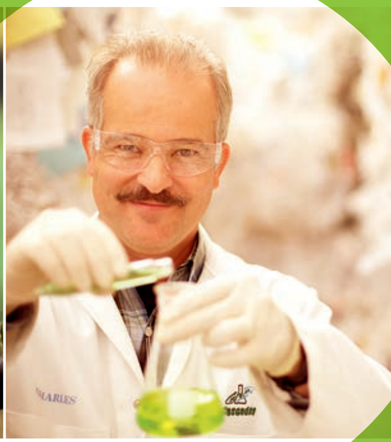
2013 ANNUAL REPORT

FOCUS PERFORM SUCCEED



Cascades

GREEN BY NATURE™

TABLE OF CONTENTS

The annual general shareholders' meeting will be held on **Thursday, May 8, 2014 at 11:00 a.m., at Théâtre des Grands Chênes** located at 356 Marie-Victorin Blvd. in Kingsey Falls, Québec.

Cascades Inc.'s 2013 Annual Information Form will be available, upon request, from the Corporation's head office as of March 31, 2014.

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

TRANSFER AGENT AND REGISTRAR
Computershare Investor Services Inc.
Telephone: 1-800-564-6253

HEAD OFFICE
Cascades Inc.
404 Marie-Victorin Blvd.
Kingsey Falls, Québec
J0A 1B0 Canada
Telephone: 1-819-363-5100
Fax: 1-819-363-5155

INVESTOR RELATIONS
For more information, please contact:
Riko Gaudreault
Director, Investor Relations
Cascades Inc.
772 Sherbrooke Street West
Montréal, Québec
H3A 1G1 Canada
Telephone: 1-514-282-2697
Fax: 1-514-282-2624
www.cascades.com/investors
investisseur@cascades.com

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

Secrétaire corporatif
Cascades inc.
404, boul. Marie-Victorin
Kingsey Falls (Québec) J0A 1B0 Canada

TOTAL RETURN OF 71% ON CASCADES' SHARE IN 2013

Cascades share price in 2013

Common shares outstanding as at December 31, 2013
93.9 million

Market capitalization as at December 31, 2013
$646 million

Total volume traded in 2013
34.3 million shares

Intraday high in 2013
$6.92

Intraday low in 2013
$4.07

Quarterly dividend per share paid in 2013
$0.04

Dividend yield as at December 31, 2013
2.3%

Corporate credit ratings as at December 31, 2013
Moody's: Ba2 (stable)
S&P: B+ (stable)

SYMBOL CAS – TSX
(on the Toronto Stock Exchange)

S&P/TSX CLEAN TECHNOLOGY INDEX
S&P/TSX SMALL CAP INDEX
BMO SMALL CAP INDEX

FINANCIAL HIGHLIGHTS

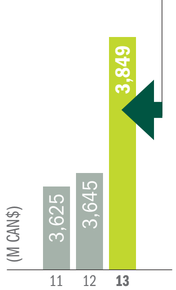
(In millions of Canadian dollars, unless otherwise noted)

	2013	2012	2011
Sales	**3,849**	3,645	3,625
Operating income before depreciation and amortization (OIBD or EBITDA)[1]	**322**	274	188
Operating income	**140**	75	8
Net earnings (loss)	**11**	(22)	99
per share	**$0.11**	$(0.23)	$1.03
Dividend per share	**$0.16**	$0.16	$0.16
Excluding specific items[1]			
Operating income before depreciation and amortization (OIBD or EBITDA)[1]	**352**	304	229
Operating income	**170**	118	49
Net earnings (net loss)	**29**	5	(14)
per share	**$0.31**	$0.05	$(0.14)
Return on assets[1, 2]	**9.3%**	8.1%	6.5%
Return on capital employed[1, 3]	**4.0%**	2.8%	1.3%
Financial position (as at December 31)			
Total assets	**3,831**	3,694	3,728
Capital employed[4]	**3,193**	3,224	3,107
Net debt	**1,612**	1,535	1,485
Net debt/OIBD[5, 8]	**4.6x**	5.0x	5.8x
Shareholders' equity	**1,081**	978	1,029
per share	**$11.52**	$10.42	$10.87
Working capital on sales	**12.9%**	14.4%	14.8%
Key indicators			
Total shipments (in '000 of s.t.)	**3,359**	3,243	3,159
Capacity utilization rate[6]	**90%**	88%	88%
Spread between Cascades' selling price index and raw material index[7]	**943**	877	785
US$/CAN$	**$0.97**	$1.00	$1.01

6% INCREASE IN SALES

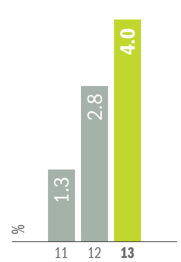
16% OIBD[8] INCREASE

Sales



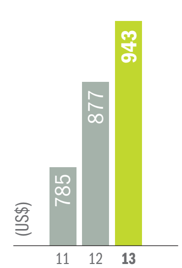
OIBD[1,8]

Return on capital employed[1, 3]

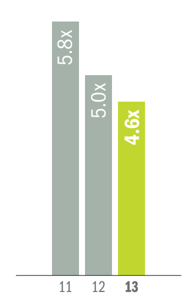


Total shipments and capacity utilization rate[6]

Spread between Cascades' selling price index and raw material index[7]



Net debt/OIBD[1, 5, 8]



1 See "Forward-looking statements and supplemental information on non-IFRS measures" on page 16.

2 Return on assets is a non-IFRS measure defined as LTM OIBD excluding specific items/LTM average of total quarterly assets. See "Forward-looking statements and supplemental information on non-IFRS measures" on page 16.

3 Return on capital employed is a non-IFRS measure defined as the operating income excluding specific items after theorical tax charges of 30%/capital employed.

4 Capital employed is defined as the quarterly average over the last twelve-month period of total assets less non-interest bearing liabilities.

5 Adjusted ratio including discontinued operations and the results of Reno De Medici and Papersource on a pro-forma basis.

6 Capacity utilization rate is defined as: Shipments/Practical capacity. Paper manufacturing only.

7 For more information on the indices, see notes 1 and 2 on page 17.

8 Excluding specific items.

CASCADES AT A GLANCE

$3,849M OF SALES

$352M OF OIBD[3]

PACKAGING PRODUCTS

CONTAINERBOARD

33% OF SALES[1] | 38% OF OIBD[2]

1st PRODUCER OF CONTAINERBOARD IN CANADA
6th IN NORTH AMERICA

BOXBOARD EUROPE

21% OF SALES[1] | 13% OF OIBD[2]

2nd PRODUCER IN EUROPE

SPECIALTY PRODUCTS

20% OF SALES[1] | 15% OF OIBD[2]

1st PAPER COLLECTOR IN CANADA

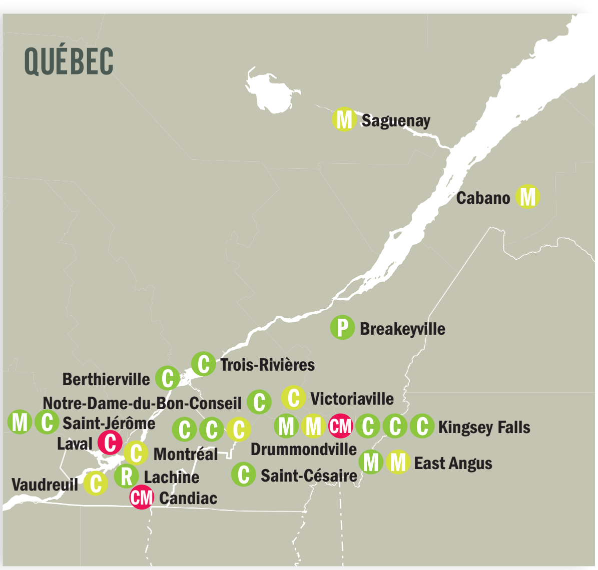
TISSUE PAPERS

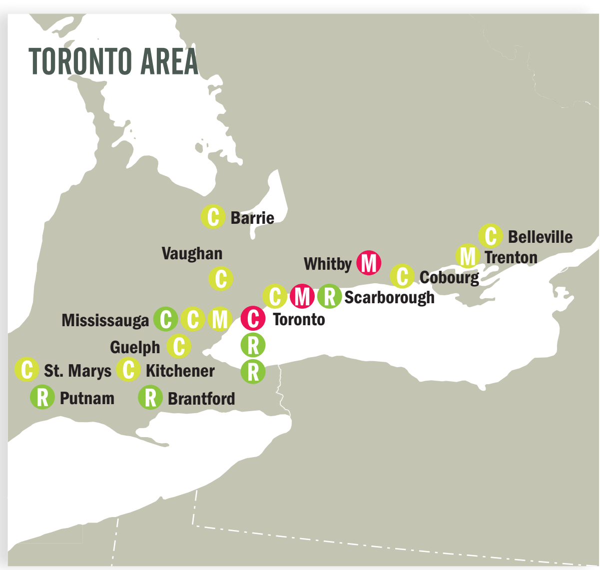
26% OF SALES[1] | 34% OF OIBD[2]

1st PRODUCER IN CANADA
4th IN NORTH AMERICA

1 Before inter-segment eliminations.
2 Excluding specific items and corporate activities.
3 Excluding specific items.


NORTH AMERICA
Prince George, BC
Edmonton, AB
Vancouver, BC
Kelowna, BC
Calgary, AB
Nanaimo, BC
Surrey, BC
Victoria, BC
Richmond, BC
Tacoma, WA
St. Helens, OR
Winnipeg, MB
St. John's, NL
Moncton, NB
Kingsey Falls, QC
Granby, QC
Ottawa, ON
Eau Claire, WI
Grand Rapids, MI
Aurora, IL
Warrenton, MO
Kingman, AZ
Brownsville, TN
Memphis, TN
Rockingham, NC
Kinston, NC
Birmingham, AL


QUÉBEC
Saguenay
Cabano
Breakeyville
Trois-Rivières
Berthierville
Notre-Dame-du-Bon-Conseil
Victoriaville
Saint-Jérôme
Kingsey Falls
Laval
Montréal
Drummondville
Lachine
East Angus
Vaudreuil
Saint-Césaire
Candiac

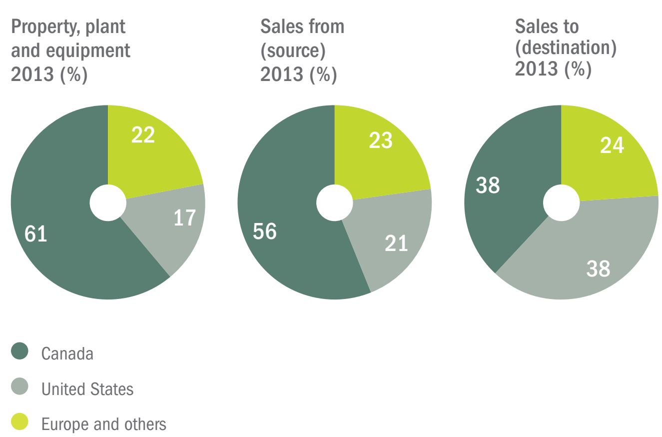

TORONTO AREA
Barrie
Belleville
Vaughan
Trenton
Whitby
Cobourg
Scarborough
Mississauga
Toronto
Guelph
St. Marys
Kitchener
Putnam
Brantford

