**	**727**	**752**	**721**	**2,883**
Tissue Papers	1,615	292	297	344	339	1,272	**314**	**342**	**382**	**384**	**1,422**
Inter-segment sales and Corporate Activities	117	32	38	45	44	159	**41**	**50**	**40**	**30**	**161**
Total	4,105	942	956	1,030	1,028	3,956	**1,038**	**1,119**	**1,174**	**1,135**	**4,466**
Operating income (loss)	292	44	23	73	(90)	50	**(4)**	**32**	**25**	**(20)**	**33**
EBITDA (A)[1]											
Packaging Products											
Containerboard	403	108	100	94	70	372	**80**	**99**	**103**	**119**	**401**
Specialty Products	60	18	18	17	21	74	**22**	**25**	**25**	**20**	**92**
	463	126	118	111	91	446	**102**	**124**	**128**	**139**	**493**
Tissue Papers	175	20	1	12	(6)	27	**(17)**	**(8)**	**4**	**8**	**(13)**
Corporate Activities	(92)	(24)	(21)	(16)	(23)	(84)	**(27)**	**(25)**	**(21)**	**(31)**	**(104)**
Total	546	122	98	107	62	389	**58**	**91**	**111**	**116**	**376**
Margin (EBITDA (A) / Sales) (%)[1]	13.3%	13.0%	10.3%	10.4%	6.0%	9.8%	**5.6%**	**8.1%**	**9.5%**	**10.2%**	**8.4%**
Net earnings (loss)	198	22	3	32	105	162	**(15)**	**10**	**(2)**	**(27)**	**(34)**
Adjusted[1]	187	29	8	(1)	(9)	27	**(15)**	**10**	**20**	**22**	**37**
Net earnings (loss) from continuing operations per basic common share (in Canadian dollars)	$1.74	$0.17	$0.04	$0.18	($0.98)	($0.59)	**($0.15)**	**$0.10**	**($0.02)**	**($0.27)**	**($0.34)**
Net earnings (loss) from discontinued operations per basic common share (in Canadian dollars)	$0.30	$0.05	($0.02)	$0.14	$2.02	$2.19	**—**	**—**	**—**	**—**	**—**
Net earnings (loss) per common share (in Canadian dollars)											
Basic	$2.04	$0.22	$0.02	$0.32	$1.04	$1.60	**($0.15)**	**$0.10**	**($0.02)**	**($0.27)**	**($0.34)**
Diluted	$2.02	$0.22	$0.02	$0.32	$1.03	$1.59	**($0.15)**	**$0.10**	**($0.02)**	**($0.27)**	**($0.34)**
Basic, adjusted[1]	$1.95	$0.29	$0.07	($0.01)	($0.09)	$0.26	**($0.15)**	**$0.10**	**$0.20**	**$0.22**	**$0.37**
Cash flow from operating activities (excluding changes in non-cash working capital components)	458	82	87	58	20	247	**19**	**81**	**60**	**100**	**260**
Net debt[1]	1,679	1,654	1,707	1,760	1,351	1,351	**1,549**	**1,712**	**2,011**	**1,966**	**1,966**
Net debt / EBITDA (A) (LTM) ratio[1,2]	2.5x	2.5x	3.5x	3.8x	3.5x	3.5x	**4.8x**	**5.4x**	**6.2x**	**5.2x**	**5.2x**

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) and before discontinued operations for the year ended December 31,2020.

MANAGEMENT REPORT
TO THE SHAREHOLDERS OF CASCADES INC.

February 22, 2023

The accompanying Consolidated Financial Statements are the responsibility of the Management of Cascades Inc. and have been reviewed by the Audit and Finance Committee and approved by the Board of Directors.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and include certain estimates that reflect Management's best judgment.

The Management of the Corporation is also responsible for all other information included in this Annual Report and for ensuring that this information is consistent with the Corporation's Consolidated Financial Statements and business activities.

The Management of the Corporation is responsible for the design, establishment and maintenance of appropriate internal controls and procedures for financial reporting, to ensure that financial statements for external purposes are fairly presented in conformity with IFRS. Such internal control systems are designed to provide reasonable assurance on the reliability of the financial information and the safeguarding of assets.

An independent auditor and internal auditors have free and independent access to the Audit and Finance Committee, which comprises outside independent directors. The Audit and Finance Committee, which meets regularly throughout the year with members of Management and the external and internal auditors, reviews the Consolidated Financial Statements and recommends their approval to the Board of Directors.

The Consolidated Financial Statements have been audited by PricewaterhouseCoopers LLP, whose report is provided below.

/s/ Mario Plourde
MARIO PLOURDE

PRESIDENT AND CHIEF EXECUTIVE OFFICER
KINGSEY FALLS, CANADA

/s/ Allan Hogg
ALLAN HOGG

VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER
KINGSEY FALLS, CANADA

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cascades Inc. and its subsidiaries (together, the Corporation) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2022 and 2021;
- the consolidated statements of earnings (loss) for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment *Refer to note 2 – Summary of significant accounting policies, note 4 – Critical accounting estimates and judgments and note 23 – Impairment charges, restructuring costs and other loss (gain).* Total net book value of property, plant and equipment amounted to $2,945 million as at December 31, 2022. At the end of each reporting period, management assesses whether there is an indicator that the carrying amount of an asset or a group of assets may be higher than its recoverable amount. When the recoverable amount of an asset or cash-generating unit (CGU) is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. A CGU is the lowest level of a group of assets for which there are separately identifiable cash inflows. The recoverable amount is the higher of fair value less cost of disposal and value in use of an asset or CGU. The recoverable amount of each asset or CGU is determined by management using the fair value less cost of disposal based on the market approach if a market exists or the income approach. In determining the recoverable amount of an asset or CGU based on the market approach, management used the value of comparable assets on the market and applied a high degree of judgment in determining the value of comparable assets on the market.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amounts of the assets or CGUs related to property, plant and equipment for which an indicator of impairment was identified, which included the following: ◦ Tested the appropriateness of the methods and approach used, including the mathematical accuracy of the recoverable amount calculations. ◦ Tested the underlying data used in the recoverable amount calculations. ◦ For assets or CGUs where the market approach was used by management, professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the value of comparable assets on the market identified by management. ◦ For assets or CGUs where the income approach was used by management, professionals with specialized skill and knowledge in the field of valuation assisted in developing an independent point estimate of the recoverable amount of each of these assets or CGUs, and compared each independent point estimate to management's estimate of the recoverable amount to evaluate the reasonableness of management's estimate.

Key audit matter	How our audit addressed the key audit matter
In determining the recoverable amount of an asset or CGU, based on the income approach, management uses several key assumptions, including the capitalization rate. For the year ended December 31, 2022, management determined the recoverable amounts of certain assets or CGUs related to property, plant and equipment for which an indicator of impairment was identified were lower than the carrying amounts and recorded impairment charges of $95 million for property, plant and equipment. We considered this a key audit matter due to the high degree of judgment required by management in determining the recoverable amounts of assets or CGUs related to property, plant and equipment for which indicators of impairment were identified, including the determination of the value of comparable assets on the market and the use of key assumptions. This has resulted in significant audit effort and a high degree of subjectivity and complexity in performing procedures to test the recoverable amounts of assets or CGUs determined by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing the procedures.	
Impairment assessment of goodwill – Containerboard Packaging segment *Refer to note 2, Summary of significant accounting policies, note 4, Critical accounting estimates and judgments and note 23, Impairment charges, restructuring costs and other loss (gain).* Management performs an impairment assessment of goodwill annually, or more frequently if events or circumstances indicate that the carrying value may be impaired. Goodwill is allocated to CGUs for the purpose of impairment assessment based on the level at which management monitors it, which is not higher than an operating segment. An impairment loss is recognized if the carrying amount of a CGU or group of CGUs exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and value in use. Total net book value of goodwill as at December 31, 2022 amounted to $487 million and was allocated to the Containerboard Packaging segment. Management performed its annual goodwill impairment test for the Containerboard Packaging segment as at December 31, 2022. The recoverable amount of the Containerboard Packaging segment was determined using the fair value less cost of disposal based on the income approach. In determining the fair value less cost of disposal, management applied a high degree of judgment in developing several key assumptions, including estimated shipment levels, foreign exchange rates, revenue growth rates, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) (A) margins, the discount rate and capital expenditures. No impairment was recognized as a result of the 2022 impairment assessment. We considered this a key audit matter due to the significance of the goodwill balance of the Containerboard Packaging segment and the high degree of judgment required by management in determining the recoverable amount of the Containerboard Packaging segment as at December 31, 2022, including the use of key assumptions. This has resulted in significant audit effort and a high degree of subjectivity and complexity in performing procedures to test the recoverable amount. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing the procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the Containerboard Packaging segment as at December 31, 2022, which included the following: ◦ Tested the appropriateness of the method and approach used and the mathematical accuracy of the recoverable amount calculation. ◦ Tested the underlying data used in the recoverable amount calculation. ◦ Tested the reasonableness of the assumptions related to estimated shipment levels, foreign exchange rates, revenue growth rates, EBITDA (A) margins and capital expenditures by considering (i) the budget approved by the Board of Directors, (ii) the current and past performance of the segment and (iii) external market and industry data, and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable. ◦ Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rate applied by management based on available data of comparable companies.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jean-François Lecours.

/s/ PricewaterhouseCoopers LLP[1]

Montréal, Québec
February 22, 2023

[1] CPA auditor, public accountancy permit No. A126402

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)	NOTE	December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents	24	**102**	174
Accounts receivable	6	**556**	510
Current income tax assets		**11**	19
Inventories	7	**587**	494
Current portion of financial assets	16	**9**	1
		1,265	1,198
Long-term assets			
Investments in associates and joint ventures	8	**94**	87
Property, plant and equipment	9 and 14	**2,945**	2,522
Intangible assets with finite useful life	10	**73**	88
Financial assets	16	**4**	6
Other assets	11	**70**	54
Deferred income tax assets	19	**114**	138
Goodwill and other intangible assets with indefinite useful life	10	**488**	473
		5,053	4,566
Liabilities and Equity			
Current liabilities			
Bank loans and advances	24	**3**	1
Trade and other payables	12	**746**	707
Current income tax liabilities		**4**	12
Current portion of other debts without recourse to the Corporation to be refinanced	13 and 24	**67**	—
Current portion of long-term debt	13 and 24	**67**	74
Current portion of provisions for contingencies and charges	15	**8**	12
Current portion of financial liabilities and other liabilities	16 and 17	**22**	16
		917	822
Long-term liabilities			
Long-term debt	13 and 24	**1,931**	1,450
Provisions for contingencies and charges	15	**41**	47
Financial liabilities	16	**7**	6
Other liabilities	17 and 18	**97**	122
Deferred income tax liabilities	19	**132**	192
		3,125	2,639
Equity			
Capital stock	20	**611**	614
Contributed surplus	21	**14**	14
Retained earnings		**1,212**	1,274
Accumulated other comprehensive income (loss)	5	**34**	(23)
Equity attributable to Shareholders		**1,871**	1,879
Non-controlling interests	5 and 8	**57**	48
Total equity		**1,928**	1,927
		5,053	4,566

The accompanying notes are an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the years ended December 31 (in millions of Canadian dollars, except per common share amounts and number of common shares)	NOTE	2022	2021
Sales		**4,466**	3,956
Supply chain and logistic		**2,836**	2,382
Wages and employee benefits expenses	22	**992**	947
Depreciation and amortization		**252**	252
Maintenance and repair		**217**	184
Other		**45**	54
Impairment charges	23	**102**	89
Gain on acquisitions, disposals and others	23	**(20)**	(40)
Restructuring costs	23	**3**	21
Unrealized loss on derivative financial instruments	16 and 23	**6**	17
Operating income		**33**	50
Financing expense	13 and 24	**88**	106
Share of results of associates and joint ventures	8	**(19)**	(18)
Loss before income taxes		**(36)**	(38)
Provision for (recovery of) income taxes	19	**(22)**	9
Net loss from continuing operations including non-controlling interests for the year		**(14)**	(47)
Results from discontinued operations	5	**—**	234
Net earnings (loss) including non-controlling interests for the year		**(14)**	187
Net earnings attributable to non-controlling interests	8	**20**	25
Net earnings (loss) attributable to Shareholders for the year		**(34)**	162
Net loss from continuing operations per common share			
Basic		**($0.34)**	($0.59)
Diluted		**($0.34)**	($0.59)
Net earnings (loss) per common share			
Basic		**($0.34)**	$1.60
Diluted		**($0.34)**	$1.59
Weighted average basic number of common shares outstanding		**100,647,972**	101,884,051
Weighted average number of diluted common shares		**101,092,352**	102,902,364
Net earnings (loss) attributable to Shareholders:			
Continuing operations		**(34)**	(59)
Discontinued operations	5	**—**	221
Net earnings (loss)		**(34)**	162

The accompanying notes are an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (in millions of Canadian dollars)	NOTE	**2022**	2021
Net earnings (loss) including non-controlling interests for the year		**(14)**	187
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Translation adjustments			
Change in foreign currency translation of foreign subsidiaries		**78**	(8)
Change in foreign currency translation of foreign subsidiaries from discontinued operations	5	**—**	(18)
Change in foreign currency translation related to net investment hedging activities		**(23)**	11
Change in foreign currency translation related to net investment hedging activities from discontinued operations	5	**—**	9
Cash flow hedges			
Change in fair value of commodity derivative financial instruments		**3**	2
Recovery of (provision for) income taxes	19	**2**	(2)
Provision for income taxes from discontinued operations	5	**—**	(1)
		60	(7)
Items that are not released to earnings			
Actuarial gain on employee future benefits	18	**33**	29
Provision for income taxes	19	**(8)**	(7)
		25	22
Other comprehensive income		**85**	15
Comprehensive income including non-controlling interests for the year		**71**	202
Comprehensive income attributable to non-controlling interests for the year		**23**	13
Comprehensive income attributable to Shareholders for the year		**48**	189
Comprehensive income (loss) attributable to Shareholders:			
Continuing operations		**48**	(33)
Discontinued operations	5	**—**	222
Comprehensive income		**48**	189

The accompanying notes are an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EQUITY

For the year ended December 31, 2022

(in millions of Canadian dollars)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of year		**614**	**14**	**1,274**	**(23)**	**1,879**	**48**	**1,927**
Comprehensive income								
Net earnings (loss)		**—**	**—**	**(34)**	**—**	**(34)**	**20**	**(14)**
Other comprehensive income		**—**	**—**	**25**	**57**	**82**	**3**	**85**
		—	**—**	**(9)**	**57**	**48**	**23**	**71**
Dividends		**—**	**—**	**(48)**	**—**	**(48)**	**(13)**	**(61)**
Stock options expense		**—**	**1**	**—**	**—**	**1**	**—**	**1**
Issuance of common shares upon exercise of stock options	20	**2**	**(1)**	**—**	**—**	**1**	**—**	**1**
Redemption of common shares	20	**(5)**	**—**	**(4)**	**—**	**(9)**	**—**	**(9)**
Acquisitions of non-controlling interests		**—**	**—**	**(1)**	**—**	**(1)**	**(1)**	**(2)**
Balance - End of year		**611**	**14**	**1,212**	**34**	**1,871**	**57**	**1,928**

For the year ended December 31, 2021

(in millions of Canadian dollars)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of year		622	13	1,146	(28)	1,753	204	1,957
Comprehensive income (loss)								
Net earnings		—	—	162	—	162	25	187
Other comprehensive income (loss)		—	—	22	5	27	(12)	15
		—	—	184	5	189	13	202
Dividends		—	—	(41)	—	(41)	(14)	(55)
Dividends paid to non-controlling interests from discontinued operations	5	—	—	—	—	—	(3)	(3)
Stock options expense		—	1	—	—	1	—	1
Issuance of common shares upon exercise of stock options	20	2	—	—	—	2	—	2
Redemption of common shares	20	(10)	—	(16)	—	(26)	—	(26)
Acquisitions of non-controlling interests		—	—	1	—	1	(1)	—
Disposals of non-controlling interests	5	—	—	—	—	—	(151)	(151)
Balance - End of year		614	14	1,274	(23)	1,879	48	1,927