CASCADES WORLDWIDE

LEGEND

- Head Office
- Containerboard Group
- Boxboard Europe Group
- Specialty Products Group
- Tissue Papers Group
- **M** Manufacturing facility
- **C** Converting facility
- **CM** Converting and manufacturing facility
- **P** Deinked pulp facility
- **R** Recovery operations

3.8 BILLION IN SALES,
OVER 60% OF WHICH ARE OUTSIDE OF CANADA



SUMMARY OF PRODUCTION CAPACITY (as at December 31, 2013)

SECTORS/SEGMENTS	REGION	TYPE OF OPERATION	MAIN MARKETS / PRODUCTION	NUMBER OF UNITS[1]	CAPACITY[2]
PACKAGING PRODUCTS					
CONTAINERBOARD	North America	Manufacturing	Virgin and recycled linerboard and corrugating medium White-top linerboard Gypsum paper Coated recycled boxboard (CRB)	8[4]	1,765[4]
		Converting	Variety of corrugated packaging containers Corrugated sheets Specialized packaging General folding cartons Quick-service restaurant packaging	25	13.4B sq.ft. (2013 shipments, including inter-company sales)
BOXBOARD EUROPE	Europe	Manufacturing	Coated virgin boxboard (coated duplex, GC) Coated recycled boxboard (white-lined chipboard duplex, GD) Recycled linerboard	8[3]	1,202[3]
SPECIALTY PRODUCTS	North America and Europe	Industrial Packaging	Uncoated board Papermill packaging (roll headers and wrappers) Honeycomb packaging products Laminated boards	12[4]	448[4]
	North America	Specialty Papers	Fine papers Kraft paper Backing for vinyl flooring Deinked pulp	6	598
		Consumer Packaging	Moulded pulp products – Cup trays – Filler flats Plastic products – Packaging for food industry (meat trays, translucent containers, foam plates and bowls) Outdoor furniture (deck board, benches and tables)	7	57M kg[4]
		Recovery	Collection, sorting and recycling activities	20	1,522 (processed in 2013)
TISSUE PAPERS					
	North America	Manufacturing	Parent rolls	5	245
		Manufacturing and converting	Retail market and away-from-home market – Paper towels, paper hand towels, bathroom tissue, facial tissue, paper napkins Parent rolls	7	421
		Converting	Retail market and away-from-home market – Paper towels, paper hand towels, bathroom tissue, facial tissue, paper napkins Industrial wipes	7	N/A
TOTAL				105	4,231[3] (manufacturing only)

1 Production and sorting facilities units only; excluding sales offices, distribution and transportation hubs and corporate offices. Including the Greenpac mill with 540,000 short tons of production capacity, which we own at 60%.
2 Thousands of short tons, unless otherwise noted. Theoretical capacity.
3 Including all the units of Reno De Medici S.p.A. of which we own an equity interest of 58%. Excluding the Magenta plant and sheeting centers.
4 Including 100% of the capacity of our joint ventures and our associates.

MESSAGE

MARIO PLOURDE, President and Chief Executive Officer

Dear shareholders and partners,

As you review our financial results for 2013, you will no doubt be pleased, as we are, to see that the action plan that we have been following since the end of 2011 has continued to bear fruit. A marked improvement in our performance has enabled us to post better results for the second year in a row.

As you may recall, this plan consists of four main pillars: modernization, optimization, innovation and restructuring. It seeks to consolidate our position and ensure growth in our two key sectors: packaging and tissue papers. In 2014, we will continue on that same trajectory.

FOCUS ON PACKAGING AND TISSUE PAPERS
THE TWO MOST PROMISING SECTORS OF OUR INDUSTRY

In the tissue paper sector, the year 2013 was marked by increased development in the away-from-home market and private brands in the United States. We will continue this growth in 2014 thanks to the acquisition, last September, of a paper machine on the same site as our tissue paper machine in Oregon. This machine will be converted to produce 55,000 tons of towelling paper annually and will result in operating efficiencies for the mill as a whole.

FOCUS PERFORM SUCCEED

This is a concrete example of our commitment to developing our Tissue Papers Group in the American market. In addition, initiatives will be put in motion in the coming year to boost our converting capacity in the United States, in order to expand our presence and better service our customers in those areas where growth is proving to be stronger.

A marked improvement in our performance has enabled us to post higher results for the second year in a row.

As far as our Containerboard Group is concerned, the major event of 2013 was without a doubt the start-up of Greenpac, the largest machine of its type in North America. Greenpac, the most ambitious project carried out by Cascades to date, started on July 15, 2013 as scheduled and the ramp-up has proceeded as planned since then. So far, we are pleased with the paper machine's performance and now that the construction risks are behind us, we expect a positive contribution to earnings in 2014. We are also taking steps to improve productivity in our corrugated board converting operations following the investments we made in Ontario in 2012.

At the same time, we are currently in the process of upgrading our information systems and re-engineering our business processes. This transition will enable us to cut costs by streamlining our organization to make it more efficient and more agile. We will also continue to carefully track the performance of our operating units to ensure that they meet our requirements in terms of profitability and efficiency.

Our achievements in innovation and the proactive management of our operating base will enable us to become more competitive while improving our ability to offer products that better meet our customers' needs. We will thus be in a better position to benefit from more favourable market conditions: higher prices for many of our products and stable recycled fibre costs are taking us to more rewarding levels of profitability. In addition, a weakening Canadian dollar improves our competitive position in relation to foreign competitors therefore creating an opportunity for improved results. Finally, a stronger North American economy should enable us to optimize the benefits of our modernized platform.

TAKE ACTION TO INCREASE OUR PROFITABILITY IN KEEPING WITH OUR FINANCIAL CAPACITY

It goes without saying that in all the initiatives we undertake, we are mindful of the need to prudently manage our financial position. Indeed, despite our level of indebtedness being adversely affected by the depreciation of the Canadian dollar, we were able to improve our financial ratios at the end of 2013 while investing to modernize our assets. We are confident that we will be able to improve our financial situation in the medium term, due mainly to better financial performance and strict cash flow management.

Cascades will celebrate its 50th anniversary in 2014. This is a time of great pride for all of us.

In my first year as President and CEO, I met many members of the financial community, including shareholders, fund managers, lenders and other stakeholders. This interaction gave me an opportunity not only to share my own vision, but to gain a better understanding of their points of view. The financial community seems to have recognized the positive developments we have achieved during the past year and the promising outlook for 2014, as indicated by our share price which has improved by more than 60% in the space of a year. While this is very encouraging, we know there is still much to do and we will continue taking action to create greater value for our shareholders and our community.

SUCCEED IN OUR OWN WAY
WITH RESPECT FOR OUR EMPLOYEES, OUR PARTNERS AND THE ENVIRONMENT

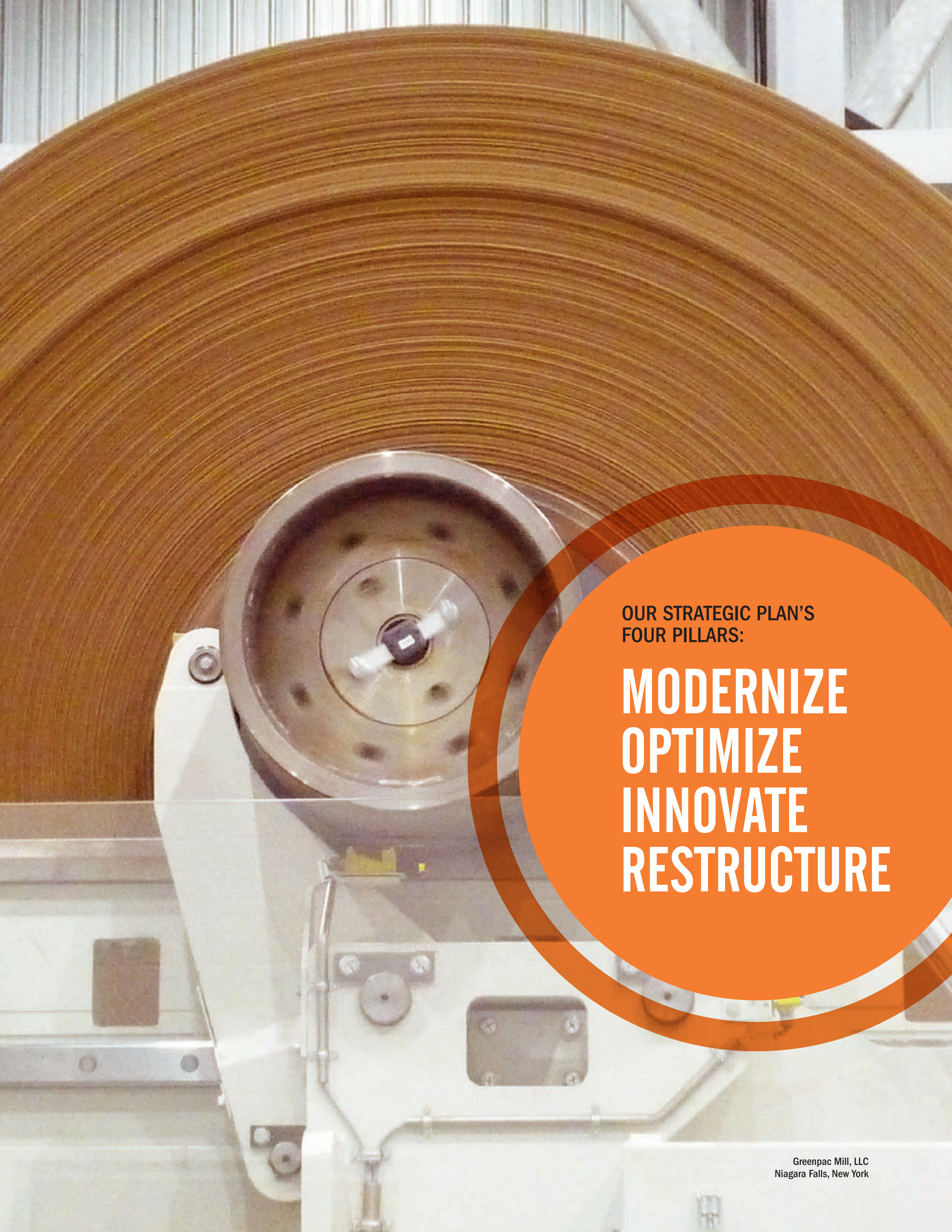
Remaining faithful to our culture is key to these initiatives. After all my years at Cascades, I am as impressed as ever by the dedication and competence of our Cascaders, and I wish to express my heart-felt thanks for their efforts. I also wish to reiterate that their health and safety are of utmost importance to us. That is why we are doing everything possible and establishing the necessary measures to provide the best possible work environment.

Sustainable development is also a key component of our identity. We are therefore proud that our efforts in 2013 were recognized with the naming of Alain Lemaire as the *Greenest CEO in Canada.* Cascades also received the “Environmental Strategy of the Year Award” as part of the *Pulp & Paper International Awards 2013,* as well as the “Innovative Product of the Year Award” for its Moka™ product line. Our efforts in that direction are not over yet, and we are currently implementing our new sustainable development plan for 2013-2015.

The coming year holds great promise, and we are confident that we will be able to improve our results for a third straight year. Cascades will also be celebrating its 50th anniversary in 2014, and numerous activities will mark this important milestone in our history. This is a time of great pride for all of us, and you will certainly be hearing more about Cascades as the year unfolds.

I wish to thank you for being part of our story, and invite you to join us in shaping a future that promises to be bright.

Mario Plourde
President and Chief Executive Officer



OUR STRATEGIC PLAN'S
FOUR PILLARS:

MODERNIZE
OPTIMIZE
INNOVATE
RESTRUCTURE

Greenpac Mill, LLC
Niagara Falls, New York

ACTING TO REALIZE OUR STRATEGIC PLAN

2011

February 2011
Mario Plourde appointed Chief Operating Officer

March 2011
Sale of Avot-Vallée (France) linerboard plant

May 2011
Sale of Dopaco Inc.

Closure of corrugated box plant in Leominster (Massachusetts)

June 2011
Sale of Versailles (Connecticut) and Hebron (Kentucky) boxboard plants

October 2011
Closure of Le Gardeur (Québec) corrugated box plant

November 2011
Acquisition of the remaining 50% interest in Papersource Converting Mill Corp., Granby (Québec)

December 2011
Closure of Burnaby (British Columbia) containerboard mill

2011
Beginning of construction of Greenpac Mill LLC

Installation of the ATMOS technology at our Candiac (Québec) tissue paper mill

2012

February 2012
Closure of honeycomb plant in Toronto (Ontario)

April 2012
Acquisition of Bird Packaging Limited corrugated box facilities in Guelph, Kitchener and Windsor (Ontario)

Investments in Belleville, Vaughan, St. Marys and Etobicoke (Ontario) plants, coupled with closure of three Ontario corrugated box plants

August 2012
Closure of a tissue paper converting plant in Scarborough (Ontario)

September 2012
Investments in boxboard facilities in Montréal (Québec), Mississauga (Ontario), Cobourg (Ontario) and Winnipeg (Manitoba)

Announcement of closure of Lachute (Québec) folding carton plant

2012
Investment in our Cabano (Québec) containerboard mill to increase capacity

Investment in our Industrial Packaging plant in France to increase capacity

Investments in our mill La Rochette (France) and Reno De Medici's mill in Villa Santa Lucia (Italy) to improve productivity

Installation of a new tissue converting line at our Granby (Québec) plant and a new bathroom tissue production line at our Pennsylvania plant

2013

2013

May 2013
Mario Plourde appointed President and Chief Executive Officer

June 2013
Ownership in Reno De Medici increased to 58%

July 2013
Greenpac Mill LLC start-up

September 2013
Announcement of second tissue paper machine investment in St. Helens (Oregon)

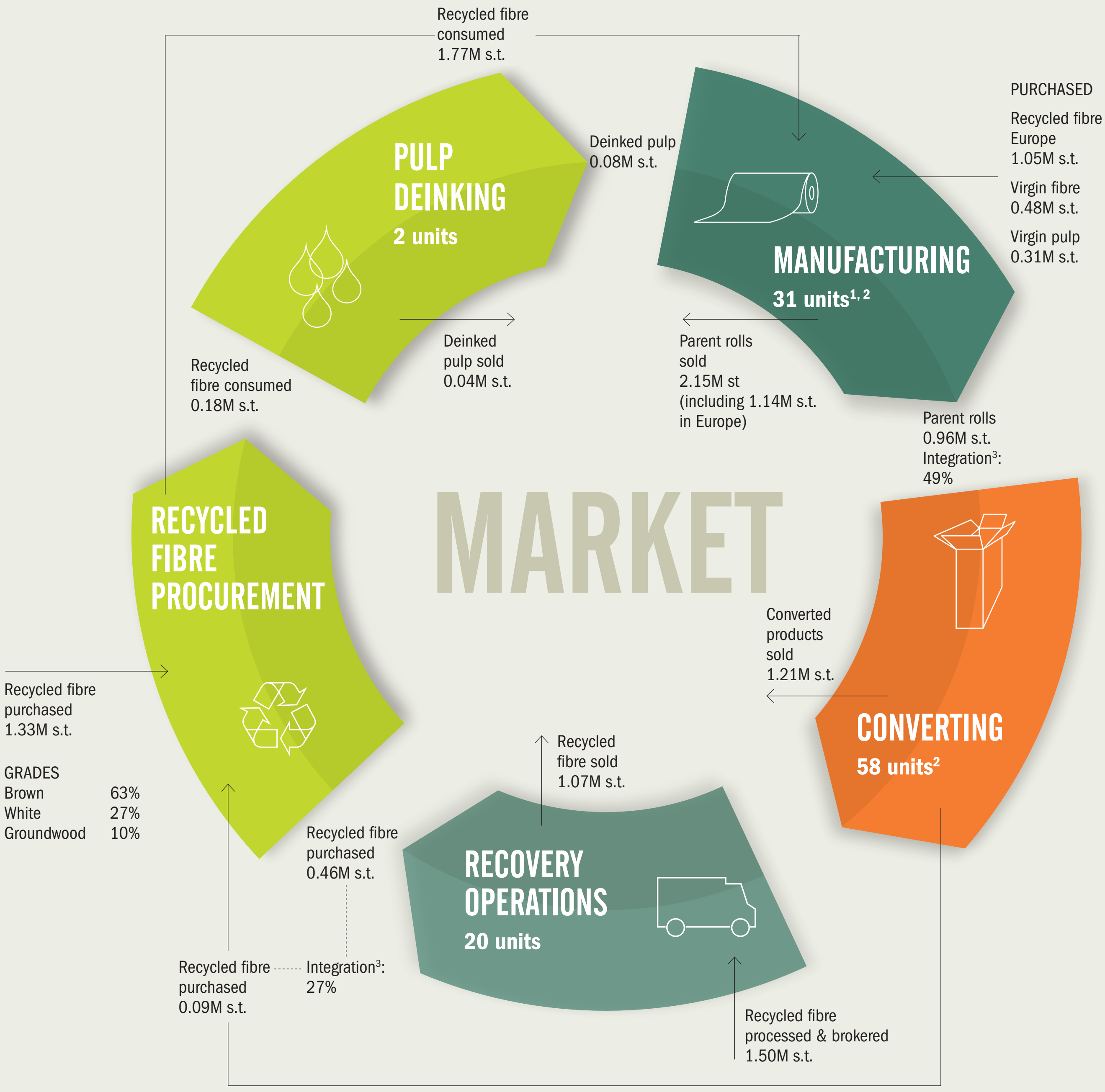
November 2013
Creation of joint venture with Maritime Paper Products Limited (Maritimes) announced

Cascades Tissue Group
Lachute's plant

TO UNDERSTAND OUR CORPORATION AND OUR RESULTS

RECYCLING, IN OUR NATURE FOR THE LAST 50 YEARS

Giving a second life to waste paper: a simple idea that inspired the creation of Cascades 50 years ago. The Corporation is now the largest collector of recycled papers in Canada, which is a strategic attribute in a world where foreign companies are now competing to purchase waste paper in North America. Our business model has significantly evolved throughout the years but the common denominator that defines our products remains that they are made from recycled materials. Our integration strategy, both upstream and downstream, can be summarized by what we call the "**closed-loop system**[1]".



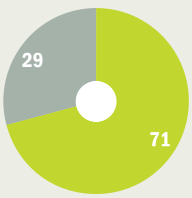
1 2013 data including 100% of Reno De Medici; excluding the Greenpac mill, its production and its consumption
2 Including the integrated manufacturing and converting tissue paper units
3 North America only

ILLUSTRATIVE DISTRIBUTION OF OUR SALES

In 2006, we decided to focus on packaging and tissue papers, the two healthiest sectors of the paper industry. This balanced business model has allowed us to withstand many challenges and grow to become one of North America's major converters of corrugated packaging containers, folding cartons, tissue papers and several specialty products.

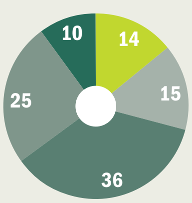
CONTAINERBOARD

By country (%)



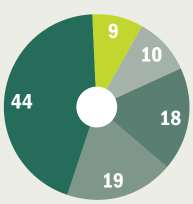
- Canada
- United States

By product-manufacturing (%)



- Linerboard
- Recycled medium
- Semi-chem medium
- SBS[4] substitute
- CRB[3]

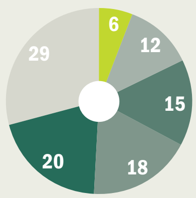
By industry-corrugated boxes (%)



- Agriculture and meat
- Chemicals and plastics
- Other industries
- Papers and wood
- Food and beverages

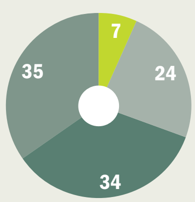
BOXBOARD EUROPE

By country (%)



- Overseas
- Germany & Austria & Switzerland
- Eastern Europe
- Rest of Western Europe
- France
- Italy

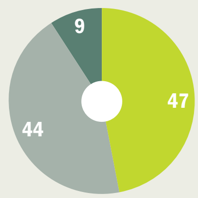
By product (%)



- WLC[1] – Other
- FBB[2]
- WLC[1] – Linerboard
- WLC[1] – GT/GD

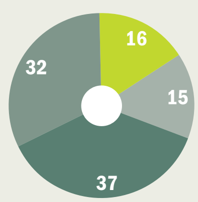
SPECIALTY PRODUCTS

By country (%)



- Canada
- United States
- Others

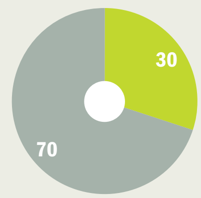
By segment (%)



- Industrial packaging
- Consumer product packaging
- Specialty papers
- Recovery and recycling

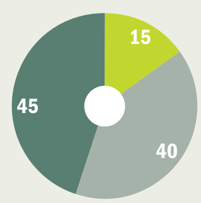
TISSUE PAPERS

By country (%)



- Canada
  - Retail **53%**
  - Away-from-Home **47%**
- United States
  - Retail **52%**
  - Away-from-Home **48%**

By market (%)



- Parent rolls
- Away-from-Home
  - Private label **44%**
  - Branded **56%**
- Retail
  - Private label **86%**
  - Branded **14%**

1 WLC = White-lined chipboard (recycled)
2 FBB = Folding boxboard (virgin)
3 CRB = Coated recycled boxboard
4 SBS = Solid bleached sulfate board

HUMAN FOCUS

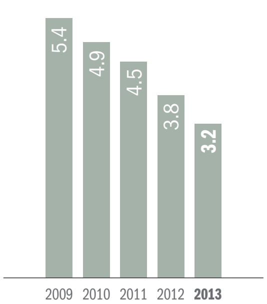
Cascades and its employees: total commitment

Our promise: to offer a career worthy of their skills.
Their motivation: to carry us even further. A winning combination for more than 50 years!

Occupational health and safety: a matter of know-how

Our statistics tell the story: the health and safety of our employees is integral to the values of respect and sustainable development that are at the core of our management philosophy.