The accompanying notes are an integral part of these Audited Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in millions of Canadian dollars)	NOTE	**2022**	2021
Operating activities from continuing operations			
Net earnings (loss) attributable to Shareholders for the year		**(34)**	162
Results from discontinued operations	5	**—**	(234)
Results from discontinued operations attributable to non-controlling interests	5	**—**	13
Net loss from continuing operations		**(34)**	(59)
Adjustments for:			
Financing expense	24	**88**	106
Depreciation and amortization		**252**	252
Impairment charges	23	**102**	89
Gain on acquisitions, disposals and others	23	**(20)**	(40)
Restructuring costs	23	**3**	21
Unrealized loss on derivative financial instruments	16 and 23	**6**	17
Provision for (recovery of) income taxes	19	**(22)**	9
Share of results of associates and joint ventures	8	**(19)**	(18)
Net earnings attributable to non-controlling interests	8	**20**	12
Net financing expense paid		**(87)**	(96)
Premium and transaction fees paid on long-term debt redemption	13 and 24	**—**	(24)
Net income taxes received (paid)		**(5)**	2
Dividends received	8	**12**	11
Provisions for contingencies and charges and other liabilities	15, 17 and 18	**(36)**	(35)
		260	247
Changes in non-cash working capital components	24	**(116)**	(36)
		144	211
Investing activities from continuing operations			
Disposals in associates and joint ventures		**1**	1
Payments for property, plant and equipment		**(501)**	(286)
Proceeds from disposals of property, plant and equipment		**19**	53
Change in intangible and other assets		**(5)**	(15)
		(486)	(247)
Financing activities from continuing operations			
Bank loans and advances	24	**2**	(11)
Change in credit facilities	13 and 24	**323**	5
Increase in term loan	13 and 24	**355**	—
Payments of term loan	13 and 24	**(219)**	(6)
Repurchase of unsecured senior notes	13 and 24	**—**	(372)
Increase in other long-term debt	13 and 24	**—**	5
Payments of other long-term debt, including lease obligations	13, 14 and 24	**(117)**	(69)
Issuance of common shares upon exercise of stock options	20	**1**	2
Redemption of common shares	20	**(9)**	(26)
Dividends paid to non-controlling interests	8	**(13)**	(14)
Acquisition of non-controlling interests	8	**(3)**	(2)
Dividends paid to the Corporation's Shareholders		**(48)**	(41)
		272	(529)
Change in cash and cash equivalents during the year from continuing operations		**(70)**	(565)
Change in cash and cash equivalents from discontinued operations, including reclassification of beginning of year cash and cash equivalents in 2021	5	**—**	356
Net change in cash and cash equivalents during the year		**(70)**	(209)
Currency translation on cash and cash equivalents		**(2)**	(1)
Cash and cash equivalents - Beginning of the year		**174**	384
Cash and cash equivalents - End of the year		**102**	174

The accompanying notes are an integral part of these Audited 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 Note 2.

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. During the year ended December 31, 2022, 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							
	Canada		United States		Other countries		Total	
For the years ended December 31 (in millions of Canadian dollars)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Packaging Products								
Containerboard	**1,326**	1,239	**938**	769	**1**	1	**2,265**	2,009
Specialty Products	**236**	202	**417**	346	**1**	—	**654**	548
Inter-segment sales	**(18)**	(14)	**(18)**	(18)	**—**	—	**(36)**	(32)
	1,544	1,427	**1,337**	1,097	**2**	1	**2,883**	2,525
Tissue Papers	**449**	385	**973**	887	**—**	—	**1,422**	1,272
Inter-segment sales and Corporate Activities	**138**	145	**22**	14	**1**	—	**161**	159
	2,131	1,957	**2,332**	1,998	**3**	1	**4,466**	3,956

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

						2022
(in millions of Canadian dollars)	NOTE	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)		**266**	**86**	**(175)**	**(144)**	**33**
Depreciation and amortization		**118**	**19**	**74**	**41**	**252**
Impairment charges	23	**10**	**3**	**89**	**—**	**102**
Gain on acquisitions, disposals and others	23	**—**	**(16)**	**(4)**	**—**	**(20)**
Restructuring costs	23	**—**	**—**	**3**	**—**	**3**
Unrealized loss (gain) on derivative financial instruments	23	**7**	**—**	**—**	**(1)**	**6**
EBITDA (A)		**401**	**92**	**(13)**	**(104)**	**376**

						2021
(in millions of Canadian dollars)	NOTE	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)		230	59	(108)	(131)	50
Depreciation and amortization		120	15	70	47	252
Impairment charges	23	1	—	88	—	89
Gain on acquisitions, disposals and others	23	—	—	(40)	—	(40)
Restructuring costs	23	4	—	17	—	21
Unrealized loss on derivative financial instruments	23	17	—	—	—	17
EBITDA (A)		372	74	27	(84)	389

For the years ended December 31 (in millions of Canadian dollars)	PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT 2022	 2021
Packaging Products		
Containerboard	**481**	236
Specialty Products	**40**	42
	521	278
Tissue Papers	**55**	49
Corporate Activities	**43**	46
Total acquisitions	**619**	373
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	**(87)**	(43)
	532	330
Acquisitions for property, plant and equipment included in “Trade and other payables”		
Beginning of the year	**75**	31
End of the year	**(106)**	(75)
Payments for property, plant and equipment	**501**	286
Proceeds from disposals of property, plant and equipment	**(19)**	(53)
Payments for property, plant and equipment net of proceeds from disposals	**482**	233

(in millions of Canadian dollars)	TOTAL ASSETS December 31, 2022	 December 31, 2021
Packaging Products		
Containerboard	**2,789**	2,308
Specialty Products	**365**	318
	3,154	2,626
Tissue Papers	**1,216**	1,176
Corporate Activities	**641**	766
Intersegment eliminations	**(55)**	(91)
	4,956	4,477
Investments in associates and joint ventures	**94**	87
Other investments	**3**	2
	5,053	4,566

Information by geographic segment is as follows:

(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT December 31, 2022	 December 31, 2021
Canada	**1,005**	974
United States	**1,940**	1,548
	2,945	2,522

(in millions of Canadian dollars)	GOODWILL, CUSTOMER RELATIONSHIPS AND CLIENT LISTS, AND OTHER FINITE AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS December 31, 2022	 December 31, 2021
Canada	**277**	291
United States	**284**	270
	561	561

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are in millions of Canadian dollars, except per common share and option amounts and number of common shares and options.)

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 Consolidated Financial Statements on February 22, 2023.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Corporation prepares its financial statements 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 International Financial Reporting Standards (IFRS) as issued by the *International Accounting Standards Board* (IASB). The key accounting policies applied in the preparation of these Consolidated Financial Statements are described below.

BASIS OF MEASUREMENT

The Consolidated Financial Statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and liabilities, including derivative instruments, which are measured at fair value.

BASIS OF CONSOLIDATION

These Consolidated Financial Statements include the accounts of the Corporation, which include:

A. SUBSIDIARIES

Subsidiaries are all entities over which the Corporation has control, where control is defined as the power to direct decisions about relevant activities. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are unconsolidated from the date on which control ceases. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Corporation. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Corporation. Results of operations are consolidated commencing on the date of acquisition. The purchase consideration is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The transaction costs directly attributable to the acquisition are expensed. Identifiable assets acquired, as well as liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the purchase consideration over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill. If the purchase consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of earnings. Intercompany transactions, balances and unrealized gains on transactions between subsidiaries are eliminated.

The following are the principal subsidiaries of the Corporation:

	PERCENTAGE OWNED (%)	JURISDICTION
Cascades Canada ULC	100	Canada
Cascades USA Inc.	100	Delaware
Greenpac Holding LLC[1]	79.90	Delaware

1 Including indirect ownership, percentage stands at 86.35% for accounting purposes. See Note 8 for more details.

B. TRANSACTIONS AND CHANGE IN OWNERSHIP

Acquisitions or disposals of equity interests in subsidiaries that do not result in the Corporation obtaining or losing control are treated as equity transactions. When the Corporation obtains or loses control, the revaluation of the previously held interest or the non-controlling interests that results in gains or losses for the Corporation is recognized in the consolidated statement of earnings.

C. ASSOCIATES

Associates are all entities over which the Corporation has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost.

Unrealized gains on transactions between the Corporation and its associates are eliminated to the extent of the Corporation's interest in the associates. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Corporation. Dilution gains and losses arising from changes in the level of investments in associates are recognized in the consolidated statement of earnings.

The Corporation assesses, at each year-end, whether there is any objective evidence that its interest in associates is impaired. If impaired, the carrying value of the Corporation's investment is written down to its estimated recoverable amount (being the higher of fair value less cost of disposal or value in use) and charged to the consolidated statement of earnings.

D. JOINT VENTURES

A joint venture is an entity in which the Corporation holds a long-term interest and for which it shares joint control over decisions regarding relevant activities. The Corporation reports its interests in joint ventures using the equity method. Accounting policies of joint ventures have been adjusted where necessary to ensure consistency with the policies adopted by the Corporation.

E. STRUCTURED ENTITIES

Structured entities are entities controlled by the Corporation which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are consolidated if, based on an evaluation of the substance of its relationship with the Corporation, the Corporation concludes that it controls the structured entity. Structured entities controlled by the Corporation were established under terms that impose strict limitations on the decision-making powers of the structured entities’ management and that results in the Corporation receiving the majority of the benefits related to the structured entities’ operations and net assets, being exposed to the majority of risks incident to the structured entities’ activities, and retaining the majority of the residual or ownership risks related to the structured entities or their assets.

REVENUE FROM CONTRACT WITH CUSTOMERS

The revenues of the Corporation come mainly from sales of packaging and tissue products that are recognized at a point in time. Sales of goods in the consolidated statement of earnings are recognized by the Corporation when control of the goods has been transferred, being when the goods are delivered to customers and when all performance obligations have been fulfilled.

The amounts recognized as sales of goods represent the fair values of the considerations received or receivable from third parties on the sales of goods to customers, net of returns, volume rebates and discounts, at which time there are no conditions for the payment to become due other than the passage of time. Accumulated experience is used to estimate and provide for discounts and returns (expected value method), whereas volume discounts are assessed based on anticipated annual sales (most likely amount method). The transaction price is not adjusted for the time value of money since all sales are due within twelve months.

FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

A. CLASSIFICATION

On initial recognition, the Corporation determines the financial instruments classification as per the following categories:

- instruments measured at amortized cost;
- instruments measured at fair value through other comprehensive income (FVOCI);
- instruments measured at fair value through net income (FVTPL)

The financial instruments' classification under *IFRS 9* is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial instrument in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments not subject to significant influence and held for trading are classified as FVTPL. The Corporation, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives) or if the Corporation elects to measure them at FVTPL.

B. EVALUATION

Financial instruments at amortized cost

Financial instruments at amortized cost are initially measured at fair value and subsequently at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of earnings.

Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the consolidated statement of earnings. When the Corporation elects to measure a financial liability at FVTPL, gains or losses related to the Corporation's own credit risk are accounted for in the consolidated statement of earnings.

C. IMPAIRMENT

The Corporation prospectively estimates the expected credit losses associated with the debt instruments accounted for at amortized cost or FVOCI. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For trade receivables, the Corporation measures loss allowances at an amount equal to lifetime expected credit loss (ECL) as allowed by *IFRS 9* under the simplified method.

D. DERECOGNITION

Financial assets

The Corporation derecognizes a financial asset when and only when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

Financial liabilities

The Corporation derecognizes a financial liability when and only when it is extinguished, meaning when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the extinguished financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of earnings.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Corporation designates certain derivative financial instruments as:

i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
ii) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
iii) hedges of a net investment in a foreign operation (net investment hedge).

The Corporation formally documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a long-term asset or liability when the remaining maturity of the hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as current assets or liabilities.

A. FAIR VALUE HEDGE

The periodic change in fair value of the hedging derivative is recorded in net earnings. The periodic change in the cumulative gain or loss on the hedged item is recorded as an adjustment to its carrying amount on the balance sheet and is also recorded in net earnings. Hedging ineffectiveness is automatically recorded in net earnings as the difference between the above amounts recorded in net earnings. Realized gains and losses on the hedging item, resulting from the difference between the payments on the receive leg and the pay leg of the hedging derivative, are recorded on an accrual basis in net earnings.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity using a recalculated effective interest rate.

B. CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of earnings.

Amounts accumulated in equity are reclassified to earnings against the gain (loss) on the hedged item when the latter is realized (for example, when the forecasted sale that is hedged takes place).

When a hedging instrument expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of earnings.

C. NET INVESTMENT HEDGE

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of earnings. Gains and losses accumulated in equity are included in the consolidated statement of earnings when the foreign operation is partially disposed of or sold.

The Corporation also uses cross-currency interest rate swaps and forward contracts to manage the currency fluctuations risk associated with forecasted cash flows in foreign currency. These cross-currency interest rate swaps are designated as a foreign exchange hedge of its net investment in foreign operations. The portion of the gains and losses arising from the translation of those derivatives that are determined to be an effective hedge is recognized in other comprehensive income, counterbalancing gains and losses arising from the translation of the Corporation's net investment in its foreign operations.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less.

ACCOUNTS RECEIVABLE

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less an expected credit loss allowance that is based on expected collectability.

INVENTORIES

Inventories of finished goods are valued at the lower of cost, which is established using the average production cost, and net realizable value. Inventories of raw materials as well as supplies and spare parts are valued at the lower of cost and replacement value, which is the best available measure of their net realizable value. Cost for both raw materials and supplies and spare parts is determined using the average cost. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are recorded at cost, including capitalized interest incurred during the construction period of qualifying assets, less accumulated depreciation and net impairment losses. Repairs and maintenance costs are charged to the consolidated statement of earnings during the period in which they are incurred. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Depreciation is calculated on a straight-line basis as follows:

Buildings	Between 10 and 33 years
Machinery and equipment	Between 3 and 30 years
Automotive equipment	Between 5 and 10 years
Other property, plant and equipment	Between 3 and 10 years
Right-of-use assets	Lease term

GRANTS AND INVESTMENT TAX CREDITS

Grants and investment tax credits for property, plant and equipment are accounted for using the cost reduction method and are amortized to earnings as a reduction of depreciation using the same basis as that used to depreciate the related property, plant and equipment. The grants related to any other operational activities and/or economic circumstances are accounted as reduction of the costs they refer to.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until all the activities necessary to prepare the asset for its intended use are complete. The capitalized borrowing costs for major acquisition, construction or production of qualifying assets, which are financed through non directly attributable sources, are calculated using the actual interest rate, if not available the Cascades' long-term incremental borrowing rate. All other borrowing costs are recognized in the consolidated statement of earnings in the period in which they are incurred.

INTANGIBLE ASSETS

Intangible assets consist primarily of customer relationships and client lists, as well as application software. They are recorded at cost less accumulated amortization and impairment losses and amortized on a straight-line basis over the estimated useful lives as follows:

Application software	Between 3 and 10 years
Enterprise Resource Planning (ERP)	7 years
Customer relationships and client lists	Between 2 and 20 years
Other intangible assets with finite useful life	Between 2 and 20 years

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Goodwill and other intangible assets with an indefinite useful life are recognized at cost less any accumulated impairment losses. They have an indefinite useful life due to their permanent nature since they are acquired rights or not subject to wear and tear.

IMPAIRMENT

A. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS WITH FINITE USEFUL LIFE

At the end of each reporting period, the Corporation assesses whether there is an indicator that the carrying amount of an asset or a group of assets may be higher than its recoverable amount, which is described in section C hereunder. For that purpose, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units (CGUs)). If there is any indication that an individual asset may be impaired, the recoverable amount shall be estimated for the individual asset.