OSHA frequency rate[1]



1 Starting in Q1 2013, including Papersource and Bird Packaging. Excluding Reno De Medici.

Green gold

Cascades and its

12,000 EMPLOYEES

are proud to be actively involved in the community and in achieving our greatest hopes. It is not only an essential role to play, but also a source of inspiration for us.

In 2013, nearly

$3 MILLION

was allocated to several hundred organizations in our communities.

"I am continually impressed with the dedication and competence of our Cascaders, and I want to reiterate that their health and safety is of utmost importance to us. That is why we are doing everything possible and establishing the necessary measures to provide the best possible work environment."

Mario Plourde
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - 2013

The year 2013 was highlighted by favourable market conditions as we benefited from higher selling prices in our containerboard activities, stable recycled fibre prices and a favourable Canadian dollar. We were also able to increase our total shipments by 4%. On the other hand, business conditions remained challenging in Europe and our operational efficiencies in some of our manufacturing facilities in North America were not up to our normal standards. We also incurred additional costs related to our initiatives of upgrading our information systems and the re-engineering of our business processes. As a result we improved our operating results for a second year in a row as our OIBD excluding specific items increased by 16% over 2012.

For the year, the Corporation posted net earnings of $11 million, or $0.11 per share, compared to a net loss of $22 million, or $0.23 per share in 2012. Excluding specific items, which are discussed in detail on pages 28 to 31, we posted net earnings of $29 million or $0.31 per share during the year, compared to net earnings of $5 million or $0.05 per share in 2012. Sales increased by $204 million for the year, or 6%, to reach $3,849 million, compared to $3,645 million in 2012. The Corporation recorded an operating income of $140 million during the year, compared to $75 million last year, an increase of $65 million. Excluding specific items, operating income stood at $170 million, compared to $118 million in 2012, an increase of $52 million (see the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these amounts).

FORWARD-LOOKING STATEMENTS AND SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The following 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 consolidated financial statements and accompanying notes for the years ended December 31, 2013 and 2012. Information contained herein includes any significant developments as at March 12, 2014, the date on which the MD&A was approved by the Corporation's Board of Directors. For additional information, readers are referred to the Corporation's Annual Information Form ("AIF"), which is published separately. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

This MD&A is intended to provide readers with the information that Management believes is required to gain an understanding of Cascades' current results and to assess the Corporation's future prospects. Accordingly, 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, the prices and availability of raw materials, changes in the relative values of certain currencies, fluctuations in selling prices and adverse changes in general market and industry conditions. 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 related to our business activities. These items are based on the best estimates available to the Corporation.

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). Unless otherwise indicated or if required by the context, the terms "we", "our" and "us" refer to Cascades Inc. and all of its subsidiaries and joint ventures. The financial information included in this analysis also contains certain data that are not measures of performance under IFRS ("non-IFRS measures"). For example, the Corporation uses operating income before depreciation and amortization, or operating income before depreciation and amortization excluding specific items (OIBD or OIBD excluding specific items) because it is the measure used by Management to assess the operating and financial performance of the Corporation's operating segments. Moreover, we believe that OIBD is a measure often used by investors to assess a Corporation's operating performance and its ability to meet debt service requirements. OIBD has limitations as an analytical tool, and it should not be considered in isolation, or as a substitute for an analysis of our results as reported under IFRS. These limitations include the following:

- OIBD excludes certain income tax payments that may represent a reduction in cash available to us.
- OIBD does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments.
- OIBD does not reflect changes in, or cash requirements for, our working capital needs.
- OIBD does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments on our debt.
- Although depreciation and amortization expenses are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and OIBD does not reflect any cash requirements for such replacements.
- The specific items excluded from OIBD, operating income, financing expense, net earnings and cash flow from operations mainly include charges for (reversals of) impairment of assets, charges for facility or machine closures, accelerated depreciation of assets due to restructuring measures, debt restructuring charges, 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, foreign exchange gains or losses on long-term debt and other significant items of an unusual or non-recurring nature. Although we consider these items to be non-recurring and less relevant to evaluating our performance, some of them will continue to take place and will reduce the cash available to us.

Because of these limitations, OIBD should not be used as a substitute for net earnings or cash flows from operating activities as determined in accordance with IFRS, nor is it necessarily indicative of whether or not cash flow will be sufficient to fund our cash requirements. In addition, our definitions of OIBD may differ from those of other companies. Any such modification or reformulation may be significant. A reconciliation of OIBD to net earnings (loss) from continuing operations and to net cash provided by (used in) operating activities, which we believe to be the closest IFRS performance and liquidity measure to OIBD, is set forth in the "Supplemental Information on Non-IFRS Measures" section.

BUSINESS DRIVERS

As a packaging products and tissue paper company, our financial results are largely driven by the following factors:

SALES +

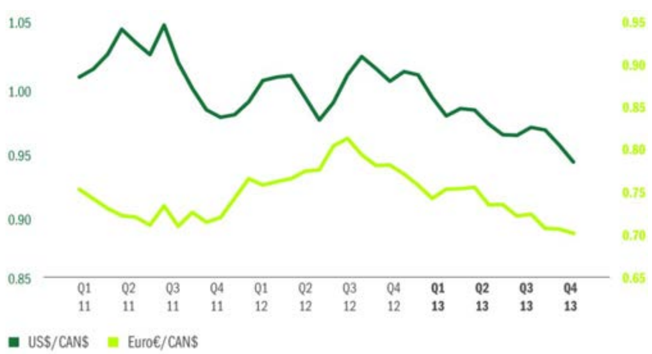
- Selling prices
- Demand for packaging products and tissue papers, mainly made of recycled fibres
- Foreign exchange rates
- Population growth
- Industrial production
- Product mix, substitution and innovation

COSTS -

- Energy prices, mainly electricity and natural gas
- Fibre prices and availability (recycled papers, virgin pulp and woodchips) and production recipes
- Foreign exchange rates
- Labour
- Freight
- Chemical product prices
- Capacity utilization rates and production downtime

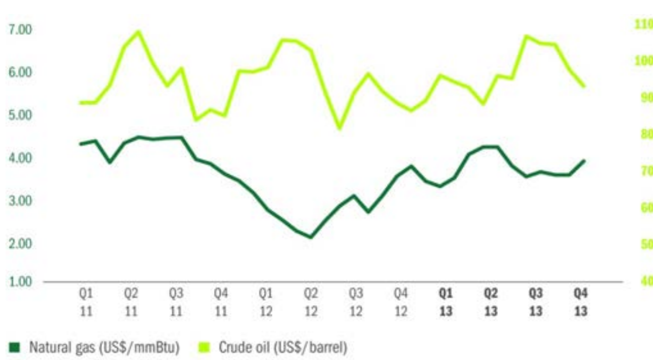
EXCHANGE RATES

Cascades' results are impacted by the relative valuation of currencies, namely the Canadian dollar against the Euro and the U.S. dollar. For the year 2013, the average value of the Canadian dollar lost 3% against the American dollar, compared to the average in 2012. Remember that each $0.01 change of the Canadian dollar against its U.S. counterpart has an impact of $5 million on our annual OIBD. Against the Euro, our currency depreciated by 6% during the year, compared to 2012.



ENERGY COSTS

With regards to energy costs, the average price of natural gas increased by 31% in 2013 compared to 2012. In the case of crude oil, the average price increased by 2% in 2013 compared to 2012.



MANUFACTURING SELLING PRICES AND RAW MATERIAL COSTS

On the selling price front for our manufacturing operations, the average of Cascades' North American price index increased in 2013 by 4%, compared to 2012. This was essentially caused by higher average manufacturing prices for containerboard, which averaged 10% more in 2013 than in 2012. Lower average prices for specialty papers and boxboard in North America offset this increase, as average prices for our tissue paper products remained stable. At the end of 2013, raw material costs were 5% higher than at the same period last year. However, the average raw material costs for 2013 have been 4% lower than the average level of 2012.

1 The Cascades North American selling prices index represents an approximation of the Corporation's manufacturing selling prices in North America (excluding converting). It is weighted according to shipments and is based on publication prices. It includes some of Cascades' main products, for which prices are available in PPI Pulp & Paper Week magazine and on the Cascades Tissue Index. This index should only be used as a trend indicator, as it may differ from our actual selling prices and our product mix. The only non-manufacturing prices reflected in the index are those for tissue. In fact, the tissue pricing indicator, which is blended into the Cascades North American selling prices index, is the Cascades tissue paper selling prices index, which represents a mix of primary and converted products.

2 The Cascades North American raw materials index is based on publication prices and the average weighted cost paid for some of our manufacturing raw materials, namely recycled fibre, virgin pulp and woodchips, in North America. It is weighted according to purchase volume (in tons). This index should only be used as a trend indicator, and it may differ from our actual manufacturing purchasing costs and our purchase mix.

SENSITIVITY TABLE [1]

The following table provides a quantitative estimate of the impact on Cascades' annual operating income before depreciation and amortization (OIBD) of potential changes in the prices of our main products, the costs of certain raw materials and energy, as well as the US$/CAN$ exchange rate, assuming, for each price change, that all other variables remain constant. This is based on Cascades' 2013 manufacturing and converting external shipments and consumption numbers. However, it is important to note that this table does not consider the risk management hedging instruments used by the Corporation. In fact, Cascades' hedging policies and portfolios (see "Risk Factors" section) should also be considered in order to fully analyze the Corporation's sensitivity to the highlighted factors.

With regards to the US$/CAN$ exchange rate, we do not consider Cascades' indirect sensitivity. This sensitivity refers to the fact that some of Cascades' selling prices and raw material costs in Canada are based on reference prices and costs in U.S. dollars converted into Canadian dollars. In other words, the exchange rate fluctuation can have a direct influence on sales and purchases in Canada from Canadian facilities. However, because this fluctuation is difficult to measure precisely, we do not include it in the following table. The EURO€/CAN$ exchange rate also impacts our results, as we have operations in Europe which results are translated in Canadian dollars.

	SHIPMENTS/CONSUMPTION ('000 SHORT TONS, '000 MMBTU FOR NATURAL GAS)	INCREASE	OIBD IMPACT **(IN MILLIONS OF CAN$)**
SELLING PRICE (MANUFACTURING AND CONVERTING) [2]			
North America			
Containerboard	1,268	US$25/s.t.	**33**
Specialty Products (Industrial Packaging and Specialty Papers sectors only)	371	US$25/s.t.	**10**
Tissue Papers	583	US$25/s.t.	**15**
	2,222		
Europe			
Boxboard	1,137	€25/s.t.	**39**
	3,359		**97**
RAW MATERIALS [2]			
Recycled Papers			
North America			
Brown grades (OCC and others)	1,142	US$15/s.t.	**(18)**
Groundwood grades (ONP and others)	113	US$15/s.t.	**(2)**
White grades (SOP and others)	695	US$15/s.t.	**(11)**
	1,950		**(31)**
Europe			
Brown grades (OCC and others)	760	€15/s.t.	**(16)**
Groundwood grades (ONP and others)	181	€15/s.t.	**(4)**
White grades (SOP and others)	109	€15/s.t.	**(2)**
	1,050		**(22)**
	3,000		**(53)**
Virgin pulp			
North America	212	US$30/s.t.	**(7)**
Europe	94	€30/s.t.	**(4)**
	306		**(11)**
Natural gas			
North America	8,987	US1.00/mmBtu	**(9)**
Europe	4,473	€1.00/mmBtu	**(6)**
	13,460		**(15)**
Exchange rate [3]			
Sales less purchases in US$ from Canadian operations		US$/CAN$ 0.01 change	**(4)**
U.S. subsidiaries translation		US$/CAN$ 0.01 change	**(1)**
			(5)

1 Sensitivity calculated according to 2013 volumes or consumption, and with an exchange rate of US$/CAN$ 0.97 and €/CAN$ 0.73, excluding hedging programs and the impact of related expenses such as discounts, commissions on sales and profit sharing.

2 Based on 2013 external manufacturing and converting shipments, as well as 2013 fibre and pulp consumption. including purchases from our subsidiary Cascades Recovery.

3 As an example, from US$/CAN$ 0.97 to US$/CAN$ 0.98

BUSINESS HIGHLIGHTS

In 2014, 2013 and 2012, the Corporation completed several transactions (closure or acquisition of certain operating units) and announced other restructuring measures and investments in order to optimize its asset base and streamline its cost structure. The following transactions and announcements, which occurred in all three years, should be taken into consideration when reviewing the overall or segmented analysis of the Corporation's results:

BUSINESS ACQUISITION, CLOSURES AND RESTRUCTURING

2014

BOXBOARD EUROPE

- In February, the Corporation announced that its subsidiary, Cascades Djupafors, located in Ronneby, Sweden, started a consultation process with the unions concerning the potential closure of the manufacturing activities.

2013

CONTAINERBOARD GROUP

- On November 27, the Corporation announced the creation of a new joint venture in the Atlantic Provinces related, to our Newfoundland and Moncton plants, with Maritime Paper Products Limited. The transaction was closed on February 1, 2014.

2012

CONTAINERBOARD GROUP

- On April 1, the Corporation acquired Bird Packaging Limited's converting and warehousing facilities, located in Guelph, Kitchener and Windsor, in Ontario.

- On April 25, the Corporation announced, as part of a restructuring plan and concurrent investments of $30 million, the permanent closure of three converting corrugated products plants, in Mississauga, North York and Peterborough, Ontario.

- On September 5, the Corporation announced, as part of a restructuring plan and concurrent investments of $22 million, the closure of its folding carton plant located in Lachute, Québec. The plant was closed at the beginning of the second quarter of 2013.

SPECIALTY PRODUCTS GROUP

- On February 22, the Corporation announced the permanent closure of its honeycomb packaging facility located in Toronto, Ontario.

TISSUE PAPERS GROUP

- On August 13, the Corporation announced the permanent closure of one of its converting plants located in Scarborough (McNicoll Street), in Ontario.

SIGNIFICANT FACTS AND DEVELOPMENTS

i. During the third quarter of 2013, we announced plans to increase the tissue paper production capacity at our plant in St. Helens, Oregon. The project, of which the total cost is estimated to be $35 million, consists in converting and starting up a second paper machine at our Oregon plant. The retrofitting of an existing machine will allow us to bring additional capacity of 55,000 tons to this market at a lower capital cost and on a faster timeline than if we were to build a new machine.

ii. Price increases

a) In the fourth quarter of 2012, our containerboard activities started implementing price increases of US$50 for its manufacturing and converting products. These price increases were gradually implemented at the end of 2012 and in 2013. The 2013 results of this segment did benefit from the full impact of these price increases.

b) In April 2013, our Containerboard Group announced price increases of US$50 per ton for our manufacturing products and of 10% for its converting products. These price increases were gradually implemented in our corrugated products sector starting in May 2013 and completed by the end of the third quarter.

c) During the third quarter of 2013, our North American boxboard activities announced price hikes on coated recycled paperboard (CRB) and solid bleached sulfate (SBS) of US$40 and US$15, respectively. All of these price increases are gradually implemented and will continue to impact our results in coming quarters.

d) In May 2013, our European recycled boxboard activities, Reno de Medici (RdM), announced a price hike of €50 per metric ton. Due to the long order backlog and challenging market conditions, the positive impact of this price increase started to be felt at the end of the third quarter and remained stable in the fourth quarter, net of the change in geographic mix.

iii. Since 2010, the Corporation has invested US$129 million ($130 million) (US$30 million ($32 million) in 2013) (including a bridge loan of US$15 million ($15 million)) in Greenpac Mill LLC (Greenpac) in relation to the construction of a recycled containerboard mill in New York State (U.S.A.), in partnership with third parties. The facility was built on the property located adjacent to the existing containerboard mill in Niagara Falls, NY. Considered the most advanced in its category in North America, Greenpac produces a lightweight linerboard, made of 100-per-cent-recycled fibre, on a 328-inch machine (8.33 meters), with an annual production capacity of 540,000 short tons. The mill successfully started its production as planned on July 15. Our objective of achieving full capacity within 12 months still stands and the ramp-up has been progressing according to plan. We are extremely satisfied with the efficiency of the board machine and the quality of the board. Average daily production during the first six months was 639 short tons per day (799 short tons per day in the fourth quarter) with peaks at over 1,300 tons on a nameplate capacity of 1,500 tons a day. In addition, positive operating income before depreciation was achieved in the fourth quarter. The Corporation's interest in the project is 59.7% and except for the bridge loan, this investment is accounted for using the equity method. The Corporation recorded its 59.7% share of the net results of Greenpac which includes start-up costs, depreciation and financing expenses. The overall impact amounted to a net loss of $9 million including specific items for the year. Greenpac is a disregarded entity for tax purposes and no income tax is included in our share of results of this investment.

The initial estimated cost of the Greenpac mill was US$430 million. The Corporation has entered into agreements to guarantee certain obligations in relation to the construction of the mill. The Corporation has guaranteed cost overruns relating to the construction costs in excess of the budgeted construction costs, which should remain in place until the ramp-up period is complete. The final costs of the project will be determined at the end of the ramp-up period but we are estimating additional costs of approximately 10% over the initial project cost. The necessary funding of these additional costs has been provided by the partners. In December 2013, the Corporation issued a letter of credit in the amount of US$21 million in relation to the debt service reserve account of the project. This letter of credit will be reduced gradually, and should be eliminated by the end of 2014. In August 2013, the Corporation filed a lawsuit against the former owner of the land where the Greenpac mill has been built, for compensatory damages in relation to additional costs incurred to remediate contaminated soil.

iv. In 2010, The Corporation entered into a put and call agreement with Industria E Innovazione ("Industria") whereby it had the option to buy 9.07% of the shares of Reno de Medici (RdM) (100% of the shares held by Industria) for €0.43 per share between March 1, 2011 and December 31, 2012. Industria also had the option of requiring the Corporation to purchase its shares for €0.41 per share between January 1, 2013 and March 31, 2014. As the put option held by Industria became effective on January 1, 2013 and the Corporation expected it would be exercised after the first quarter of 2013, an obligation in the amount of €14 million ($18 million) was recorded by the Corporation as at March 31, 2013. Consequently, the non-controlling interest has been adjusted by 9.07% effective January 1, 2013, to 42.39%. Industria did raise the put option in the second quarter of 2013, resulting in a cash payment for the Corporation of €14 million ($19 million). Our share in the equity of RdM, as at December 31, 2013, stands at 57.61%.

v. On May 9, 2013, Mr. Mario Plourde was appointed as the new President and Chief Executive Officer ("CEO") of the Corporation, following a two-year transition as Chief Operating Officer.

NEW IFRS ADOPTED IN 2013

IAS 19 - EMPLOYEE BENEFITS

IAS 19 has been amended and includes significant changes to the recognition and measurement of the defined benefit pension expense and termination benefits, and enhances the disclosure of all employee benefits. As such, the Corporation retroactively restated its 2012 consolidated financial statements (for more details, see Note 3 of the consolidated financial statements). It is worth noting that it is a non-cash adjustment and does not affect the Corporation's financial ratios related to its various credit agreements.

The following table summarizes the changes to the statement of earnings per quarter for 2012:

(in millions of Canadian dollars, unless otherwise noted)	Q1 2012	Q2 2012	Q3 2012	Q4 2012	**2012**
Increase in interest expense on employee future benefits	4	3	4	4	15
Related income tax recovery	(1)	(1)	(1)	(1)	(4)
Net loss impact	**(3)**	**(2)**	**(3)**	**(3)**	**(11)**
Net earnings (loss) attributable to Shareholders for the period as reported in 2012	6	7	5	(29)	(11)
Net earnings (loss) per share as reported (basic and diluted, in dollars)	$ 0.06	$ 0.08	$ 0.05	$ (0.30)	$ (0.11)
Restated net earnings (loss) attributable to Shareholders for the period	**3**	**5**	**2**	**(32)**	**(22)**
Restated net earnings (loss) per share (basic and diluted, in dollars)	**$ 0.03**	**$ 0.05**	**$ 0.02**	**$ (0.33)**	**$ (0.23)**

KEY PERFORMANCE INDICATORS

In order to achieve our long-term objectives while also monitoring our action plan, we use several key performance indicators, including the following:

	2011					2012					2013
	TOTAL	Q1	Q2	Q3	Q4	TOTAL	**Q1**	**Q2**	**Q3**	**Q4**	**TOTAL**
OPERATIONAL											
Total shipments (in '000 s.t.) [1]											
Packaging Products											
Containerboard	1,372	302	297	298	293	1,190	**296**	**324**	**334**	**314**	**1,268**
Boxboard Europe [2]	897	277	285	261	281	1,104	**299**	**301**	**260**	**277**	**1,137**
Specialty Products [3]	377	98	97	99	91	385	**94**	**94**	**93**	**90**	**371**
	2,646	677	679	658	665	2,679	**689**	**719**	**687**	**681**	**2,776**
Tissue Papers [2]	513	130	146	147	141	564	**143**	**149**	**153**	**138**	**583**
Total	3,159	807	825	805	806	3,243	**832**	**868**	**840**	**819**	**3,359**
Integration rate [4]											
Containerboard only (North America)	62%	64%	66%	67%	64%	65%	**62%**	**57%**	**55%**	**51%**	**56%**
Tissue Papers	60%	72%	68%	68%	69%	69%	**69%**	**70%**	**71%**	**72%**	**70%**
Manufacturing capacity utilization rate [5]											
Packaging Products											
Containerboard	91%	88%	85%	86%	86%	86%	**87%**	**90%**	**88%**	**84%**	**87%**
Boxboard Europe	88%	92%	95%	86%	93%	92%	**99%**	**99%**	**86%**	**91%**	**94%**
Specialty Products (paper only)	77%	78%	77%	79%	72%	77%	**76%**	**76%**	**74%**	**72%**	**75%**
Tissue Papers	90%	94%	98%	97%	94%	96%	**98%**	**98%**	**100%**	**93%**	**97%**
Total	88%	89%	90%	87%	88%	88%	**91%**	**93%**	**88%**	**87%**	**90%**
Energy cons.[6] - GJ/ton	11.38	11.86	11.18	10.89	11.71	11.41	**12.01**	**10.98**	**10.40**	**11.54**	**11.23**
Work accidents [7] - OSHA frequency rate	4.50	3.20	3.80	4.60	3.50	3.78	**3.10**	**3.30**	**3.10**	**3.20**	**3.20**
FINANCIAL											
Return on assets [8]											
Packaging Products											
Containerboard	6%	7%	7%	7%	7%	7%	**8%**	**9%**	**10%**	**11%**	**11%**
Boxboard Europe	7%	7%	6%	6%	6%	6%	**6%**	**6%**	**6%**	**7%**	**7%**
Specialty Products	7%	7%	8%	8%	9%	9%	**9%**	**10%**	**10%**	**12%**	**12%**
Tissue Papers	11%	11%	15%	17%	19%	19%	**18%**	**18%**	**18%**	**18%**	**18%**
Consolidated return on assets	6.5%	7.1%	7.6%	7.5%	8.1%	8.1%	**8.0%**	**8.0%**	**8.5%**	**9.3%**	**9.3%**
Return on capital employed [9]	1.3%	1.9%	2.3%	2.3%	2.8%	2.8%	**2.8%**	**2.9%**	**3.2%**	**4.0%**	**4.0%**
Working capital [10]											
In millions of $, at end of period	510	536	549	524	455	455	**488**	**544**	**485**	**455**	**455**
% of sales [11]	14.8%	14.8%	15.0%	14.8%	14.4%	14.4%	**14.0%**	**13.5%**	**13.1%**	**12.9%**	**12.9%**