When the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recorded immediately in the consolidated statement of earnings in the line item “Impairment charges”. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration. The revalued carrying value is the lower of the estimated recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized and depreciation had been taken previously on the asset or CGU. A reversal of impairment loss is recorded directly in the consolidated statement of earnings in the line item “Impairment charges”.

B. GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Goodwill and other intangible assets are assessed for impairment annually on December 31 or when an event or a circumstance occurs and indicates that the value could be permanently impaired. Goodwill is allocated to CGUs for the purpose of impairment assessment based on the level at which Management monitors it, which is not higher than an operating segment. The allocation is made to CGUs that are expected to benefit from the business combination in which the goodwill and other intangible assets with an indefinite useful life arose. Impairment loss on goodwill is not reversed.

C. RECOVERABLE AMOUNTS

A recoverable amount is the higher of fair value less cost of disposal and value in use. To determine the recoverable amount of each asset or CGU, the Corporation uses the fair value less cost of disposal calculation based on the market approach, if a market exists for the asset or CGU, or the income approach.

LONG-TERM DEBT

Long-term debt is recognized initially at fair value, net of financing costs incurred. Long-term debt is subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of earnings over the period of the term of the debt using the effective interest method.

Financing costs paid on establishment of the revolving credit facility are recognized as deferred financing costs in the consolidated balance sheet under intangible assets with finite useful life and are amortized on a straight-line basis over the anticipated period of the credit facility.

LEASES

The Corporation recognizes, in the consolidated balance sheet, a lease liability and a corresponding right-of-use asset at the date at which the leased asset is available for use. Subsequently, lease payments are allocated between the liability and finance cost. Right-of-use assets are depreciated over the lease term on a straight-line basis.

The lease liability equals the net present value of the lease payments discounted using the interest rate implicit in the lease or the Corporation's incremental borrowing rate, which is determined for each lease.

Right-of-use assets are measured at cost, which includes the initial lease liability amount, lease payments made at or before the lease commencement date less lease incentives, initial direct costs and restoration costs.

The Corporation uses the low-value exception, as well as the short-term exception on all categories of assets, except buildings.

The Corporation does not apply *IFRS 16* to leases of intangible assets.

PROVISIONS FOR CONTINGENCIES AND CHARGES

Provisions for contingencies include mainly legal and other claims. A provision is recognized when the Corporation has a legal or constructive obligation as a result of a past event and it is probable that settlement of the obligation will require a financial payment or cause a financial loss and a reliable estimate of the amount of the obligation can be made.

If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recorded in the consolidated balance sheet as a separate asset, but only if it is virtually certain that the reimbursement will be received.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense in the consolidated statement of earnings.

ENVIRONMENTAL RESTORATION OBLIGATIONS AND ENVIRONMENTAL COSTS

An obligation to incur restoration and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a plant or landfill site. Such costs arising from the installation of a plant and other site preparation work are provided for and capitalized at the start of each project or as soon as the obligation to incur such costs arises. Decommissioning costs are recorded at the estimated amount at which the obligation could be settled at the consolidated balance sheet date and are charged against earnings over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Costs for restoring subsequent site damage that is created on an ongoing basis during production are provided for at their present values and charged against earnings as the obligation arises.

Changes in the measurement of a liability relating to the decommissioning of a plant or other site preparation work resulting from changes in the estimated timing or amount of the cash flow or a change in the discount rate are added to or deducted from the cost of the related asset in the current year. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of earnings. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy for impairment testing.

EMPLOYEE BENEFITS

The Corporation offers funded and unfunded defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans (RRSPs) that provide retirement benefit payments for most of its employees. The defined benefit pension plans are usually contributory and are based on the number of years of service and, in most cases, the average salary or compensation at the end of a career. Retirement benefits are not adjusted based on inflation. The Corporation also offers its employees some post-employment benefit plans such as a retirement allowance, group life insurance and medical and dental plans. However, these benefits, other than pension plans, are not funded. Furthermore, the medical and dental plans upon retirement are being phased out and are no longer offered to the majority of new retirees and the retirement allowance is not offered to those who do not meet certain criteria.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated at least every three years by independent actuaries using the projected unit credit method and regularly updated by Management for any material transactions and changes in circumstances, including changes in market prices and interest rates up to the end of the reporting period.

As well, when an asset is recorded for a pension plan, its carrying value cannot be greater than the future economic benefit that the Corporation will get from the asset. The future economic benefit includes the suspension of contribution if the pension plan provisions allow for it under the minimum funding requirements. When there is a minimum funding requirement, it can increase the liability recorded. All special contributions legally required to fund a plan deficit are considered. For plans for which an actuarial evaluation is required as of December 31, 2022, a schedule of contributions is estimated to establish the minimum funding requirement. For other plans, we have used contributions from the most recent actuarial report.

Actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recorded in the consolidated statement of other comprehensive income and recognized immediately in retained earnings without recycling to the consolidated statement of earnings. Past service costs are recognized immediately in the consolidated statement of earnings.

When restructuring a plan results in a curtailment and settlement occurring at the same time, the curtailment is accounted for before the settlement.

Interest costs on pensions and other post-employment benefits are recognized in the consolidated statement of earnings as “Financing expense”. The measurement date of the employee future benefits plans is December 31 of each year. An actuarial evaluation is performed at least every three years. Based on their balances as of December 31, 2022, 19% of the Corporation plans were evaluated on December 31, 2021 (20% in 2020).

INCOME TAXES

The Corporation uses the liability method to recognize deferred income taxes. According to this method, deferred income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the consolidated balance sheet date that are expected to apply when the deferred income taxes are expected to be recovered or settled. Deferred income tax assets are recognized when it is probable that the asset will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the business unit operates (the “functional currency”). The Consolidated Financial Statements are presented in Canadian dollars, which is Cascades' functional currency.

A. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in currencies other than the business unit's functional currency are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the consolidated balance sheet date. Unrealized gains and losses on translation of monetary assets and liabilities are reflected in the consolidated statement of earnings.

B. FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Revenues and expenses are translated at the average monthly exchange rate. Translation gains or losses are deferred and included in “Accumulated other comprehensive income”.

SHARE-BASED PAYMENTS

The Corporation uses the fair value method of accounting for stock-based compensation awards granted to officers and key employees. This method consists of recording expenses to earnings based on the vesting period of each tranche of options granted. The fair value of each tranche is calculated based on the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. When stock options are exercised, any considerations paid by employees, as well as the related stock-based compensation, are credited to capital stock.

DIVIDEND DISTRIBUTION

Dividend distribution to the Corporation's Shareholders is recognized as a liability in the Consolidated Financial Statements in the period in which the dividends are approved by the Corporation's Board of Directors.

EARNINGS PER COMMON SHARE

Basic earnings per common share are determined using the weighted average number of common shares outstanding during the period. Diluted earnings per common share are determined by adjusting the weighted average number of common shares outstanding for dilutive instruments, which are primarily stock options, using the treasury stock method to evaluate the dilutive effect of stock options. Under this method, instruments with a dilutive effect, which is when the average market price of a share for the period exceeds the exercise price, are considered to have been exercised at the beginning of the period and the proceeds received are considered to have been used to redeem common shares of the Corporation at the average market price for the period.

NOTE 3
CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

A. NEW IFRS ADOPTED

Amendment to *IAS 16*

In May 2020, the IASB issued an amendment to *IAS 16 Property, Plant and Equipment* which seeks to clarify the way entities should account for the proceeds from the sale and related production costs, of items produced by an asset prior to it being available for its intended use. The modification requires that sales proceeds recognized before the related asset is available for use be recognized in profit or loss together with the costs associated with the items sold, rather than by adjusting the cost of the asset under construction.

The standard became effective on January 1, 2022 and had no impact on the Corporation's Consolidated Financial Statements.

B. RECENT IFRS STANDARD NOT YET ADOPTED

IFRS 17 Insurance Contracts was issued in May 2017 as replacement for *IFRS 4 Insurance Contracts*. The amendments deferred the application date of *IFRS 17* to January 1, 2023. *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 Corporation is currently evaluating the impact of this standard on its Consolidated Financial Statements.

NOTE 4
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and disclosure of contingencies at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. On a regular basis and with the information available, Management reviews its estimates, including those related to environmental costs, employee future benefits, collectability of accounts receivable, financial instruments, contingencies, income taxes, useful life and residual value of property, plant and equipment and impairment of property, plant and equipment and intangible assets. Actual results could differ from those estimates. When adjustments become necessary, they are reported in earnings in the period in which they occur.

A. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

In determining the recoverable amount of an asset or CGU, based on the market approach, Management uses the value of comparable assets on the market. In determining the recoverable amount of an asset or CGU, based on the income approach, Management uses several key assumptions, including estimated shipment levels, foreign exchange rates, revenue growth rates, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) (A) margins, discount rates, capitalization rate and capital expenditures.

The Corporation believes its assumptions are reasonable. Based on available information at the assessment date, however, these assumptions involve a high degree of judgment and complexity. Management believes that the following assumptions are the most susceptible to change and therefore could impact the valuation of the assets in the next year.

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Note 23)

REVENUES, ADJUSTED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA (A)) MARGINS, CASH FLOWS AND GROWTH RATES

The assumptions used for revenues were based on the segment's internal budget and were projected for a period of five years and a long-term growth rate of 2% was applied thereafter. The assumption used for EBITDA (A) margin was based on the segment's historical performance and was kept constant. In arriving at its forecasts, the Corporation considers past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

DISCOUNT RATES

The Corporation assumed a discount rate in order to calculate the present value of its projected cash flows. The discount rate represents a weighted average cost of capital (WACC) for comparable companies operating in similar industries of the applicable CGU, group of CGUs or reportable segment based on publicly available information.

CAPITALIZATION RATES

The Corporation assumed a capitalization rate in order to calculate the present value of its property cash flows. The capitalization rate represents a real estate valuation measure used to compare different real estate investments. The capitalization rate is calculated as the ratio between the annual rental income produced by a real estate asset to its current market value.

FOREIGN EXCHANGE RATES

When estimating the fair value less cost of disposal, foreign exchange rates are determined using the financial institution's average forecast for the first two years of forecasting. For the following three years, the Corporation uses the last five years' historical average of the foreign exchange rate. Terminal rate is based on historical data of the last twenty years and adjusted to reflect Management's best estimate of market participants expectations.

SHIPMENTS

The assumptions used are based on the Corporation's internal budget for the next year and are usually held constant for the established capacity, for new capacity the ramp up is considered over the forecast period. In arriving at its budgeted shipments, the Corporation considers past experience, economic, industry and market trends.

Considering the sensitivity of the key assumptions used, there is measurement uncertainty since adverse changes in one or a combination of the Corporation's key assumptions could cause a significant change in the carrying amounts of these assets.

B. INCOME TAXES

The Corporation is required to estimate the income taxes in each jurisdiction in which it operates. This includes estimating a value for existing tax losses based on the Corporation's assessment of its ability to use them against future taxable income before they expire. If the Corporation's assessment of its ability to use the tax losses proves inaccurate in the future, more or less of the tax losses might be recognized as assets, which would increase or decrease the income tax expense and, consequently, affect the Corporation's results in the relevant year.

C. EMPLOYEE BENEFITS

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The cost of pensions and other retirement benefits earned by employees is determined by actuaries using the projected benefit method pro-rated on years of service and Management's best estimate of expected plan investment performance, salary escalations, retirement ages of employees and expected health care costs. The accrued benefit obligation is evaluated using the market interest rate at the evaluation date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed annually.

D. GOODWILL, INTANGIBLE ASSETS AND BUSINESS COMBINATIONS

Goodwill and client lists have arisen as a result of business combinations. The acquisition method, which also requires significant estimates and judgments, is used to account for these business combinations. As part of the allocation process in a business combination, estimated fair values are assigned to the net assets acquired. These estimates are based on forecasts of future cash flows, estimates of economic fluctuations and an estimated discount rate. The excess of the purchase price over the estimated fair value of the net assets acquired is then assigned to goodwill. In the event that actual net assets fair values are different from estimates, the amounts allocated to the net assets could differ from what is currently reported. This would then have a direct impact on the carrying value of goodwill. Differences in estimated fair values would also have an impact on the amortization of definite life intangibles.

NOTE 5
DISCONTINUED OPERATIONS AND DISPOSAL

On July 5, 2021, the Corporation announced the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or $462 million including foreign exchange contracts and before related transaction fees of $12 million. The transaction closed on October 26, 2021. The Corporation recorded a gain of $228 million before income taxes of $24 million. The Corporation used tax assets to offset this tax expense, resulting in no income tax payable on this transaction.

Assets and liabilities of Reno de Medici S.p.A. (RDM) activities at the time of disposal were as follows:

(in millions of Canadian dollars) BUSINESS SEGMENT:	Boxboard Europe
Cash and cash equivalents	37
Accounts receivable	211
Inventories	166
Current income tax assets	2
Investments in associates and joint ventures	1
Property, plant and equipment	430
Intangible assets with finite useful life	24
Financial assets	6
Other assets	23
Deferred income tax assets	5
Goodwill and other intangible assets with indefinite useful life	135
Total assets	1,040
Bank loans and advances	40
Trade and other payables	338
Current portion of long-term debt	36
Long-term debt	196
Provisions for contingencies and charges	9
Financial liabilities	1
Other liabilities	51
Deferred income tax liabilities	10
Total liabilities	681
Net assets	359
Non-controlling interests	(151)
Net assets attributable to Shareholders	208
Other items	
Financial instruments on currency and cumulated currency translation adjustment of a foreign subsidiary	14
	222
Gain on disposal, before income taxes	228
Consideration received on disposal, net of transaction fees	450

DISCONTINUED OPERATIONS BOXBOARD EUROPE SEGMENT

CONSOLIDATED RESULTS FROM DISCONTINUED OPERATIONS

(in millions of Canadian dollars)	2021
Results from the discontinued operations	
Sales	894
Operating expenses (excluding depreciation and amortization)	843
Depreciation and amortization	38
Gain on acquisitions, disposals and others	(16)
Gain on derivative financial instruments	(6)
Operating income	35
Financing expense	4
Earnings before income taxes	31
Provision for income taxes	(1)
Gain on disposal, net of income tax	204
Results from discontinued operations	234
Results from discontinued operations attributable to non-controlling interest	(13)
Results from discontinued operations attributable to Shareholders	221
Results from discontinued operations per common share	
Basic	$2.19
Diluted	$2.18

CONSOLIDATED CASH FLOWS FROM DISCONTINUED OPERATIONS

(in millions of Canadian dollars)	2021
Net cash flow from discontinued operations	
Cash flow from (used for):	
Operating activities	31
Investing activities	(243)
Financing activities	156
Change in cash and cash equivalent during the year	(56)
Currency translation on cash and cash equivalents	(5)
Cash and cash equivalents - Beginning of year	98
Cash and cash equivalents at disposal	37
Change in cash and cash equivalents during the year from discontinued operations	(98)
Dividends paid to the Corporation	4
Consideration received on disposal, net of transaction fees	450
Change in cash and cash equivalents from discontinued operations	356

NOTE 6
ACCOUNTS RECEIVABLE

(in millions of Canadian dollars)	NOTE	2022	2021
Accounts receivable - Trade		**505**	460
Receivables from related parties	26	**24**	23
Less: expected credit loss allowance		**(4)**	(4)
Trade receivables - net		**525**	479
Other		**31**	31
		556	510

As of December 31, 2022, trade receivables of $132 million (December 31, 2021 - $115 million) were past due.

Movements in the Corporation's expected credit loss allowance are as follows:

(in millions of Canadian dollars)	NOTE	2022	2021
Balance at beginning of year		**4**	14
Provision for expected credit loss allowance		**1**	1
Receivables written off during the year as uncollectable		**(1)**	(3)
Business disposal	5	**—**	(8)
Balance at end of year		**4**	4

The change in the expected credit loss allowance has been included in “Other” in the consolidated statement of earnings.

The maximum exposure to credit risk at the reporting period approximates the carrying value of each class of receivable mentioned above.

NOTE 7
INVENTORIES

(in millions of Canadian dollars)	2022	2021
Finished goods	**238**	204
Raw materials	**135**	116
Supplies and spare parts	**214**	174
	587	494

As of December 31, 2022, finished goods, raw materials and supplies and spare parts inventories have been adjusted to their net realizable value (NRV) requiring a provision of $9 million, $4 million and $8 million, respectively (December 31, 2021 - $7 million, $2 million and $6 million).

In 2022, the Corporation reversed no provision that gets recorded against spare parts inventories ($2 million in 2021). No reversal of previously written-down finished goods or raw inventory occurred in 2022 or 2021. The cost of raw materials and supplies and spare parts included in “Supply chain and logistic” amounted to $1,611 million (2021 - $1,362 million).

NOTE 8
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

A. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES ARE DETAILED AS FOLLOWS:

(in millions of Canadian dollars)	**2022**	2021
Investments in associates	**25**	20
Investments in joint ventures	**69**	67
	94	87

B. INVESTMENTS IN ASSOCIATES

The Corporation did not hold any significant participation in associates in 2022 and 2021.

C. INVESTMENTS IN JOINT VENTURES

The following are the principal joint ventures of the Corporation and the Corporation's percentage of equity owned:

	2022-2021 PERCENTAGE EQUITY OWNED (%)	PRINCIPAL ESTABLISHMENT
Cascades Sonoco US Inc.[1]	50	Birmingham, Alabama and Tacoma, Washington, United States
Cascades Sonoco inc.[1]	50	Kingsey Falls and Berthierville, Québec, Canada
Maritime Paper Products Limited Partnership (MPPLP)[2]	40	Dartmouth, Nova Scotia, Canada
Tencorr Holdings Corporation[3]	33.33	Brampton, Ontario, Canada

1 Joint ventures producing specialty paper packaging products such as headers, rolls and wrappers.
2 MPPLP is a Canadian corporation converting containerboard.
3 Tencorr Holdings Corporation operates as a supplier of corrugated sheet stock.

The Corporation's joint ventures information (100%), translated in millions of Canadian dollars, is as follows:

				2022
(in millions of Canadian dollars)	CASCADES SONOCO US INC.	CASCADES SONOCO INC.	MARITIME PAPER PRODUCTS LIMITED PARTNERSHIP	TENCORR HOLDINGS CORPORATION
Condensed balance sheet				
Cash and cash equivalents	**1**	**4**	**1**	**17**
Current assets (other than cash and cash equivalents and current financial assets)	**28**	**30**	**33**	**21**
Long-term assets (other than long-term financial assets)	**39**	**15**	**30**	**10**
Current liabilities (other than current financial liabilities)	**13**	**11**	**4**	**27**
Current financial liabilities	**2**	**1**	**—**	**4**
Long-term liabilities (other than long-term financial liabilities)	**5**	**2**	**—**	**3**
Long-term financial liabilities	**6**	**2**	**—**	**—**
Condensed statement of earnings				
Sales	**108**	**112**	**138**	**138**
Depreciation and amortization	**5**	**2**	**3**	**1**
Financing expense	**1**	**—**	**—**	**—**
Provision for (recovery of) income taxes	**2**	**5**	**—**	**(2)**
Net earnings (loss)	**7**	**13**	**4**	**(1)**
Other comprehensive income (loss)				
Translation adjustment	**3**	**—**	**—**	**—**
Total comprehensive income (loss)	**10**	**13**	**4**	**(1)**
Dividends received from joint ventures	**3**	**4**	**—**	**—**

(in millions of Canadian dollars)	CASCADES SONOCO US INC.	CASCADES SONOCO INC.	MARITIME PAPER PRODUCTS LIMITED PARTNERSHIP	TENCORR HOLDINGS CORPORATION
				2021
Condensed balance sheet				
Cash and cash equivalents	7	1	6	15
Current assets (other than cash and cash equivalents and current financial assets)	25	31	27	29
Long-term assets (other than long-term financial assets)	40	13	29	9
Current liabilities (other than current financial liabilities)	18	13	6	32
Current financial liabilities	2	—	—	4
Long-term liabilities (other than long-term financial liabilities)	6	2	—	3
Long-term financial liabilities	8	1	—	—
Condensed statement of earnings				
Sales	95	91	116	164
Depreciation and amortization	5	2	3	1
Financing expense	2	—	—	—
Provision for income taxes	1	3	—	4
Net earnings	7	8	8	5
Other comprehensive income				
Translation adjustment	—	—	—	—
Total comprehensive income	7	8	8	5
Dividends received from joint ventures	4	4	1	—

Commitments of the joint ventures are less than a million dollars in 2022 and 2021.

D. NON-SIGNIFICANT ASSOCIATES AND JOINT VENTURES

The carrying value of investments in associates and joint ventures that do not have a significant impact on the Corporation is as follows:

(in millions of Canadian dollars)	**2022**	2021
Non-significant associates	**25**	20
Non-significant joint ventures	**9**	12
	34	32

The shares of results of non-significant associates and joint ventures for the Corporation are as follows:

(in millions of Canadian dollars)	**2022**	2021
Non-significant associates	**5**	3
Non-significant joint ventures	**2**	2
	7	5

The Corporation received dividends of $5 million from these associates and joint ventures as of December 31, 2022 (December 31, 2021 - $2 million).

E. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

The Corporation's information for its subsidiaries with significant non-controlling interests is as follows:

	2022		2021	
(in millions of Canadian dollars, unless otherwise noted)	FALCON PACKAGING LLC	GREENPAC HOLDING LLC	FALCON PACKAGING LLC	GREENPAC HOLDING LLC
Principal establishment	Ohio, United States	New York, United States	Ohio, United States	New York, United States
Percentage of shares held by non-controlling interests (accounting basis)	**14.00%**	**13.65%**	22.00%	13.65%
Net earnings attributable to non-controlling interests	**2**	**18**	2	10
Non-controlling interests accumulated at the end of the year	**3**	**54**	3	45
Dividends paid to non-controlling interests	**1**	**12**	2	12
Condensed balance sheet				
Cash and cash equivalents	**7**	**34**	5	20
Current assets (other than cash and cash equivalents and current financial assets)	**20**	**127**	17	112
Long-term assets (other than long-term financial assets)	**33**	**522**	29	507
Current liabilities (other than current financial liabilities)	**15**	**51**	13	51
Current financial liabilities	**1**	**75**	3	11
Long-term liabilities (other than long-term financial liabilities)	**—**	**1**	—	2
Long-term financial liabilities	**4**	**18**	—	111
Condensed statement of earnings				
Sales	**207**	**569**	174	470
Depreciation and amortization	**1**	**39**	1	36
Net earnings	**10**	**139**	9	78
Condensed cash flow				
Cash flows from operating activities	**12**	**178**	9	118
Cash flows used for investing activities	**—**	**(6)**	—	(5)
Cash flows used for financing activities	**(10)**	**(159)**	(8)	(119)

In 2022, the Corporation increased its participation in Falcon Packaging LLC in the Specialty Products segment for a contribution of $3 million (2021 - $2 million).

NOTE 9
PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars)	NOTE	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	AUTOMOTIVE EQUIPMENT	OTHERS	RIGHT-OF-USE ASSETS (Note 14)	TOTAL
As of January 1, 2021								
Cost		183	1,023	3,931	133	68	285	5,623
Accumulated depreciation and impairment		2	408	2,216	89	32	104	2,851
Net book amount		181	615	1,715	44	36	181	2,772
Year ended December 31, 2021								
Opening net book amount		181	615	1,715	44	36	181	2,772
Additions		1	39	277	9	2	45	373
Disposals		(2)	(9)	(1)	—	—	(4)	(16)
Depreciation		—	(17)	(135)	(12)	(9)	(50)	(223)
Discontinued operations	5	(68)	(44)	(229)	—	—	(23)	(364)
Impairment charges	23	—	—	(17)	—	—	—	(17)
Others		—	(5)	3	2	6	—	6
Exchange differences		—	(2)	(7)	—	—	—	(9)
Closing net book amount		112	577	1,606	43	35	149	2,522
As of December 31, 2021								
Cost		112	929	3,369	132	73	277	4,892
Accumulated depreciation and impairment		—	352	1,763	89	38	128	2,370
Net book amount		112	577	1,606	43	35	149	2,522
Year ended December 31, 2022								
Opening net book amount		**112**	**577**	**1,606**	**43**	**35**	**149**	**2,522**
Additions		**1**	**106**	**411**	**14**	**—**	**87**	**619**
Disposals		**—**	**—**	**(1)**	**—**	**—**	**(2)**	**(3)**
Depreciation		**—**	**(18)**	**(139)**	**(10)**	**(9)**	**(56)**	**(232)**
Impairment charges	23	**—**	**(22)**	**(73)**	**—**	**—**	**—**	**(95)**
Others		**—**	**(1)**	**13**	**—**	**—**	**1**	**13**
Exchange differences		**4**	**27**	**83**	**—**	**2**	**5**	**121**
Closing net book amount		**117**	**669**	**1,900**	**47**	**28**	**184**	**2,945**
As of December 31, 2022								
Cost		**117**	**1,068**	**3,858**	**143**	**75**	**359**	**5,620**
Accumulated depreciation and impairment		**—**	**399**	**1,958**	**96**	**47**	**175**	**2,675**
Net book amount		**117**	**669**	**1,900**	**47**	**28**	**184**	**2,945**

Property, plant and equipment includes assets in the process of construction or installation with a book value of $694 million (December 31, 2021 - $269 million) of which $575 million (December 31, 2021 - $170 million) is for the new Bear Island containerboard mill. Deposits on purchases of machinery and equipment represent an amount less than a million dollars (December 31, 2021 - $13 million of which $8 million was for Bear Island).

In 2022, $15 million (2021 - $5 million) of interest incurred on qualifying assets was capitalized. The weighted average capitalization rate on funds borrowed in 2022 was 4.88% (2021 - 4.86%).

The Corporation recorded impairment charges of $95 million in 2022 (2021 - $17 million), for further details please refer to Note 23 Impairment charges, restructuring cost and other loss (gain).

NOTE 10
GOODWILL AND OTHER INTANGIBLE ASSETS WITH FINITE AND INDEFINITE USEFUL LIFE

(in millions of Canadian dollars)	NOTE	APPLICATION SOFTWARE AND ERP	CUSTOMER RELATIONSHIPS AND CLIENT LISTS	OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	GOODWILL	OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE
As of January 1, 2021								
Cost		174	215	9	398	526	6	532
Accumulated amortization and impairment		101	131	6	238	9	1	10
Net book amount		73	84	3	160	517	5	522
Year ended December 31, 2021								
Opening net book amount		73	84	3	160	517	5	522
Additions		12	—	—	12	—	—	—
Discontinued operations	5	(16)	(3)	(2)	(21)	(7)	(4)	(11)
Impairment charges	23	—	(35)	—	(35)	(36)	—	(36)
Amortization		(16)	(12)	—	(28)	—	—	—
Exchange differences		—	—	—	—	(2)	—	(2)
Closing net book amount		53	34	1	88	472	1	473
As of December 31, 2021								
Cost		161	207	4	372	516	1	517
Accumulated amortization and impairment		108	173	3	284	44	—	44
Net book amount		53	34	1	88	472	1	473
Year ended December 31, 2022								
Opening net book amount		**53**	**34**	**1**	**88**	**472**	**1**	**473**
Additions		**2**	**—**	**—**	**2**	**—**	**—**	**—**
Impairment charges	23	**—**	**—**	**—**	**—**	**(3)**	**—**	**(3)**
Amortization		**(16)**	**(3)**	**—**	**(19)**	**—**	**—**	**—**
Exchange differences		**—**	**2**	**—**	**2**	**18**	**—**	**18**
Closing net book amount		**39**	**33**	**1**	**73**	**487**	**1**	**488**
As of December 31, 2022								
Cost		**163**	**209**	**4**	**376**	**533**	**1**	**534**
Accumulated amortization and impairment		**124**	**176**	**3**	**303**	**46**	**—**	**46**
Net book amount		**39**	**33**	**1**	**73**	**487**	**1**	**488**

The Corporation recorded impairment charges of $3 million in 2022 (2021 - $36 million), for further details please refer to Note 23 Impairment charges, restructuring cost and other loss (gain).

NOTE 11
OTHER ASSETS

(in millions of Canadian dollars)	NOTE	**2022**	2021
Long-term notes receivable		**8**	8
Other investments		**3**	2
Other assets		**19**	15
Employee future benefits	18	**40**	29
		70	54

An amortization expense of $1 million (2021 - $1 million) was booked against other assets.

NOTE 12
TRADE AND OTHER PAYABLES

(in millions of Canadian dollars)	NOTE	2022	2021
Trade payables		**532**	518
Payables to related parties	26	**6**	6
Provisions for volume rebates		**72**	64
Accrued expenses		**136**	119
		746	707

Movements in the Corporation's provision for volume rebates are as follows:

(in millions of Canadian dollars)	2022	2021
Balance at beginning of year	**64**	72
Provision for volume rebates	**124**	106
Volume rebates payments	**(118)**	(114)
Exchange differences	**2**	—
Balance at end of year	**72**	64

NOTE 13
LONG-TERM DEBT

(in millions of Canadian dollars)	NOTE	MATURITY	2022	2021
Revolving credit facility, weighted average interest rate of 6.18% as of December 31, 2022 and consists of US$258 million (December 31, 2021 - US$4 million)	13(a)	2026	**350**	6
5.125% Unsecured senior notes of $175 million		2025	**175**	175
5.125% Unsecured senior notes of US$206 million	13(b)	2026	**279**	260
5.375% Unsecured senior notes of US$445 million and $6 million of unamortized premium as of December 31, 2022 (December 31, 2021 - US$445 million and $7 million of unamortized premium)	13(b)	2028	**610**	570
Term loan of US$260 million, interest rate of 6.42% as of December 31, 2022 (December 31, 2021 - US$160 million)	13(a)	2027	**352**	202
Lease obligations with recourse to the Corporation	13(c)		**186**	161
Other debts with recourse to the Corporation			**31**	35
Lease obligations without recourse to the Corporation	13(c)		**22**	9
Other debts without recourse to the Corporation			**69**	117
			2,074	1,535
Less: Unamortized financing costs			**9**	11
Total long-term debt			**2,065**	1,524
Less:				
Current portion of other debts without recourse to the Corporation to be refinanced	13(d)		**67**	—
Less :				
Current portion of lease obligations with recourse to the Corporation			**46**	36
Current portion of other debts with recourse to the Corporation			**12**	23
Current portion of lease obligations without recourse to the Corporation			**8**	7
Current portion of other debts without recourse to the Corporation			**1**	8
			67	74
			1,931	1,450

a. 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.

As of December 31, 2022, accounts receivable and inventories totaling approximately $987 million (December 31, 2021 - $888 million) and property, plant and equipment having a net book value of $243 million (December 31, 2021 - $246 million) were pledged as collateral for the Corporation's revolving credit facility.

b. On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million). The Corporation incurred transaction fees of $2 million, wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid US$5 million ($6 million) of interest accrued on these notes.

c. The Corporation has leases for various items of property, plant and equipment. Lease obligations are secured, as the rights to the leased asset revert to the lessor in the event of default. For more details on future payments, see Note 16.4 C.

d. 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 is repayable on a quarterly basis.