1 Shipments do not take into account the elimination of business sector intercompany shipments.
2 Starting in the second quarter of 2011, shipments take into account the full consolidation of RdM. Starting in the fourth quarter of 2011, shipments take into account the acquisition of Papersource.
3 Industrial packaging and specialty papers shipments.
4 Defined as : Percentage of manufacturing shipments transferred to our converting operations. Containerboard excludes manufacturing shipments from our North American boxboard operations.
5 Defined as: Manufacturing internal and external shipments/Practical capacity.
6 Average energy consumption for manufacturing mills only, excluding RdM.
7 Starting in Q1 2013, the rate includes Papersource and Bird Packaging. Excluding RdM.
8 Return on assets is a non-IFRS measure defined as the last twelve months ("LTM") OIBD excluding specific items/LTM average of total assets. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months on a pro-forma basis.
9 Return on capital employed is a non-IFRS measure and is defined as the after-tax (30%) amount of the LTM operating income excluding specific items/average LTM capital employed. Capital employed is defined as the total assets less accounts payable and accrued liabilities. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months on a pro-forma basis.
10 Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less accounts payable and accrued liabilities. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months on a pro-forma basis.
11 % of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months on a pro-forma basis.

HISTORICAL FINANCIAL INFORMATION

	2011	2012 RESTATED [1]					2013				
(in millions of Canadian dollars, unless otherwise noted)	TOTAL	Q1	Q2	Q3	Q4	TOTAL	**Q1**	**Q2**	**Q3**	**Q4**	**TOTAL**
Sales											
Packaging Products											
Containerboard	1,293	284	300	299	306	1,189	**298**	**335**	**353**	**328**	**1,314**
Boxboard Europe	745	204	208	181	198	791	**212**	**215**	**194**	**216**	**837**
Specialty Products	851	202	209	197	183	791	**189**	**196**	**197**	**192**	**774**
Inter-segment sales	(104)	(18)	(19)	(17)	(14)	(68)	**(14)**	**(17)**	**(15)**	**(15)**	**(61)**
	2,785	672	698	660	673	2,703	**685**	**729**	**729**	**721**	**2,864**
Tissue Papers	871	229	255	253	242	979	**241**	**264**	**279**	**249**	**1,033**
Inter-segment sales and Corporate activities	(31)	(10)	(9)	(7)	(11)	(37)	**(12)**	**(11)**	**(13)**	**(12)**	**(48)**
Total	3,625	891	944	906	904	3,645	**914**	**982**	**995**	**958**	**3,849**
Operating income (loss)											
Packaging Products											
Containerboard	(25)	8	(1)	7	(29)	(15)	**11**	**21**	**33**	**28**	**93**
Boxboard Europe	10	4	—	(1)	(2)	1	**2**	**1**	**—**	**(10)**	**(7)**
Specialty Products	(12)	5	8	8	2	23	**5**	**9**	**(12)**	**4**	**6**
	(27)	17	7	14	(29)	9	**18**	**31**	**21**	**22**	**92**
Tissue Papers	52	21	26	24	21	92	**18**	**23**	**29**	**36**	**106**
Corporate activities	(17)	(9)	(4)	(2)	(11)	(26)	**(16)**	**(16)**	**(13)**	**(13)**	**(58)**
Total	8	29	29	36	(19)	75	**20**	**38**	**37**	**45**	**140**
OIBD excluding specific items [2]											
Packaging Products											
Containerboard	85	21	23	26	25	95	**25**	**33**	**42**	**46**	**146**
Boxboard Europe	42	13	11	7	11	42	**11**	**10**	**9**	**21**	**51**
Specialty Products	34	11	15	15	8	49	**11**	**16**	**15**	**16**	**58**
	161	45	49	48	44	186	**47**	**59**	**66**	**83**	**255**
Tissue Papers	72	33	39	35	31	138	**29**	**33**	**39**	**32**	**133**
Corporate activities	(4)	(6)	(4)	(5)	(5)	(20)	**(8)**	**(9)**	**(9)**	**(10)**	**(36)**
Total	229	72	84	78	70	304	**68**	**83**	**96**	**105**	**352**
Net earnings (loss) [1]	99	3	5	2	(32)	(22)	**(8)**	**2**	**11**	**6**	**11**
Excluding specific items [2]	(14)	1	5	4	(5)	5	**(4)**	**8**	**7**	**18**	**29**
Net earnings (loss) per share (in dollars) [1]											
Basic	$ 1.03	$ 0.03	$ 0.05	$ 0.02	$ (0.33)	$ (0.23)	**$ (0.09)**	**$ 0.03**	**$ 0.12**	**$ 0.05**	**$ 0.11**
Basic, excluding specific items [2]	$ (0.14)	$ 0.01	$ 0.05	$ 0.05	$ (0.06)	$ 0.05	**$ (0.04)**	**$ 0.09**	**$ 0.07**	**$ 0.19**	**$ 0.31**
Cash flow from continuing operations [2]	126	48	37	42	34	161	**46**	**41**	**78**	**61**	**226**
Net debt [3]	1,485	1,524	1,585	1,542	1,535	1,535	**1,581**	**1,675**	**1,601**	**1,612**	**1,612**
Cascades North American US$ selling price index (2005 index = 1,000) [4]	1,256	1,271	1,227	1,233	1,261	1,248	**1,262**	**1,298**	**1,319**	**1,313**	**1,298**
Cascades North American US$ raw materials index (2005 index = 300) [4]	472	386	382	367	340	369	**353**	**348**	**358**	**360**	**355**
US$/CAN$	$ 1.01	$ 1.00	$ 0.99	$ 1.01	$ 1.01	$ 1.00	**$ 0.99**	**$ 0.98**	**$ 0.96**	**$ 0.95**	**$ 0.97**
EURO€/CAN$	$ 0.73	$ 0.76	$ 0.77	$ 0.80	$ 0.78	$ 0.78	**$ 0.75**	**$ 0.75**	**$ 0.73**	**$ 0.70**	**$ 0.73**
Natural Gas Henry Hub - US$/mmBtu	$ 4.04	$ 2.74	$ 2.22	$ 2.81	$ 3.40	$ 2.79	**$ 3.34**	**$ 4.09**	**$ 3.58**	**$ 3.60**	**$ 3.65**

Sources: Bloomberg and Cascades.

1 The 2012 figures were restated to comply with IAS19 standard - Employee benefits (please refer to page 21 for more details)

2 See "Supplemental information on non-IFRS measures."

3 Defined as total debt less cash and cash equivalents.

4 See Notes 1 and 2 on page 17.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Net earnings (net loss), a performance measure defined by IFRS, is reconciled below with operating income, operating income excluding specific items and operating income before depreciation and amortization excluding specific items:

(in millions of Canadian dollars)	**2013**	2012
Net earnings (loss) attributable to Shareholders for the year	**11**	(22)
Net earnings (loss) attributable to non-controlling interest	**3**	(7)
Net loss (earnings) from discontinued operations	**(2)**	5
Provision for (recovery of) income taxes	**12**	(6)
Share of results of associates and joint ventures	**3**	(2)
Foreign exchange gain on long-term debt and financial instruments	**(2)**	(8)
Financing expense and interest on future employee benefits	**115**	115
Operating income	**140**	75
Specific items:		
Loss (gain) on acquisitions, disposals and others	**3**	(1)
Impairment charges	**27**	29
Restructuring costs	**6**	7
Unrealized gain on financial instruments	**(6)**	(5)
Accelerated depreciation due to restructuring measures	**—**	13
	30	43
Operating income - excluding specific items	**170**	118
Depreciation and amortization, excluding specific items	**182**	186
Operating income before depreciation and amortization - excluding specific items	**352**	304

The following table reconciles net earnings (net loss) and net earnings (net loss) per share with net earnings excluding specific items and net earnings per share excluding specific items:

	NET EARNINGS (LOSS)		NET EARNINGS (LOSS) PER SHARE [1]	
(in millions of Canadian dollars, except amount per share)	**2013**	2012	**2013**	2012
As per IFRS	**11**	(22)	**$ 0.11**	$ (0.23)
Specific items :				
Loss (gain) on acquisitions, disposals and others	**3**	(1)	**$ 0.03**	$ (0.01)
Impairment charges	**27**	29	**$ 0.25**	$ 0.22
Restructuring costs	**6**	7	**$ 0.04**	$ 0.05
Unrealized gain on financial instruments	**(6)**	(5)	**$ (0.04)**	$ (0.04)
Accelerated depreciation due to restructuring measures	**—**	13	**—**	$ 0.10
Unrealized gain on interest rate swaps	**(1)**	—	**$ (0.01)**	—
Foreign exchange gain on long-term debt and financial instruments	**(2)**	(8)	**$ (0.02)**	$ (0.07)
Share of results of associates and joint ventures	**(4)**	(2)	**$ (0.03)**	$ (0.02)
Included in discontinued operations, net of tax	**(2)**	5	**$ (0.02)**	$ 0.05
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest [1]	**(3)**	(11)	**—**	—
	18	27	**$ 0.20**	$ 0.28
Excluding specific items	**29**	5	**$ 0.31**	$ 0.05

1 Specific amounts per share are calculated on an after-tax basis and net of the portion attributable to non-controlling interest.