NOTE 14 LEASES

a. The consolidated balance sheet includes, in “Property, plant and equipment”, the amounts hereunder as right-of-use assets relating to leases. 2022 and 2021 right-of-use assets under *IFRS 16* are as follows:

(in millions of Canadian dollars)	**2022**	2021
Land	**2**	—
Buildings	**130**	111
Machinery and equipment	**1**	3
Automotive equipment	**50**	34
Others	**1**	1
Net book amount	**184**	149

Additions to the right-of-use assets during the 2022 financial year were $87 million (2021 - $45 million).

b. The consolidated statements of earnings include the following amounts relating to leases:

(in millions of Canadian dollars)	**2022**	2021
Depreciation and amortization of right-of-use assets		
Buildings	**33**	26
Machinery and equipment	**1**	3
Automotive equipment	**21**	21
Others	**1**	—
	56	50
Financing expense (included in “Financing expense”)	**7**	6

Expenses relating to short-term leases, low-value assets and variable lease payments not included in the lease obligation were $1 million in 2022 (less than a million dollars in 2021).

c. The total cash outflow for leases, including the interest, in 2022 was $62 million (2021 - $54 million).

d. Refer to Note 13 for liabilities and to Note 16.4 C for future contractual payments of lease obligations.

e. The future cash flows arising from leases not yet commenced but already signed are the following as of December 31, 2022 and 2021:

	2022	2021
(in millions of Canadian dollars)	AUTOMOTIVE EQUIPMENT	BUILDINGS
No later than one year	**—**	5
Later than one year but no later than five years	**1**	19
More than five years	**1**	1
	2	25

NOTE 15
PROVISIONS FOR CONTINGENCIES AND CHARGES

(in millions of Canadian dollars)	NOTE	ENVIRONMENTAL RESTORATION OBLIGATIONS	ENVIRONMENTAL COSTS	LEGAL CLAIMS	SEVERANCES	OTHERS	TOTAL PROVISIONS
As of January 1, 2021		23	26	3	9	10	71
Additional provision		—	4	4	5	2	15
Payments		—	(6)	—	(9)	—	(15)
Revaluation		(4)	—	—	—	—	(4)
Unwinding of discount		1	—	—	—	—	1
Discontinued operations	5	(2)	—	(1)	(2)	(4)	(9)
As of December 31, 2021		18	24	6	3	8	59
Additional provision		**—**	**2**	**1**	**1**	**1**	**5**
Payments		**—**	**(6)**	**(4)**	**(2)**	**—**	**(12)**
Revaluation		**(4)**	**—**	**—**	**—**	**—**	**(4)**
Unwinding of discount		**1**	**—**	**—**	**—**	**—**	**1**
As of December 31, 2022		**15**	**20**	**3**	**2**	**9**	**49**

Analysis of total provisions:

(in millions of Canadian dollars)	**2022**	2021
Long-term	**41**	47
Current	**8**	12
	49	59

ENVIRONMENTAL RESTORATION

The Corporation uses some landfill sites. A provision has been recognized at fair value for the costs to be incurred for the restoration of these sites.

ENVIRONMENTAL COSTS

An environmental provision is recorded when the Corporation has an obligation caused by its ongoing or abandoned operations.

The Corporation is currently working with representatives of the Ontario Ministry of the Environment (MOE) - Northern Region and Environment Canada - Great Lakes Sustainability Fund in Toronto regarding its potential responsibility for an environmental impact identified at its former Thunder Bay facility. Both authorities lead the working group and they are developing a site management plan relating to the sediment quality adjacent to Thunder Bay's lagoon. Several meetings have been held during the past years with the MOE and Environment Canada and a management plan based on sediment dredging has been proposed by a third-party consultant. Both governments are looking at this proposal with stakeholders to agree on this remediation action plan that would likely be implemented in the coming years.

The Corporation has recorded an environmental reserve to address its estimated exposure for this matter.

LEGAL CLAIMS

In the normal course of operations, the Corporation is party to various legal actions and contingencies, mostly related to contract disputes, environmental and product warranty claims, and labour issues. While the final outcome with respect to legal actions outstanding or pending as of December 31, 2022 cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial position, the results of its operations or its cash flows.

NOTE 16
FINANCIAL INSTRUMENTS

16.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The classification of financial instruments as of December 31, 2022 and 2021, along with the respective carrying amounts and fair values, is as follows:

		2022		2021	
(in millions of Canadian dollars)	NOTE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets at fair value through profit or loss					
Derivatives	16.4	**7**	**7**	5	5
Equity investments		**3**	**3**	2	2
Financial liabilities at fair value through profit or loss					
Derivatives	16.4	**(14)**	**(14)**	(6)	(6)
Financial liabilities at amortized cost					
Long-term debt		**(2,065)**	**(1,969)**	(1,524)	(1,558)
Derivatives designated as hedge					
Asset derivatives		**6**	**6**	2	2
Liability derivatives		**(1)**	**(1)**	—	—

16.2 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.

16.3 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 December 31, 2022 and 2021 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.

				2022
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	**3**	**3**	**—**	**—**
Derivative financial assets	**13**	**—**	**13**	**—**
	16	**3**	**13**	**—**
Financial liabilities				
Derivative financial liabilities	**(15)**	**—**	**(15)**	**—**
	(15)	**—**	**(15)**	**—**

				2021
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	2	2	—	—
Derivative financial assets	7	—	7	—
	9	2	7	—
Financial liabilities				
Derivative financial liabilities	(6)	—	(6)	—
	(6)	—	(6)	—

16.4 FINANCIAL RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department and a management committee acting under policies approved by the Board of Directors. They identify, evaluate and hedge financial risks in close cooperation with the business units. The Board provides guidance for overall risk management, covering specific areas such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Summary

							2022
(in millions of Canadian dollars)		ASSETS			LIABILITIES		
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	16.4 A (i)	**2**	**—**	**2**	**(3)**	**—**	**(3)**
Price risk	16.4 A (ii)	**7**	**4**	**11**	**(5)**	**(7)**	**(12)**
		9	**4**	**13**	**(8)**	**(7)**	**(15)**

							2021
(in millions of Canadian dollars)		ASSETS			LIABILITIES		
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	16.4 A (i)	—	5	5	—	(6)	(6)
Price risk	16.4 A (ii)	1	1	2	—	—	—
		1	6	7	—	(6)	(6)

A. MARKET RISK

i. Currency risk

The Corporation operates internationally and is exposed to foreign exchange risks arising from various currencies as a result of its export of goods produced in Canada and in the United States. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations. These risks are partially covered by purchases and debt.

The Corporation manages foreign exchange exposure by entering into various foreign exchange forward contracts and currency option instruments related to anticipated sales, purchases, interest expense and repayment of long-term debt. Management has implemented a policy for managing foreign exchange risk against its functional currency. The Corporation's risk management policy is to hedge 25% to 90% of anticipated cash flows in each major foreign currency for the next twelve months and to hedge 0% to 75% for the subsequent twenty-four months. The Corporation may designate these foreign exchange forward contracts as a cash flow hedge of future anticipated sales, cost of sales, interest expense and repayment of long-term debt denominated in foreign currencies. Gains or losses from these derivative financial instruments designated as hedges are recorded in "Accumulated other comprehensive income" net of related income taxes and are reclassified to earnings as adjustments to sales, cost of sales, interest expense or foreign exchange loss (gain) on long-term debt in the period in which the respective hedged item affected earnings.

In 2022, approximately 19% of sales from Canadian operations were made to the United States.

The following table summarizes the Corporation's commitments to buy and sell foreign currencies as of December 31, 2022 and 2021:

				2022
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt				
Derivatives at fair value through profit or loss and classified in Foreign exchange loss (gain) on long-term debt:				
Currency option to sell US$ for CAN$	**1.3290**	**July 2023**	**US$113**	**(3)**
Foreign exchange forward contracts to buy US$ for CAN$	**1.3290**	**July 2023**	**US$102**	**2**
				(1)
Forecasted sales and purchases				
Currency put option instrument to sell US$ for CAN$	**1.3971**	**0 to 12 months**	**US$26**	**—**
				(1)

				2021
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt				
Derivatives at fair value through profit or loss and classified in Foreign exchange loss (gain) on long-term debt:				
Currency option to sell US$ for CAN$	1.3290	July 2023	US$122	5
Foreign exchange forward contracts to buy US$ for CAN$	1.3290	July 2023	US$102	(6)
				(1)

The fair values of foreign exchange forward contracts and currency options are determined using the discounted value of the difference between the value of the contract at expiry, calculated using the contracted exchange rate and the exchange rate the financial institution would use if it renegotiated the same contract under the same conditions as of the consolidated balance sheet date. The discount rates are adjusted for the credit risk of the Corporation or of the counterparty, as applicable. When determining credit risk adjustments, the Corporation considers master netting agreements, if applicable.

In 2022, if the Canadian dollar had strengthened by $0.01 against the US dollar on average for the year with all other variables held constant, operating income for the year would have been less than a million dollars lower. This is based on the net exposure of total US sales less US purchases of the Corporation's Canadian operations and operating income of the Corporation's US operations, but excludes the effect of this change on the denominated working capital components. The interest expense would have been approximately $1 million higher.

CURRENCY RISK ON TRANSLATION OF SELF-SUSTAINING FOREIGN SUBSIDIARIES

The Corporation has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. The Corporation may designate part of its long-term debt denominated in foreign currencies as a hedge of the net investment in self-sustaining foreign subsidiaries. Gains or losses resulting from the translation to Canadian dollars of long-term debt denominated in foreign currencies and designated as net investment hedges are recorded in "Accumulated other comprehensive income", net of related income taxes.

The table below shows the effect on consolidated equity of a 10% change in the value of the Canadian dollar against the US dollar as of December 31, 2022 and 2021. The calculation includes the effect of currency hedges of net investment in US foreign entities and assumes that no changes occurred other than a single currency exchange rate movement.

The exposures used in the calculations are the foreign currency-denominated equity and the hedging level as of December 31, 2022 and 2021, with the hedging instruments being the long-term debt denominated in US dollars.

Consolidated Shareholders' equity: Currency effect before tax of a 10% change:

			2022			2021
(in millions of Canadian dollars)	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
10% change in the CAN$/US$ rate	**83**	**34**	**49**	77	32	45

ii. Price risk

The Corporation is exposed to commodity price risk on old corrugated containers, commercial pulp, electricity and natural gas. The Corporation uses derivative commodity contracts to help manage its production costs. The Corporation may designate these derivatives as cash flow hedges of anticipated purchases of energy. Gains or losses from these derivative financial instruments designated as hedges are recorded in “Accumulated other comprehensive income”, net of related income taxes, and are reclassified to earnings as adjustments to “Supply chain and logistic” in the same period, as the respective hedged item affects earnings.

The fair value of these contracts is as follows:

			2022
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in “Supply chain and logistic”			
Natural gas:			
Canadian portfolio	**292,000 mmBtu**	**2023**	**—**
US portfolio	**823,000 mmBtu**	**2023 to 2025**	**1**
			1
Derivatives designated as cash flow hedges and reclassified in “Supply chain and logistic" (effective portion)			
Natural gas:			
US portfolio	**3,050,290 mmBtu**	**2023 to 2025**	**5**
			6

			2021
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in “Supply chain and logistic”			
Natural gas:			
US portfolio	958,750 mmBtu	2022 to 2025	—
Derivatives designated as cash flow hedges and reclassified in "Supply chain and logistic" (effective portion)			
Natural gas:			
US portfolio	5,009,665 mmBtu	2022 to 2025	2
			2

In 2013, the Corporation entered into an agreement to purchase steam. The agreement includes an embedded derivative and the fair value as of December 31, 2022 was a deficit of $1 million (2021 - less than a million dollars). Greenpac also has an agreement to purchase steam that includes an embedded derivative with a negative value of $6 million as of December 31, 2022 (2021 - less than a million dollars).

The fair value of derivative financial instruments other than options is established utilizing a discounted future expected cash flows method. Future expected cash flows are determined by reference to the forward price or rate prevailing on the assessment date of the underlying financial index (exchange or interest rate or commodity price) according to the contractual terms of the instrument. Future expected cash flows are discounted at an interest rate reflecting both the maturity of each flow and the credit risk of the party to the contract for which it represents a liability (subject to the application of relevant credit support enhancements). The fair value of derivative financial instruments that represent options is established utilizing similar methods that reflect the impact of the potential volatility of the financial index underlying the option on future expected cash flows.

The table below shows the effect of changes in the price of natural gas and electricity as of December 31, 2022 and 2021. The calculation includes the effect of price hedges of these commodities and assumes that no changes occurred other than a single change in price.

The exposures used in the calculations are the commodity consumption and the hedging level as of December 31, 2022 and 2021, with the hedging instruments being derivative commodity contracts.

Consolidated commodity consumption: Price change effect before tax:

			2022			2021
(in millions of Canadian dollars[1])	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
US$25/s.t. change in commercial pulp price	**6**	**—**	**6**	5	—	5
US$1/mmBtu. change in natural gas price	**11**	**4**	**7**	10	2	8
US$1/MWh change in electricity price	**2**	**—**	**2**	2	—	2

1 *Sensitivity calculated with an exchange rate of 1.35 CAN$/US$ for 2022 and 1.25 CAN$/US$ for 2021.*

iii. Interest rate risk

The Corporation has no significant interest-bearing assets.

The Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk.

When appropriate, the Corporation analyzes its interest rate risk exposure. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on earnings of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. As of December 31, 2022, approximately 37% (2021 - 21%) of the Corporation's long-term debt was at variable rates.

Based on the outstanding long-term debt as of December 31, 2022, the impact on interest expense of a 1% change in rate would be approximately $8 million (impact on net earnings is approximately $6 million).

iv. Loss on derivative financial instruments is as follows:

(in millions of Canadian dollars)	NOTE	**2022**	2021
Unrealized loss on derivative financial instruments	23	**6**	17

B. CREDIT RISK

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Corporation reduces this risk by dealing with credit-worthy financial institutions.

The Corporation is exposed to credit risk on the accounts receivable from its customers. In order to reduce this risk, the Corporation's credit policies include the analysis of the financial position of its customers and the regular review of their credit limits. In addition, the Corporation believes there is no particular concentration of credit risk due to the geographic diversity of customers and the procedures for the management of commercial risks. Derivative financial instruments include an element of credit risk should the counterparty be unable to meet its obligations.

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less loss allowance. An expected credit loss allowance of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Each trades receivable is evaluated considering the collection history to identify impairment. The amount of the expected credit loss allowance represents the estimated credit loss. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recorded in the consolidated statement of earnings in “Other”. When a trade receivable is not collectible, it is written off against the loss allowance. Subsequent recoveries of amounts previously written off are credited against “Other” in the consolidated statement of earnings.

Loans and notes receivables from business disposals are recognized at fair value, there are no past due amounts as of December 31, 2022.

C. LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as of December 31, 2022 and 2021:

						2022
(in millions of Canadian dollars)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities:						
Bank loans and advances	**3**	**3**	**3**	**—**	**—**	**—**
Trade and other payables	**746**	**746**	**746**	**—**	**—**	**—**
Revolving credit facility	**350**	**426**	**22**	**22**	**382**	**—**
Unsecured senior notes	**1,057**	**1,331**	**56**	**56**	**586**	**633**
Term loan	**352**	**466**	**23**	**23**	**420**	**—**
Lease obligations with recourse to the Corporation	**186**	**227**	**52**	**45**	**57**	**73**
Other debts with recourse to the Corporation	**31**	**32**	**13**	**8**	**11**	**—**
Lease obligations without recourse to the Corporation	**22**	**23**	**9**	**7**	**7**	**—**
Other debts without recourse to the Corporation	**69**	**73**	**71**	**—**	**2**	**—**
Derivative financial liabilities	**15**	**15**	**8**	**4**	**3**	**—**
	2,831	**3,342**	**1,003**	**165**	**1,468**	**706**

						2021
(in millions of Canadian dollars)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities:						
Bank loans and advances	1	1	1	—	—	—
Trade and other payables	707	707	707	—	—	—
Revolving credit facility	6	6	—	—	6	—
Unsecured senior notes	998	1,307	53	53	581	620
Term loan	202	219	11	10	198	—
Lease obligations with recourse to the Corporation	161	201	42	35	55	69
Other debts with recourse to the Corporation	35	36	17	6	6	7
Lease obligations without recourse to the Corporation	9	9	7	1	1	—
Other debts without recourse to the Corporation	117	122	10	112	—	—
Derivative financial liabilities	6	6	—	6	—	—
	2,242	2,614	848	223	847	696

As of December 31, 2022, the Corporation had unused credit facilities of $438 million (December 31, 2021 - $746 million), net of outstanding letters of credit of $15 million (December 31, 2021 - $14 million).

D. OTHER RISK

STOCK-BASED COMPENSATION

The Corporation entered into an agreement to hedge the share price volatility related to its Deferred Share Units and Performance Share Unit plans. As of December 31, 2022, the agreement's notional amount was 1,066,000 shares at a price of $8.34 (December 31, 2021 - notional amount: 766,000, share price: $13.43). The fair value as of December 31, 2022 was a receivable of less than a million dollars (December 31, 2021 - receivable: less than a million dollars).

NOTE 17
OTHER LIABILITIES

(in millions of Canadian dollars)	NOTE	2022	2021
Employee future benefits	18	**95**	118
Other	21	**16**	20
		111	138
Less: Current portion		**(14)**	(16)
		97	122

As of December 31, 2022, the balance on the line “Other” includes an amount of $2 million (December 31, 2021 - $4 million) pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC.

NOTE 18
EMPLOYEE FUTURE BENEFITS

The Corporation operates various post-employment plans, including both defined benefit and defined contribution pension plans and post-employment benefit plans, such as retirement allowance, group life insurance and medical and dental plans. The table below outlines where the Corporation’s post-employment amounts and activity are included in the Consolidated Financial Statements.

(in millions of Canadian dollars)	NOTE	2022	2021
Consolidated balance sheet obligations for			
Defined pension benefits - Assets (Surplus)		**(40)**	(29)
Defined pension benefits - Liabilities		**30**	39
	18 A	**(10)**	10
Post-employment benefits other than defined benefit pension plans	18 B	**65**	79
Net long-term liabilities on consolidated balance sheet		**55**	89
Expenses recorded in consolidated statement of earnings for			
Defined pension benefits		**5**	6
Defined contribution benefits		**37**	35
Post-employment benefits other than defined benefit pension plans		**4**	6
Defined pension benefits included in discontinued operations		**—**	1
		46	48
Consolidated other comprehensive (income) loss remeasurements for			
Defined pension benefits	18 A	**(20)**	(24)
Post-employment benefits other than defined benefit pension plans	18 B	**(13)**	(5)
		(33)	(29)

A. DEFINED BENEFIT PENSION PLANS

The Corporation offers funded and unfunded defined benefit pension plans, defined contribution pension plans and group RRSPs that provide retirement benefit payments for most of its employees. The defined benefit pension plans are usually contributory and are based on the number of years of service and, in most cases, the average salary or compensation at the end of a career. Retirement benefits are not partially adjusted based on inflation.

The majority of benefit payments are payable from trustee administered funds; however, for the unfunded plans, the Corporation meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practices in each country.

Responsibility for governance of the plans - overseeing all aspects of the plans, including investment decisions and contribution schedules - lies with the Corporation. The Corporation has established Investment Committees to assist in the management of the plans and has also appointed experienced, independent professional experts such as investment managers, investment consultants, actuaries and custodians.

The movement in the net defined benefit obligation and fair value of plan assets of defined benefit pension plans over the year is as follows:

(in millions of Canadian dollars)	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSETS	TOTAL	IMPACT OF MINIMUM FUNDING REQUIREMENT (ASSET CEILING)	TOTAL
As of January 1, 2021	551	(495)	56	13	69
Current service cost	4	—	4	—	4
Interest expense (income)	13	(11)	2	—	2
Impact on consolidated profit or loss	17	(11)	6	—	6
Remeasurements					
Return on plan assets, excluding amounts included in interest income	—	1	1	—	1
Gain from change in financial assumptions	(29)	—	(29)	—	(29)
Change in asset ceiling, excluding amounts included in interest expense	—	—	—	4	4
Impact of remeasurements on consolidated other comprehensive income (loss)	(29)	1	(28)	4	(24)
Discontinued operations	(35)	(1)	(36)	—	(36)
Contributions					
Employers	—	(5)	(5)	—	(5)
Plan participants	1	(1)	—	—	—
Benefit payments	(30)	30	—	—	—
As of December 31, 2021	475	(482)	(7)	17	10
Current service cost	**4**	**—**	**4**	**—**	**4**
Interest expense (income)	**14**	**(13)**	**1**	**—**	**1**
Impact on consolidated profit or loss	**18**	**(13)**	**5**	**—**	**5**
Remeasurements					
Return on plan assets, excluding amounts included in interest income	**—**	**73**	**73**	**—**	**73**
Gain from change in demographic assumptions	**(1)**	**—**	**(1)**	**—**	**(1)**
Gain from change in financial assumptions	**(93)**	**—**	**(93)**	**—**	**(93)**
Experience loss	**1**	**—**	**1**	**—**	**1**
Impact of remeasurements on consolidated other comprehensive income (loss)	**(93)**	**73**	**(20)**	**—**	**(20)**
Contributions					
Employers	**—**	**(5)**	**(5)**	**—**	**(5)**
Plan participants	**1**	**(1)**	**—**	**—**	**—**
Benefit payments	**(29)**	**29**	**—**	**—**	**—**
As of December 31, 2022	**372**	**(399)**	**(27)**	**17**	**(10)**

The defined benefit obligation and plan assets are composed by country as follows:

(in millions of Canadian dollars)			**2022**
	CANADA	UNITED STATES	TOTAL
Present value of funded obligations	**337**	**8**	**345**
Fair value of plan assets	**393**	**6**	**399**
Deficit (surplus) of funded plans	**(56)**	**2**	**(54)**
Impact of minimum funding requirement (asset ceiling)	**17**	**—**	**17**
Present value of unfunded obligations	**27**	**—**	**27**
Liabilities (assets) on consolidated balance sheet	**(12)**	**2**	**(10)**

(in millions of Canadian dollars)			2021
	CANADA	UNITED STATES	TOTAL
Present value of funded obligations	432	10	442
Fair value of plan assets	475	7	482
Deficit (surplus) of funded plans	(43)	3	(40)
Impact of minimum funding requirement (asset ceiling)	17	—	17
Present value of unfunded obligations	33	—	33
Liabilities on consolidated balance sheet	7	3	10

The significant actuarial assumptions are as follows:

	2022		2021	
	CANADA	UNITED STATES	CANADA	UNITED STATES
Discount rate obligation (ending period)	**5.20%**	**4.90%**	3.00%	2.40%
Discount rate obligation (beginning period)	**3.00%**	**2.40%**	2.50%	2.00%
Discount rate (current service cost)	**5.20%**	**4.90%**	3.30%	2.40%
Salary growth rate	**Between 2.00% and 2.50%**	**N/A**	Between 2.00% and 2.50%	N/A
Inflation rate	**2.00%**	**N/A**	2.00%	N/A

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. For Canadian pension plans, which represent 98% of all pension plans, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2022	2021
Retiring at the end of the reporting period		
Male	**22.0**	22.0
Female	**24.4**	24.3
Retiring 20 years after the end of the reporting period		
Male	**23.0**	23.0
Female	**25.3**	25.3

The sensitivity of the Canadian defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

		IMPACT ON DEFINED BENEFIT OBLIGATION	
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	**0.25%**	**(2.10%)**	**2.20%**
Salary growth rate	**0.25%**	**0.30%**	**(0.30%)**

	INCREASE / DECREASE BY ONE YEAR IN ASSUMPTION
Life expectancy	**2.50%**

Plan assets, which are funding the Corporation's defined pension plans, are comprised as follows:

(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	**2022** %
Cash and short-term investments	**7**	**—**	**—**	**7**	**1.8%**
Bonds					
Canadian bonds	**54**	**46**	**—**	**100**	
Foreign bonds	**—**	**1**	**—**	**1**	
	54	**47**	**—**	**101**	**25.3%**
Shares					
Canadian shares	**13**	**—**	**—**	**13**	
Foreign shares	**3**	**—**	**—**	**3**	
	16	**—**	**—**	**16**	**4.0%**
Mutual funds					
Foreign bond mutual funds	**—**	**5**	**—**	**5**	
Canadian equity mutual funds	**2**	**1**	**—**	**3**	
Foreign equity mutual funds	**—**	**45**	**—**	**45**	
Alternative investment funds	**—**	**32**	**—**	**32**	
	2	**83**	**—**	**85**	**21.3%**
Other					
Insured annuities	**—**	**190**	**—**	**190**	
	—	**190**	**—**	**190**	**47.6%**
	79	**320**	**—**	**399**	

(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	2021 %
Cash and short-term investments	5	—	—	5	1.1%
Bonds					
Canadian bonds	72	52	—	124	
Foreign bonds	—	1	—	1	
	72	53	—	125	25.9 %
Shares					
Canadian shares	16	—	—	16	
Foreign shares	3	—	—	3	
	19	—	—	19	3.9%
Mutual funds					
Foreign bond mutual funds	—	6	—	6	
Canadian equity mutual funds	4	1	—	5	
Foreign equity mutual funds	—	50	—	50	
Alternative investment funds	—	29	—	29	
	4	86	—	90	18.7%
Other					
Insured annuities	—	243	—	243	
	—	243	—	243	50.4%
	100	382	—	482	

The plan assets do not include any shares of the Corporation. The Corporation has purchased annuity contracts of an approximate value of $190 million to fulfill future benefits payments.

B. POST-EMPLOYMENT BENEFITS OTHER THAN DEFINED BENEFIT PENSION PLANS

The Corporation also offers its employees some post-employment benefit plans, such as retirement allowance, group life insurance, and medical and dental plans. However, these benefits, other than pension plans, are not funded. Furthermore, the medical and dental plans upon retirement are being phased out and are no longer offered to the majority of new retirees and the retirement allowance is not offered to the majority of employees hired after 2002.

The amounts recognized in the consolidated balance sheet composed by country are determined as follows:

			2022
(in millions of Canadian dollars)	CANADA	UNITED STATES	TOTAL
Present value of unfunded obligations	**61**	**4**	**65**
Liabilities on consolidated balance sheet	**61**	**4**	**65**

			2021
(in millions of Canadian dollars)	CANADA	UNITED STATES	TOTAL
Present value of unfunded obligations	75	4	79
Liabilities on consolidated balance sheet	75	4	79

The movement in the net defined benefit obligation for post-employment benefits over the year is as follows:

(in millions of Canadian dollars)	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSET	TOTAL
As of January 1, 2021	105	—	105
Current service cost	2	—	2
Past service cost	2	—	2
Interest expense	2	—	2
Impact on consolidated profit or loss	6	—	6
Remeasurements			
Gain from change in demographic assumptions	(1)	—	(1)
Gain from change in financial assumptions	(3)	—	(3)
Experience gain	(1)	—	(1)
Impact of remeasurements on consolidated other comprehensive income (loss)	(5)	—	(5)
Discontinued operations	(23)	—	(23)
Benefit payments	(4)	—	(4)
As of December 31, 2021	79	—	79
Current service cost	**2**	**—**	**2**
Interest expense	**2**	**—**	**2**
Impact on consolidated profit or loss	**4**	**—**	**4**
Remeasurements			
Gain from change in financial assumptions	**(12)**	**—**	**(12)**
Experience gain	**(1)**	**—**	**(1)**
Impact of remeasurements on consolidated other comprehensive income (loss)	**(13)**	**—**	**(13)**
Benefit payments	**(5)**	**—**	**(5)**
As of December 31, 2022	**65**	**—**	**65**

The method of accounting, assumptions relating to discount rate and life expectancy, and the frequency of valuations for post-employment benefits are similar to those used for defined benefit pension plans, with the addition of actuarial assumptions relating to the long-term increase in health care costs of 4.81% a year on average (2021 - 4.81%).

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

		IMPACT ON OBLIGATION FOR POST-EMPLOYMENT BENEFITS	
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	**0.25%**	**(2.10%)**	**1.80%**
Salary growth rate	**0.25%**	**0.50%**	**(0.50%)**
Health care cost increase	**1.00%**	**1.50%**	**(1.20%)**

	INCREASE / DECREASE BY ONE YEAR IN ASSUMPTION
Life expectancy	**1.40%**

C. RISKS AND OTHER CONSIDERATIONS RELATIVE TO POST-EMPLOYMENT BENEFITS

Through its defined benefit plans, the Corporation is exposed to a number of risks, the most significant of which are detailed below.

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields and if plan assets underperform this yield, it will create an experience loss. Most of the pension plans hold a proportion of equities, which are expected to outperform corporate bonds in the long term while contributing volatility and risk in the short term.

The Corporation intends to reduce the level of investment risk by investing more in assets that better match the liabilities when the financial situation of the plans improves and/or the rate of return on bonds used for solvency valuations increases.

As of December 31, 2022, 66% of the plan's invested assets are in fixed income. As of December 31, 2022, the total value of insured annuities is $190 million.

However, the Corporation believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Corporation’s long-term strategy to manage the plans efficiently. Plan assets are diversified, so the failure of an individual stock would not have a big impact on the plan assets taken as a whole. The pension plans do not face a significant currency risk.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans’ bond holdings.

Inflation risk

The benefits paid are not indexed. Only future benefits for active members are based on salaries. Therefore, this risk is not significant.

Life expectancy

The majority of the plans’ obligations are to provide benefits for the member's lifetime, so increases in life expectancy will result in an increase in the plans’ liabilities.

Each sensitivity analysis disclosed in this note is based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the consolidated balance sheet.

As of December 31, 2022, the aggregate net surplus of the Corporation’s funded pension plans (mostly in Canada) amounted to $54 million (a surplus of $40 million as of December 31, 2021). Current agreed expected service contributions amount to $3 million and will be made in the normal course of business. As for the cash flow requirement, these pension plans are expected to require a net contribution of approximately $2 million in 2023, since $1 million of employer service contribution will be paid from plan surplus.

The weighted average duration of the defined benefit obligation is 9 years (2021 - 12 years).

Expected maturity analysis of undiscounted pension and other post-employment benefits:

(in millions of Canadian dollars)	ONE YEAR	TWO YEARS	BETWEEN THREE AND FIVE YEARS	BETWEEN SIX AND TEN YEARS	TOTAL
Pension benefits	**30**	**30**	**91**	**632**	**783**
Post-employment benefits other than defined benefit pension plans	**6**	**12**	**24**	**76**	**118**
As of December 31, 2022	**36**	**42**	**115**	**708**	**901**

These amounts represent all the benefits payable to current members during the following years and thereafter without limitations. The majority of benefit payments are payable from trustee administered funds. The difference will come from future investment returns expected on plan assets and future contributions that will be made by the Corporation for services rendered after December 31, 2022.