The following table reconciles cash flow provided by operating activities with operating income and operating income before depreciation and amortization:

(in millions of Canadian dollars)	2013	2012
Cash flow provided by operating activities	**232**	203
Changes in non-cash working capital components	**(6)**	(42)
Depreciation and amortization	**(182)**	(199)
Income taxes paid (received)	**(5)**	17
Net financing expense paid	**100**	99
Gain (loss) on acquisitions, disposals and others	**(3)**	1
Impairment charges and restructuring costs	**(30)**	(30)
Unrealized gain on derivative financial instruments	**6**	5
Dividend received, employee future benefits and others	**28**	21
Operating income	**140**	75
Depreciation and amortization	**182**	199
Operating income before depreciation and amortization	**322**	274

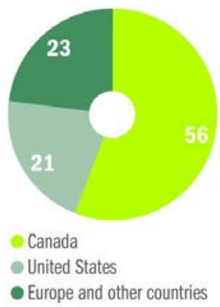
FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2013 COMPARED TO THE YEAR ENDED DECEMBER 31, 2012

SALES

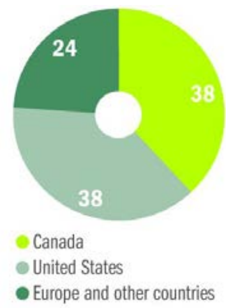
Sales increased by $204 million, or 6%, to $3,849 million in 2013 compared to $3,645 million in 2012 resulting from higher volumes of 4% and from the 6% and 3% depreciation of the Canadian dollar against, respectively, the Euro and the U.S. dollar. That increase was partly offset by the negative impacts of lower average selling prices and mix throughout most of our business segments.

Sales by geographic segment are as follows:

Sales from (in %)



Sales to (in %):



OPERATING INCOME FROM CONTINUING OPERATIONS

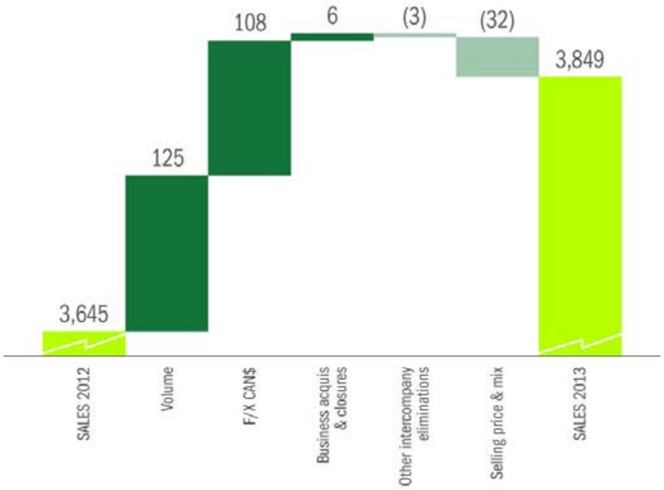
The Corporation generated an operating income of $140 million in 2013 compared to $75 million in 2012, an increase of $65 million. The higher volume, lower energy costs, depreciation of the Canadian dollar and positive impacts of businesses acquired and closed were the factors behind the increase in operating income but were partly offset by the negative impacts of lower average selling prices and unfavourable mix throughout most of our business segments, higher raw materials costs due to outside purchases and other production costs such as outside subcontracting and production inefficiencies. We also incurred additional costs related to our initiatives of upgrading our information systems and the re-engineering of our business processes. Excluding specific items, the operating income stood at $170 million in 2013 compared to $118 million in the same period of 2012 (see the “Supplemental Information on non-IFRS measures” and "Specific items included in operating income, financing expense, discontinued operations and net earnings" sections for reconciliation of these amounts).

Our 2013 operating income before depreciation was also impacted by the following items:

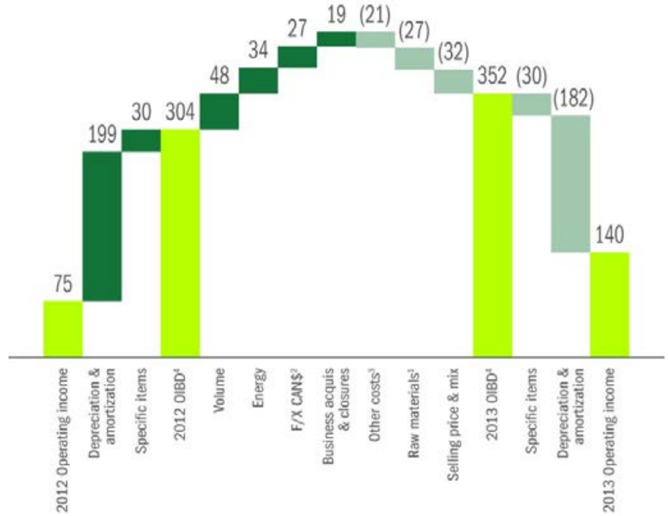
- A loss of approximately $4 million during the third quarter following flooding incidents resulting in additional maintenance and repair expenses, and unplanned downtime, for a shortfall of 5,800 tons at our existing containerboard mill in Niagara Falls, USA, and 4,000 tons at our fine paper mill in St-Jérôme, Québec.
- A $5 million gain resulting from a decrease in our post-retirement benefits liability following a change to our benefits program;
- A $6 million gain resulting from energy savings certificates ("white certificates") awarded at the end of 2013 by the Italian authorities to our European recycled boxboard operations, following an energy efficiency improvement program for the years 2010, 2011 and 2012.

The main variances in sales and operating income in 2013, compared to 2012, are shown below:

Sales ($M)



Operating income ($M)



1 Raw materials: *The impacts of these estimated costs are based on production costs per unit, which are affected by yield, product mix changes and purchase and transfer prices. In addition to market pulp and recycled fibre, they include purchases of external boards and parent rolls for the converting sector, and other raw materials such as plastics and woodchips.*

2 F/X CAN$: *The estimated impact of the exchange rate is based only on the Corporation's export sales less purchases that are impacted by exchange rate fluctuations, mainly the US$/CAN$ variation. It also includes the impact of the exchange rate on the Corporation's working capital items and cash position.*

3 Other costs: *Other costs include the impact of variable and fixed costs based on production costs per unit, which are affected by downtimes, efficiencies and product mix changes.*

4 OIBD*: Excluding specific items.*

The operating income variance analysis by segment is shown in each business segment review (refer to pages 32 to 39).

SPECIFIC ITEMS INCLUDED IN OPERATING INCOME, FINANCING EXPENSE, DISCONTINUED OPERATIONS AND NET EARNINGS

The Corporation incurred some specific items in 2013 and 2012 that adversely or positively affected its operating results. We believe that it is useful for readers to be aware of these items, as they provide a measure of performance with which to compare the Corporation's results between periods, notwithstanding these specific items.

The reconciliation of the specific items included in operating income by business group is as follows:

						2013
(in millions of Canadian dollars)	**Container-board**	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**93**	**(7)**	**6**	**106**	**(58)**	**140**
Depreciation and amortization	**60**	**37**	**26**	**44**	**15**	**182**
Operating income (loss) before depreciation and amortization	**153**	**30**	**32**	**150**	**(43)**	**322**
Specific items:						
Loss (gain) on acquisitions, disposals and others	**(2)**	**—**	**—**	**—**	**5**	**3**
Impairment charges (reversal)	**1**	**17**	**26**	**(17)**	**—**	**27**
Restructuring costs	**2**	**4**	**—**	**—**	**—**	**6**
Unrealized loss (gain) on financial instruments	**(8)**	**—**	**—**	**—**	**2**	**(6)**
	(7)	**21**	**26**	**(17)**	**7**	**30**
Operating income (loss) before depreciation and amortization - excluding specific items	**146**	**51**	**58**	**133**	**(36)**	**352**
Operating income (loss) - excluding specific items	**86**	**14**	**32**	**89**	**(51)**	**170**

						2012
(in millions of Canadian dollars)	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	(15)	1	23	92	(26)	75
Depreciation and amortization	79	37	26	46	11	199
Operating income (loss) before depreciation and amortization	64	38	49	138	(15)	274
Specific items:						
Gain on acquisitions, disposals and others	(1)	—	—	—	—	(1)
Impairment charges	25	3	—	—	1	29
Restructuring costs	6	1	—	—	—	7
Unrealized loss (gain) on financial instruments	1	—	—	—	(6)	(5)
	31	4	—	—	(5)	30
Operating income (loss) before depreciation and amortization - excluding specific items	95	42	49	138	(20)	304
Accelerated depreciation due to restructuring measures	12	—	—	1	—	13
Operating income (loss) - excluding specific items	28	5	23	93	(31)	118

LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

In 2013 and 2012, the Corporation recorded the following gain and other charge:

(in millions of Canadian dollars)	**2013**	2012
Employment contracts	**5**	—
Gain on disposal of property, plant and equipment	**(2)**	(1)
	3	(1)

2013

As part of the transition process related to the appointment of a new President and CEO, the Corporation entered into employment contracts with the new President and CEO, and its Presidents of the Containerboard, Specialty Products and Tissue Papers business segments. The fair value of the post-employment benefit obligation related to these employment contracts was evaluated at $5 million as at March 31, and an equivalent charge has been recorded.

In the second quarter, the Containerboard Group sold a piece of land located at its New York City, U.S.A., containerboard plant and recorded a gain of $2 million on the disposal.

2012

The Containerboard Group sold a vacant piece of land located next to the Vaudreuil, Québec corrugated containerboard plant and recorded a gain of $1 million on the disposal.

IMPAIRMENT CHARGES (REVERSAL) AND RESTRUCTURING COSTS

In 2013 and 2012, the Corporation recorded the following impairment charges (reversal) and restructuring costs:

	2013		2012	
(in millions of Canadian dollars)	**Impairment charges (reversal)**	**Restructuring costs**	Impairment charges	Restructuring costs
Containerboard Group	**1**	**2**	25	6
Boxboard Europe Group	**17**	**4**	3	1
Specialty Products Group	**26**	**—**	—	—
Tissue Papers Group	**(17)**	**—**	—	—
Corporate activities	**—**	**—**	1	—
	27	**6**	29	7

2013

The Containerboard Group recorded an impairment charge of $1 million due to the reevaluation of notes receivable from 2011 business disposals.

The Containerboard Group also recorded a $1 million provision relating to an onerous lease contract and additional severances provision totaling $1 million in relation to the consolidation of its Ontario converting activities, announced in 2012.

The Boxboard Europe Group reviewed the recoverable amount of its Magenta and Marzabotto (both in Italy) and Iberica, Spain, recycled boxboard manufacturing mills, and recorded impairment charges on property, plant and equipment totaling $7 million. The slow recovery of the European economic environment since the 2009 financial crisis negatively impacted profitability of these mills and led to the consolidation of our recycled boxboard activities in Europe.

The Boxboard Europe Group also recorded an impairment charge of $10 million on property, plant and equipment of its Djupafors, Sweden virgin boxboard mill, due to sustained difficult market conditions and insufficient profitability.

The Boxboard Europe Group recorded severances totaling $4 million in relation to consolidation of its recycled boxboard activities in Italy and Spain as well as its virgin boxboard mill located in Djupafors, Sweden.

The Specialty Product Group reviewed the recoverable amount of its East Angus, Québec, kraft paper mill and recorded impairment charges of $16 million on property, plant and equipment and $4 million on spare parts. The strength of the Canadian dollar over the last few years, combined with lower demand, reduced profitability.

The Specialty Group also reviewed the recoverable amount of its honeycomb activities CGU and recorded an impairment charge of $2 million on a client list and $4 million on goodwill. Low shipments in this sector do not generate enough profitability to support the carrying value of these intangible assets with a finite life.