NOTE 19
INCOME TAXES

a. The provision for (recovery of) income taxes is as follows:

(in millions of Canadian dollars)	**2022**	2021
Current taxes	**11**	9
Deferred taxes	**(33)**	—
	(22)	9

b. The provision for (recovery of) income taxes based on the effective income tax rate differs from the recovery of income taxes based on the combined basic rate for the following reasons:

(in millions of Canadian dollars)	**2022**	2021
Recovery of income taxes based on the combined basic Canadian and provincial income tax rate	**(10)**	(10)
Adjustment for income taxes arising from the following:		
Prior years reassessment	**(6)**	4
Reversal of deferred income tax assets related to prior year losses	**—**	18
Permanent differences	**(6)**	(2)
Other	**—**	(1)
	(12)	19
Provision for (recovery of) income taxes	**(22)**	9

Weighted average income tax rate for the year ended December 31, 2022 was 24.27% (2021 - 26.03%).

c. The provision for income taxes relating to components of consolidated other comprehensive income (loss) is as follows:

(in millions of Canadian dollars)	**2022**	2021
Foreign currency translation related to hedging activities	**(3)**	1
Foreign currency translation related to hedging activities from discontinued operations	**—**	1
Cash flow hedge	**1**	1
Actuarial gain (loss) on post-employment benefit obligations	**8**	7
Provision for income taxes	**6**	10

d. The analysis of deferred tax assets and deferred tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in millions of Canadian dollars)	2022	2021
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	372	299
Jurisdiction legal entities reclassification	(258)	(161)
	114	138
Deferred income tax liabilities:		
Deferred income tax liabilities to be used after more than twelve months	390	353
Jurisdiction legal entities reclassification	(258)	(161)
	132	192
	(18)	(54)

e. The movement of the deferred income tax account is as follows:

(in millions of Canadian dollars)	NOTE	2022	2021
Balance at beginning of year		(54)	(40)
Through consolidated statements of earnings (loss)		33	—
Variance of income tax credit, net of related income tax		13	11
Through consolidated statements of comprehensive income		(6)	(10)
Through business disposal and discontinued operations	5	—	(16)
Exchange differences		(4)	1
Balance at end of year		(18)	(54)

f. The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

DEFERRED INCOME TAX ASSET

(in millions of Canadian dollars)	NOTE	RECOGNIZED TAX BENEFIT ARISING FROM INCOME TAX LOSSES	EMPLOYEE FUTURE BENEFITS	EXPENSE ON RESEARCH	UNUSED TAX CREDITS	FINANCIAL INSTRUMENTS	LONG-TERM DEBT	LONG TERM DEBT FINANCE LEASES	OTHERS	TOTAL
As of January 1, 2021		140	36	10	65	—	—	38	42	331
Through consolidated statements of earnings (loss)		12	(4)	(4)	(4)	—	3	2	(8)	(3)
Variance of income tax credit		—	—	—	11	—	—	—	—	11
Through consolidated statements of comprehensive income		—	(7)	—	—	—	—	—	—	(7)
Through business disposal and discontinued operations	5	(25)	(2)	—	(1)	—	—	—	(5)	(33)
As of December 31, 2021		127	23	6	71	—	3	40	29	299
Through consolidated statements of earnings (loss)		19	(5)	24	2	3	(3)	(13)	6	33
Variance of income tax credit		—	—	—	13	—	—	—	—	13
Through consolidated statements of comprehensive income		—	(6)	—	—	—	—	—	—	(6)
Others		—	—	—	—	—	—	21	—	21
Exchange differences		7	—	—	2	—	—	1	2	12
As of December 31, 2022		153	12	30	88	3	—	49	37	372

DEFERRED INCOME TAX LIABILITIES

(in millions of Canadian dollars)	NOTE	PROPERTY, PLANT AND EQUIPMENT	LONG-TERM DEBT	INTANGIBLE ASSETS	FINANCIAL INSTRUMENTS	INVESTMENTS	OTHERS	TOTAL
As of January 1, 2021		312	8	35	—	16	—	371
Through consolidated statements of earnings (loss)		19	(8)	(12)	(1)	(2)	1	(3)
Through consolidated statements of comprehensive income		—	—	—	3	—	—	3
Through business disposal and discontinued operations	5	(17)	—	—	—	—	—	(17)
Exchange differences		(2)	—	—	1	—	—	(1)
As of December 31, 2021		312	—	23	3	14	1	353
Through consolidated statements of earnings (loss)		**7**	**—**	**(9)**	**—**	**3**	**(1)**	**—**
Others		**21**	**—**	**—**		**—**	**—**	**21**
Exchange differences		**15**	**—**	**—**	**—**	**1**	**—**	**16**
As of December 31, 2022		**355**	**—**	**14**	**3**	**18**	**—**	**390**

g. The Corporation has recognized accumulated losses for income tax purposes amounting to approximately $611 million, which may be carried forward to reduce taxable income in future years. The future tax benefit of $153 million resulting from the deferral of these losses has been recognized in the accounts as a deferred income tax asset. Deferred income tax assets are recognized for tax loss carry forward to the extent that the realization of the related tax benefits through future taxable profits is probable.

NOTE 20
CAPITAL STOCK

A. CAPITAL MANAGEMENT

Capital is defined as long-term debt, bank loans and advances net of cash and cash equivalents and Shareholders' equity, which includes capital stock.

(in millions of Canadian dollars)	2022	2021
Cash and cash equivalents	**(102)**	(174)
Bank loans and advances	**3**	1
Long-term debt, including current portion	**2,065**	1,524
Net debt	**1,966**	1,351
Total equity	**1,928**	1,927
Total capital	**3,894**	3,278

The Corporation's objectives when managing capital are:

- to safeguard the Corporation's ability to continue as a going concern in order to provide returns to Shareholders;
- to maintain an optimal capital structure and reduce the cost of capital;
- to make proper capital investments that are significant to ensure that the Corporation remains competitive; and
- to redeem common shares based on an annual redemption program.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares and acquire or sell assets to improve its financial performance and flexibility.

The Corporation monitors capital on a monthly and quarterly basis based on different financial ratios and non-financial performance indicators. Also, the Corporation must conform to certain financial ratios under its various credit agreements. These ratios are calculated on an adjusted consolidated basis of restricted subsidiaries only. These are a maximum ratio of funded debt to capitalization of 65% and a minimum interest coverage ratio of 2.25x. The Corporation must also comply with a consolidated interest coverage ratio to incur additional debt. Funded debt is defined as liabilities as per the consolidated balance sheet, including guarantees and liens granted in respect of funded debt of another person but excluding other long-term liabilities, trade accounts payable, obligations under operating leases and other accrued obligations (2022 - $1,933 million; 2021 - $1,357 million). The capitalization ratio is calculated as "Shareholders' equity" as shown in the consolidated balance sheet plus the funded debt. Shareholders' equity is adjusted to add back the effect of IFRS adjustments as of December 31, 2010 in the amount of $208 million. The interest coverage ratio is defined as earnings before interest, taxes, depreciation and amortization (EBITDA) to financing expense. The EBITDA is defined as net earnings of the last four quarters plus financing expense, income taxes, amortization and depreciation, expense for stock options and dividends received from a person who is not a credit party (2022 - $279 million; 2021 - $360 million). Excluded from net earnings are the share of results of equity investments and gains or losses from non-recurring items. Financing expense is calculated as interest and financial charges determined in accordance with IFRS plus any capitalized interest, but excluding the amortization of deferred financing costs, up-front and financing costs, and unrealized gains or losses arising from hedging agreements. It also excludes any gains or losses on the translation of long-term debt denominated in a foreign currency. The consolidated interest coverage ratio to incur additional debt is calculated as defined in the Senior notes indentures dated November 26, 2019.

As of December 31, 2022, the funded debt-to-capitalization ratio stood at 48.18% and the interest coverage ratio was 3.27x. The Corporation is in compliance with the ratio requirements of its lenders.

The Corporation's credit facility is subject to terms and conditions for loans of this nature, including limits on incurring additional indebtedness and granting liens or selling assets without the consent of the lenders.

The unsecured senior notes are subject to customary covenants restricting the Corporation's ability to, among other things, incur additional debt, pay dividends and make other restricted payments as defined in the Indentures dated November 26, 2019.

In the past five years, the Corporation has invested between $125 million and $200 million annually on purchases of property, plant and equipment, excluding major strategic projects. These amounts are carefully reviewed during the course of the year in relation to operating results and strategic actions approved by the Board of Directors. These investments, combined with annual maintenance, enhance the stability of the Corporation's business units and improve cost competitiveness through new technology and improved process procedures.

The Corporation has an annual share redemption program in place to redeem its outstanding common shares when the market price is judged appropriate by Management. In addition to limitations on the normal course issuer bid, the Corporation's ability to redeem common shares is limited by its senior notes indenture.

B. ISSUED AND OUTSTANDING

The authorized capital stock of the Corporation consists of an unlimited number of common shares without nominal value and an unlimited number of Class A and B shares issuable in series without nominal value. Over the past two years, the common shares have fluctuated as follows:

			2022		2021
	NOTE	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS
Balance at beginning of year		**100,860,362**	**614**	102,276,230	622
Common shares issued on exercise of stock options	20 D	**355,686**	**2**	235,732	2
Redemption of common shares	20 C	**(854,421)**	**(5)**	(1,651,600)	(10)
Balance at end of year		**100,361,627**	**611**	100,860,362	614

C. REDEMPTION OF COMMON SHARES

In 2022, in the normal course of business, the Corporation renewed its redemption program of 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 is valid from March 19, 2022 to March 18, 2023. In 2022, the Corporation redeemed 854,421 common shares under this program for an amount of $9 million (2021 - $26 million for 1,651,600 common shares).

D. COMMON SHARE ISSUANCE

The Corporation issued 355,686 common shares upon the exercise of options for an amount of $1 million (2021 - $2 million for 235,732 common shares issued).

E. NET EARNINGS (LOSS) PER COMMON SHARE

The basic and diluted net earnings (loss) per common share are calculated as follows:

	2022	2021
Net loss from continuing operations available to Shareholders (in millions of Canadian dollars)	**(34)**	(59)
Net earnings (loss) available to Shareholders (in millions of Canadian dollars)	**(34)**	162
Weighted average number of basic common shares outstanding (in millions)	**101**	102
Weighted average number of diluted common shares outstanding (in millions)	**101**	103
Basic net loss from continuing operations per common share (in Canadian dollars)	**($0.34)**	($0.59)
Diluted net loss from continuing operations per common share (in Canadian dollars)	**($0.34)**	($0.59)
Basic net earnings (loss) per common share (in Canadian dollars)	**($0.34)**	$1.60
Diluted net earnings (loss) per common share (in Canadian dollars)	**($0.34)**	$1.59

As of December 31, 2022, 1,922,125 stocks options have an antidilutive effect (2021 - 382,999 stocks options). As of February 22, 2023, no common share had been redeemed by the Corporation since the beginning of the 2023 financial year.

F. DETAILS OF DIVIDENDS DECLARED PER COMMON SHARE ARE AS FOLLOWS:

	2022	2021
Dividends declared per common share (in Canadian dollars)	**$0.48**	$0.48

NOTE 21
STOCK-BASED COMPENSATION

A. OPTIONS

Under the terms of a share option plan adopted on December 15, 1998, amended on March 15, 2013, and approved by Shareholders on May 8, 2013, a remaining balance of 606,052 common shares is specifically reserved for issuance to officers and key employees of the Corporation. Each option will expire at a date not to exceed 10 years following the grant date of the option. The exercise price of an option shall not be lower than the market value of the share at the date of grant, determined as the average of the closing price of the share on the Toronto Stock Exchange on the five trading days preceding the date of grant. The terms for exercising the options are 25% of the number of shares under option within twelve months after the first anniversary date of grant and up to an additional 25% every twelve months after the second, third and fourth anniversaries of grant date. Options cannot be exercised if the market value of the share at the exercise date is lower than the book value at the date of grant. Options exercised are settled in shares. The stock-based compensation cost related to these options amounted to $1 million in 2022 (2021 - $1 million).

Changes in the number of options outstanding as of December 31, 2022 and 2021 are as follows:

		2022		2021
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Balance at beginning of year	**2,373,416**	**9.10**	2,433,090	8.42
Granted	**785,532**	**10.26**	189,752	14.67
Exercised	**(355,686)**	**4.47**	(235,732)	6.50
Forfeited	**(8,918)**	**11.21**	(13,694)	10.76
Balance at end of year	**2,794,344**	**10.01**	2,373,416	9.10
Options exercisable - at end of year	**1,740,282**	**9.27**	1,920,056	8.01

The weighted average share price at the time of exercise of the options was $10.15 (2021 - $14.81).

The following options were outstanding as of December 31, 2022:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE		
YEAR GRANTED	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	EXPIRATION DATE
2013	**304,203**	**5.18**	**304,203**	**5.18**	**2023**
2014	**297,030**	**6.10**	**297,030**	**6.10**	**2023 - 2024**
2015	**270,986**	**7.66**	**270,986**	**7.66**	**2023 - 2025**
2016	**244,654**	**9.75**	**244,654**	**9.75**	**2023 - 2026**
2017	**194,810**	**14.28**	**194,810**	**14.28**	**2023 - 2027**
2018	**149,981**	**12.39**	**149,981**	**12.39**	**2023 - 2028**
2019	**188,702**	**11.97**	**142,188**	**11.97**	**2023 - 2029**
2020	**178,768**	**13.95**	**89,790**	**13.95**	**2023 - 2030**
2021	**186,610**	**14.67**	**46,640**	**14.67**	**2031**
2022	**778,600**	**10.26**	**—**	**10.26**	**2032**
	2,794,344		**1,740,282**		

FAIR VALUE OF THE SHARE OPTIONS GRANTED

Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical share price volatility over the past six years. The following weighted average assumptions were used to estimate the fair value of $2.37 (2021 - $4.09) as of the date of grant of each option issued to employees:

	2022	2021
Grant date share price	**$10.29**	$14.94
Exercise price	**$10.26**	$14.67
Risk-free interest rate	**2.68%**	1.07%
Expected dividend yield	**4.66%**	3.21%
Expected life of options	**6.25 years**	6 years
Expected volatility	**36%**	39%

B. SHARE PURCHASE PLAN

The Corporation offers its Canadian employees a share purchase plan for its common shares. Employees can voluntarily contribute up to a maximum of 5% of their salary and, if certain conditions are met, the Corporation will contribute 25% of the employee's contribution to the plan.

The shares are purchased on the market on a predetermined date each month. For the year ended December 31, 2022, the Corporation's contribution to the plan amounted to $2 million (2021 - $2 million).

C. PERFORMANCE SHARE UNIT PLAN

The Corporation has a Performance Share Unit (PSU) Plan for the benefit of officers and key employees, allowing them to receive a portion of their annual compensation in the form of PSUs. A PSU is a notional unit equivalent in value to the Corporation's common share. Periodically, the number of PSUs forming part of the award shall be adjusted depending upon the three-year average return on capital employed (ROCE) of the Corporation and for 2022 grants and after, a greenhouse gas emissions indicator (the expected average on two years of greenhouse gas emissions reduction in kg of CO_2). Such adjusted number shall be obtained by multiplying the number of PSUs forming part of the award by the applicable multiplier based on the ROCE level and by the applicable multiplier based on greenhouse gas emission indicator level. Participants are entitled to receive the payment of their PSUs in the form of cash based on the average price of the Corporation's common shares as traded on the open market during the five days before the vesting date.

The PSUs vest over a period of two years starting on the award date. The expense and the related liability are recorded during the vesting period. The liability is periodically adjusted to reflect any variation in the market value of the common shares, the expected average ROCE, the expected average greenhouse gas emission indicator and the passage of time. As of December 31, 2022, the Corporation had a total of 848,292 PSUs outstanding (2021 - 611,847 PSUs) for a fair value of $1 million (2021 - $2 million). In 2022, the Corporation made payment of $1 million in relation to PSUs (2021 - $2 million).

D. DEFERRED SHARE UNIT PLAN

The Corporation has a Deferred Share Unit Plan for the benefit of its external directors, officers and key employees, allowing them to receive all or a portion of their annual compensation in the form of Deferred Share Units (DSUs). A DSU is a notional unit equivalent in value to the Corporation's common share. Upon resignation from the Board of Directors or the Corporation, participants are entitled to receive the payment of their cumulated DSUs in the form of cash based on the average price of the Corporation's common shares as traded on the open market during the five days before the date of the participant's resignation.

The DSU expense and the related liability are recorded at the grant date. The liability is periodically adjusted to reflect any variation in the market value of the common shares. As of December 31, 2022, the Corporation had a total of 1,033,303 DSUs outstanding (2021 - 759,927 DSUs), representing a liability of $11 million (2021 - $13 million). In 2022, the Corporation made payment of less than a million dollars in relation to DSUs (2021 - $2 million). On January 15, 2023, the Corporation issued 129,161 DSUs.

E. RESTRICTED SHARE UNIT PLAN

The Corporation has a Restricted Share Unit (RSU) Plan for the benefit of officers and key employees, allowing them to receive a portion of their annual compensation in the form of RSUs. A RSU is a notional unit equivalent in value to the Corporation's common share. Participants are entitled to receive the payment of their RSUs in the form of cash based on the average price of the Corporation's common shares as traded on the open market during the five days before the date of the vesting date.

The RSUs vest over a period of three years starting on the award date. The expense and the related liability are recorded during the vesting period. The liability is periodically adjusted to reflect any variation in the market value of the common shares and the passage of time. As of December 31, 2022, the corporation had a total of 23,605 RSUs outstanding for a fair value of less than a million dollars.

NOTE 22
EMPLOYEE BENEFITS EXPENSES

(in millions of Canadian dollars)	NOTE	**2022**	2021
Wages and employee benefits expenses		**945**	899
Share options granted to directors and employees	21 A	**1**	1
Pension costs - defined benefit plans	18	**5**	6
Pension costs - defined contribution plans	18	**37**	35
Post-employment benefits other than defined benefit pension plans	18	**4**	6
		992	947

In 2022, the Corporation received no funds from the “Canada Emergency Wage Subsidy” grant program. In 2021, $1 million was received and was accounted in “Wages and employee benefits expenses”.

KEY MANAGEMENT COMPENSATION

Key management includes the members of the Board of Directors, President and Vice Presidents of the Corporation. The compensation paid or payable to key management for their services is shown below:

(in millions of Canadian dollars)	**2022**	2021
Salaries and other short-term benefits	**12**	14
Post-employment benefits	**2**	2
Share-based payments	**3**	3
	17	19

NOTE 23
IMPAIRMENT CHARGES, RESTRUCTURING COSTS AND OTHER LOSS (GAIN)

2022

(in millions of Canadian dollars)	PACKAGING PRODUCTS			TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL			
Impairment charges						
Spare parts	**—**	**—**	**—**	**4**	**—**	**4**
Property, plant and equipment	**10**	**—**	**10**	**85**	**—**	**95**
Goodwill and other intangible assets with indefinite useful life	**—**	**3**	**3**	**—**	**—**	**3**
	10	**3**	**13**	**89**	**—**	**102**
Gain on acquisitions, disposals and others	**—**	**(16)**	**(16)**	**(4)**	**—**	**(20)**
Restructuring costs	**—**	**—**	**—**	**3**	**—**	**3**
Unrealized loss (gain) on derivative financial instruments	**7**	**—**	**7**	**—**	**(1)**	**6**
	17	**(13)**	**4**	**88**	**(1)**	**91**

2021

(in millions of Canadian dollars)	PACKAGING PRODUCTS			TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL			
Impairment charges						
Spare parts	—	—	—	1	—	1
Property, plant and equipment	1	—	1	16	—	17
Customer relationships and client list	—	—	—	35	—	35
Goodwill and other intangible assets with indefinite useful life	—	—	—	36	—	36
	1	—	1	88	—	89
Gain on acquisitions, disposals and others	—	—	—	(40)	—	(40)
Restructuring costs	4	—	4	17	—	21
Unrealized loss on derivative financial instruments	17	—	17	—	—	17
	22	—	22	65	—	87

IMPAIRMENT CHARGES
2022

The Containerboard Packaging segment recorded an impairment charge of $10 million on some property, plant and equipment related to the closure of a plant in Canada and to unused assets in Canada and the USA. The recoverable amount was determined using the market approach of comparable assets on the market.

The Specialty Products segment recorded an impairment charge of $3 million on goodwill, related to the closure of a plant in USA. The recoverable amount of goodwill was determined using an income approach.

The Tissue Papers segment recorded an impairment charge of $4 million on spare parts and $10 million on some property, plant and equipment related to the permanent closure of a plant in the USA. The recoverable amount was determined using the market approach of comparable assets on the market.

The Tissue Papers segment also recorded an impairment charge of $55 million on machinery and equipment related to assets acquired in 2019 in the USA due to slower ramp-up and lower efficiency than expected. The recoverable amount was determined using the market approach of comparable assets on the market. For the same plants, an impairment charge related to buildings of $20 million was recorded. The recoverable amount was established using the income method over a period of 20 years and a capitalization rate of 7.25%.

2021
The Containerboard Packaging segment recorded an impairment charge of $1 million on an asset that became idle following the introduction of a new technology. The recoverable amount was lower than its carrying amount, which was based on its fair value less cost of disposal determined using the market approach of comparable assets on the market.

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

The market dynamic led to lower than usual volumes in the Tissue Papers segment. Specifically, volume impacts in the Away-from-Home market began in the second quarter of 2020, while lower volumes in the Consumer Products market started in the second quarter of 2021 following higher than usual demand in the prior year. The current market dynamic led the Corporation to record an impairment charge of $35 million on customer relationships and client lists and of $36 million on the goodwill of this segment, reflecting uncertainty about the recoverable amount of the segment compared to its carrying value. The recoverable amount for the customer relationship and client lists was determined using a market approach. The most significant assumption used was the EBITDA multiple of 7x. The recoverable amount of goodwill was determined using an income approach. The most significant assumptions used were the discount rate, shipment levels, foreign exchange rates, revenue growth rate, EBITDA margins and capital expenditures.

The Tissue Papers segment also recorded an impairment charge of $16 million on property, plant and equipment of one of its United States CGUs due to sustained difficult market conditions and assets underperformance. The recoverable amount of these assets was determined using the market approach of comparable assets on the market.

GOODWILL AND OTHER INDEFINITE USEFUL LIFE INTANGIBLE ASSETS IMPAIRMENT TEST

Allocation of goodwill and other indefinite useful life intangible assets is as follows:

- Containerboard Packaging segment goodwill of $487 million is allocated to the Containerboard segment.

Annually, the Corporation must test all of its goodwill for impairment.

The Corporation tested its Containerboard Packaging segment goodwill for impairment. As a result of this impairment test, the Corporation concluded that the recoverable amount of the segment exceeded its carrying amount, thus no impairment charge was necessary. The key assumptions used by the Corporation are the adjusted earnings before interest, taxes, depreciation and amortization margin (EBITDA (A) margin), capital expenditures, the foreign exchange rate and shipments based on historical and expected levels.

The Corporation applied the income approach in determining fair value less cost of disposal (level 2 inputs).

With all other variables held constant, a rise reasonably possible in the discounting rate of 1.8% would reduce the excess to nil.

	CONTAINERBOARD PACKAGING
Discounting rate	11.5%

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2022
The Specialty Products segment recorded a $16 million gain from the sale of lands and a building related to closed plants in Canada.

The Tissue Papers segment recorded a $4 million gain from the settlement of a supply agreement.

2021
The Tissue Papers segment recorded a $40 million gain from the sale of buildings related to closed plants in the USA and in Canada.

RESTRUCTURING COSTS

2022
The Tissue Papers segment recorded additional costs totaling $3 million related to asset relocation and severances.

2021

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

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

The Tissue Papers segment recorded additional costs totaling $17 million related to asset relocation and severances.

UNREALIZED LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

In 2022, the Corporation recorded an unrealized loss of $6 million, compared to an unrealized loss of $17 million in 2021, on certain derivative financial instruments not designated for hedge accounting. The Containerboard Packaging segment recorded an unrealized loss of $7 million in 2022 and $17 million in 2021 is due to a steam contract embedded derivatives related to our Niagara Falls containerboard complex. Corporate Activities recorded an unrealized gain of $1 million in 2022 due to the financial hedging contracts for natural gas purchases.

NOTE 24
ADDITIONAL INFORMATION

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

(in millions of Canadian dollars)	**2022**	2021
Accounts receivable	**(30)**	17
Current income tax assets	**9**	4
Inventories	**(69)**	(91)
Trade and other payables	**(12)**	46
Current income tax liabilities	**(14)**	(12)
	(116)	(36)

B. FINANCING EXPENSE

(in millions of Canadian dollars)	NOTE	**2022**	2021
Interest on long-term debt (including lease obligations interest)	14(b)	**69**	79
Interest income		**—**	(1)
Amortization of financing costs		**2**	3
Other interest and banking fees		**5**	3
Interest expense on employee future benefits		**3**	4
Loss on repurchase of long-term debt		**—**	20
Unrealized loss on options fair value		**—**	1
Foreign exchange loss (gain) on long-term debt and financial instruments		**9**	(3)
		88	106

LOSS ON REPURCHASE OF LONG-TERM DEBT

In 2021, the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million) and wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid transaction fees totaling $2 million.

UNREALIZED LOSS ON OPTIONS FAIR VALUE

In 2021, the Corporation recorded an unrealized loss of $1 million, pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC.

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

In 2022, the Corporation recorded a loss of $9 million on its US$ denominated debt and related financial instruments, compared to a gain of $3 million in 2021. This is composed of foreign exchange forward contracts not designated for hedge accounting.

C. TOTAL NET DEBT FROM FINANCING ACTIVITIES

(in millions of Canadian dollars)	NOTE	CASH AND CASH EQUIVALENT	BANK LOANS AND ADVANCES	LONG-TERM DEBT	NET DEBT
As of January 1, 2021		(384)	12	2,051	1,679
Cash flow					
Change in cash and cash equivalents		565	—	—	565
Bank loans and advances		—	(11)	—	(11)
Change in credit facilities		—	—	5	5
Payments of term loan	13	—	—	(6)	(6)
Repurchase of unsecured senior notes	13	—	—	(372)	(372)
Increase in other long-term debt		—	—	5	5
Payments of other long-term debt, including lease obligations		—	—	(69)	(69)
Business disposal included in discontinued operations	5	(454)	—	—	(454)
Non-cash changes					
Business disposal included in discontinued operations	5	98	—	(111)	(13)
Foreign exchange translation on long-term debt and financial instruments		—	—	(11)	(11)
Right-of-use assets acquisitions and of property, plant and equipment included in other debts		—	—	45	45
Right-of-use assets disposals		—	—	(4)	(4)
Amortization of financing costs in long-term debt		—	—	2	2
Write off of unamortized financing costs following repurchase of unsecured senior notes		—	—	(4)	(4)
Other		—	—	(1)	(1)
Exchange differences		1	—	(6)	(5)
As of December 31, 2021		(174)	1	1,524	1,351
Cash flow					
Change in cash and cash equivalents		**70**	**—**	**—**	**70**
Bank loans and advances		**—**	**2**	**—**	**2**
Change in credit facilities		**—**	**—**	**323**	**323**
Increase in term loan	13	**—**	**—**	**355**	**355**
Payments of term loan	13	**—**	**—**	**(219)**	**(219)**
Payments of other long-term debt, including lease obligations		**—**	**—**	**(117)**	**(117)**
Non-cash changes					
Foreign exchange translation on long-term debt and financial instruments		**—**	**—**	**32**	**32**
Right-of-use assets acquisitions and of property, plant and equipment included in other debts		**—**	**—**	**87**	**87**
Right-of-use assets disposals		**—**	**—**	**(2)**	**(2)**
Amortization of financing costs in long-term debt		**—**	**—**	**2**	**2**
Other		**—**	**—**	**3**	**3**
Exchange differences		**2**	**—**	**77**	**79**
As of December 31, 2022		**(102)**	**3**	**2,065**	**1,966**

NOTE 25
COMMITMENTS

CAPITAL EXPENDITURES, INTANGIBLE ASSETS, RAW MATERIALS AND SUPPLIES AND SERVICE AGREEMENTS

Capital expenditures, intangible assets, raw materials and supplies and service agreements contracted at the end of the reporting period but not yet incurred are presented in the following table:

				2022				2021
(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	RAW MATERIALS AND SUPPLIES	SERVICE AGREEMENTS AND EXEMPTED LEASES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	RAW MATERIALS AND SUPPLIES	SERVICE AGREEMENTS AND EXEMPTED LEASES
No later than one year	**107**	**9**	**18**	**22**	104	8	4	29
Later than one year but no later than five years	**—**	**—**	**19**	**14**	—	—	19	9
More than five years	**—**	**—**	**—**	**2**	—	—	4	1
	107	**9**	**37**	**38**	104	8	27	39

Raw materials and supplies commitments include an amount of $25 million in 2022 ($27 million in 2021) spread over five years with an associate.

NOTE 26
RELATED PARTY TRANSACTIONS

The Corporation entered into the following transactions with related parties:

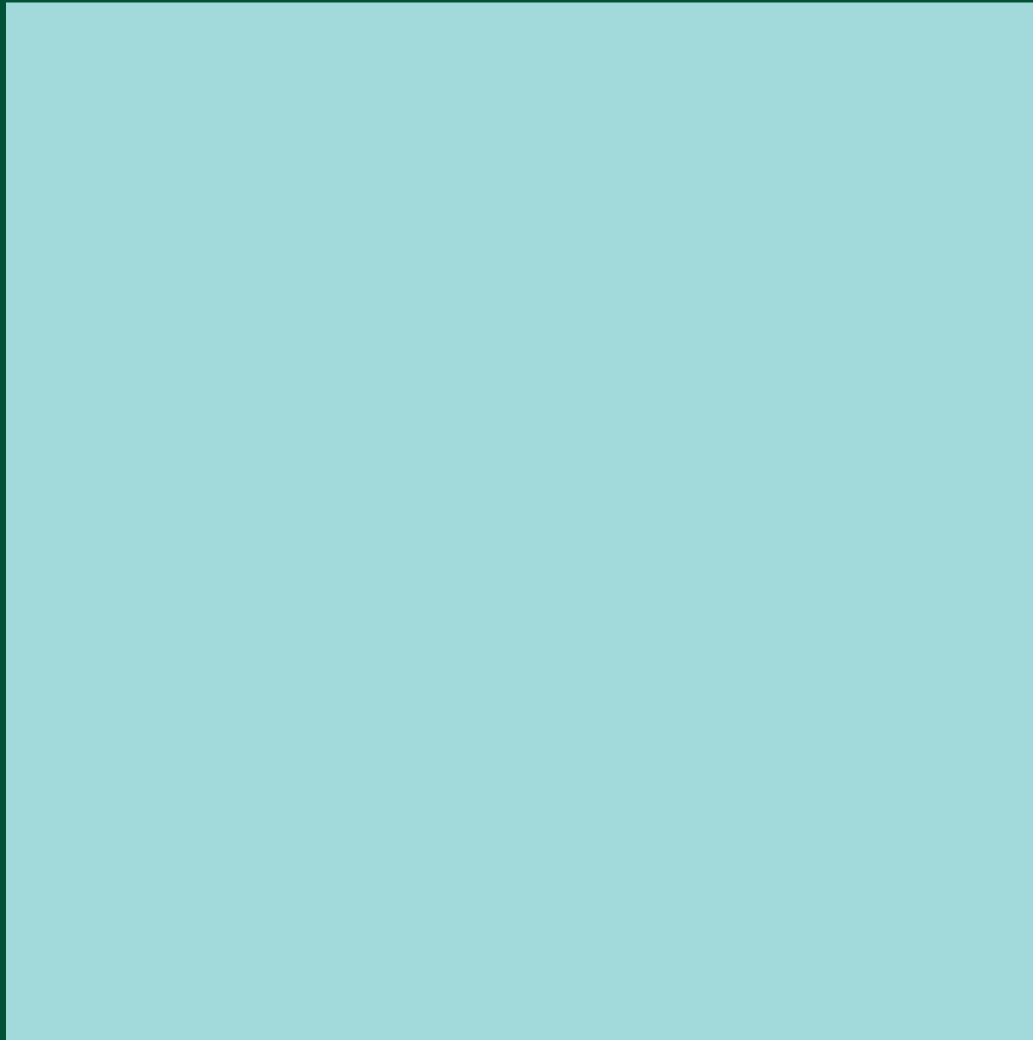
(in millions of Canadian dollars)	JOINT VENTURES	ASSOCIATES
For the year ended December 31, 2022		
Sales to related parties	**284**	**83**
Purchases from related parties	**112**	**34**
For the year ended December 31, 2021		
Sales to related parties	263	61
Purchases from related parties	89	37

These transactions occurred in the normal course of operations and are measured at fair value.

The following balances were outstanding at the end of the reporting period:

(in millions of Canadian dollars)	**December 31, 2022**	December 31, 2021
Receivables from related parties		
Joint ventures	**9**	15
Associates	**15**	8
Payables to related parties		
Joint ventures	**4**	5
Associates	**2**	1

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties. The payables to related parties arise mainly from purchase transactions. The payables bear no interest.



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