The Tissue Papers Group recorded a $17 million reversal of impairment on its Memphis, Tennessee, manufacturing mill. The Corporation had initially recorded an impairment charge of $22 million at transition date to IFRS on January 1, 2010, due to operational challenges. Since then, the Corporation implemented a Group Best Practice program to maximize efficiency at all of its plants. These actions contributed to solving operating difficulties at the Memphis mill.

2012

The Containerboard Group reviewed the recoverable value of its Mississauga manufacturing mill, and impairment charges of $21 million on fixed assets and $2 million on intangible assets were recorded due to difficult market conditions. The Containerboard Group also recorded additional impairment charges totaling $2 million on its Burnaby mill and Le Gardeur converting plant which were closed in 2011.

On April 25, the Corporation announced the closure of its North York, Peterborough and Mississauga units in Ontario. These plants are part of the Containerboard Group. These closures resulted in the recognition of an onerous contract and severance provisions totaling $7 million.

On September 5, 2012, the Corporation announced the closure of its Lachute folding carton plant, part of the Containerboard Group. This resulted in the recognition of severance provisions totaling $2 million and a curtailment gain on pension plan amounting to $2 million.

During the year, the Containerboard Group recorded a $1 million reversal of an environmental provision with regard to its Burnaby manufacturing mill closed in 2011.

The Boxboard Europe Group reviewed the recoverable value of its temporarily closed Magenta manufacturing mill, and recorded impairment charges of $2 million on fixed assets and $1 million on spare parts. It also recorded a severance provision of $1 million.

The Corporation also recorded an impairment charge of $1 million in its corporate activities due to the reevaluation of notes receivable from business disposals realized in 2011.

DERIVATIVE FINANCIAL INSTRUMENTS

In 2013, the Corporation recorded an unrealized gain of $6 million, compared to an unrealized gain of $5 million in 2012, on financial instruments related to currency hedging as well as commodities such as electricity, natural gas and recovered paper.

INTEREST RATE SWAPS

In 2013, the Corporation recorded an unrealized gain of $1 million on financial instruments on interest rate swaps (nil in 2012).

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2013, the Corporation recorded a gain of $2 million (2012 - gain of $8 million) on its US$-denominated debt and related financial instruments. This is composed of a loss of $7 million (2012 - $4 million gain) on our US$-denominated long-term debt net of our net investment hedge in the U.S. and forward exchange contracts designated as hedging instruments. It also includes a $9 million gain (2012 - $4 million gain) on foreign exchange forward contracts not designated as hedging instruments.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

In 2013, the share of results of our associates, and joint ventures includes an unrealized gain of $5 million on financial instruments related to commodity contracts. It also includes an impairment charge of $1 million on an investment in our European recycled boxboard activities.

DISCONTINUED OPERATIONS

On March 11, 2011, the Corporation announced that it had entered into an agreement for the sale of Dopaco Inc. and Dopaco Canada Inc. (collectively Dopaco), its converting business for the quick-service restaurant industry, which was part of the Containerboard Group, to Reynolds Group Holdings Limited.

2013

In 2013, we reversed a $2 million provision for which we retained liability following this transaction since it did not materialize.

2012

The Corporation also retained liability for certain pending litigation, namely a claim of damages in relation to the contamination of a site previously used by Dopaco. In 2012, the Corporation recorded a provision of $2 million (net of related income tax of $1 million) regarding this claim. Following the settlement of this claim, the Corporation paid $2 million. In 2012, the Corporation also recorded an income tax adjustment of $3 million relating to the finalization of the income tax on the Dopaco gain.

ACCELERATED DEPRECIATION DUE TO RESTRUCTURING MEASURES

On April 25, 2012, the Corporation announced, in the Containerboard Group, the closure of its North York and Peterborough units as well as the OCD plant in Mississauga. These closures resulted in accelerated depreciation of $3 million, due to the revaluation of the remaining useful life and residual value of some equipment.

That same group also reviewed the useful life and residual value of its Trenton steam reformer and recorded accelerated depreciation totaling $9 million.

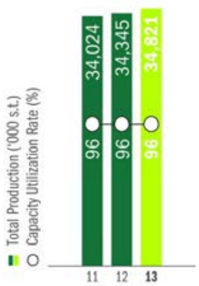
On August 13, 2012, the Corporation announced the closure of its Tissue Papers Group plant located in Scarborough and reviewed the useful life and residual value of its assets which resulted in accelerated depreciation of $1 million.

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

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

In 2013, the market remained relatively balanced. Total production slightly increased to meet demand so the capacity utilization rate remained stable.



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

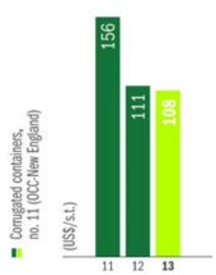
The increase in inventories recorded in 2013 can be explained by new supply coming to market in North America in the context of limited containerboard demand growth in the US.

Canadian corrugated box industry shipments [3]

Shipments in Canada slightly decreased in 2013 compared to 2012 as the economic environment was less favourable.

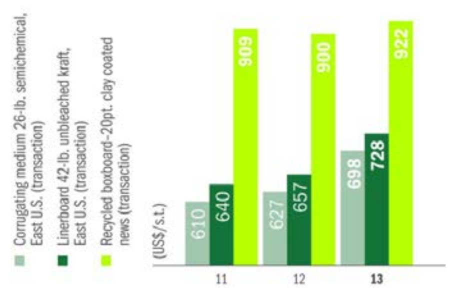
Reference prices - Recycled fibre [1]

The average American Northeast reference price of corrugated containers #11 slightly decreased in 2013 due to weak Asian demand and ample domestic supply due to the Green Fence program in China.



Reference prices - Containerboard [1]

Containerboard reference prices posted a second increase of $50/ton in April 2013. Likewise, average boxboard reference prices increased by $20/ton in 2013, due to higher demand.



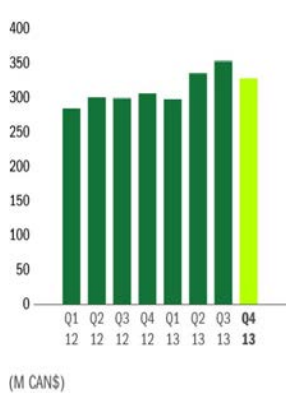
1 Source: RISI

2 Source: Fiber box Association

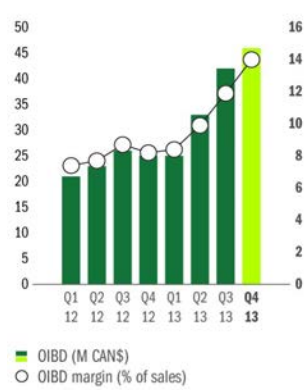
3 Source: Paper Packaging Canada

Our Performance

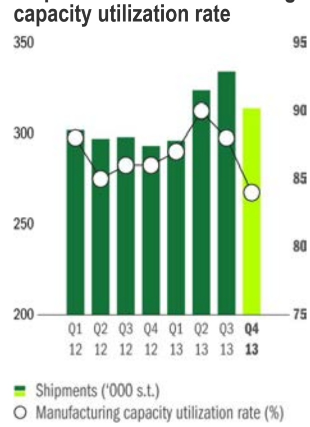
Sales



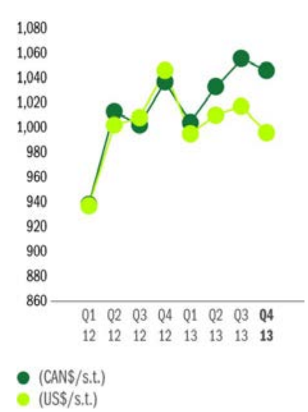
OIBD and OIBD margin (excluding specific items)



Shipments and manufacturing capacity utilization rate



Average selling price



	2012	2013	Change in %
Shipments [1] ('000 s.t.)	1,190	1,268	7%
Average Selling Price [2]			
(CAN$/unit)	997	1,035	4%
(US$/unit)	998	1,005	1%
Sales ($M)	1,189	1,314	11%
Operating income (loss) ($M)			
(as reported)	(15)	93	720%
(excluding specific items)	28	86	207%
OIBD ($M)			
(as reported)	64	153	139%
% of sales	5%	12%	
(excluding specific items)	95	146	54%
% of sales	8%	11%	

1 Shipments do not take into account the elimination of business sector intercompany shipments.

2 Average selling price is a weighted average of containerboard and boxboard shipments.

Shipments increased by 7%, or 78,000 s.t. to 1,268,000 s.t. in 2013, compared to 1,190,000 s.t. in 2012. The mills' external shipments went up by 80,000 s.t., coming principally from containerboard mills that sold fewer tons internally in good part due to the start-up of Greenpac, which took over a portion of the internal linerboard supply. Since our participation in Greenpac is accounted for using the equity method, these purchases from Greenpac are accounted for as external purchases for the Group. The mills' external shipments could have been 5,800 s.t. higher if it were not for a flood that affected the Niagara Falls mill. The converting operations reported a solid performance in shipments in 2013. In fact, their volume increased by 1.2% (same-plant basis), whereas the Canadian corrugated products industry experienced a volume decrease of 0.6%.

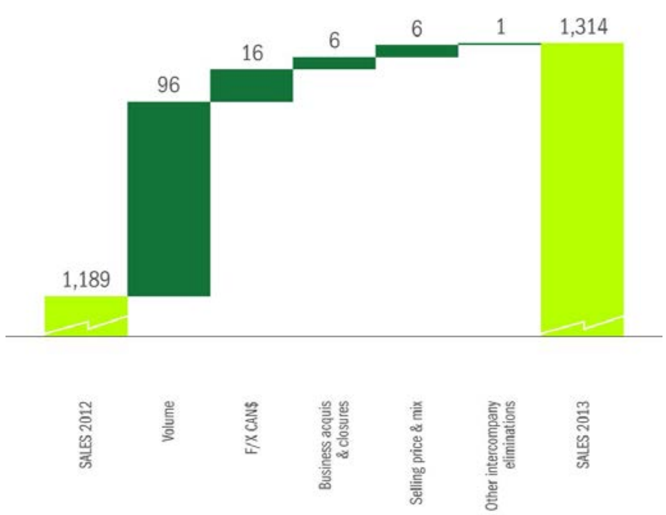
The total **average selling price** went up by $38, or 4%, to $1,035 per s.t. in 2013 compared to $997 in 2012. Both our primary mills and corrugated products units benefited from the two latest containerboard selling price increases, as well as the weakening of the Canadian dollar. The Group's containerboard mills' average selling price went up by $65 per s.t., while the corrugated products plants average selling price rose by $80 per s.t., although these price increases were partially nullified by a change in the Group's product mix. In fact, with volume up by 18%, the primary mills increased their share of the Group's total shipments by 4%, which are sold at a lower price than converted products.

As a result, the Containerboard Group's **sales** increased by $125 million, or 11%, to $1,314 million in 2013 compared to $1,189 million in 2012. Except for the change in the Group's product mix highlighted above, which negatively impacted sales by $47 million, all factors impacting the Group's revenue line were positive. The higher volume registered in the period added $96 million of sales, with the 3% depreciation in the value of the Canadian dollar against the U.S. dollar adding another $16 million. In addition, the average selling price increase and the acquisition of Bird Packaging in April 2012 resulted in supplemental sales of, respectively, $53 million (excluding the effect of the mix of the products sold) and $6 million.

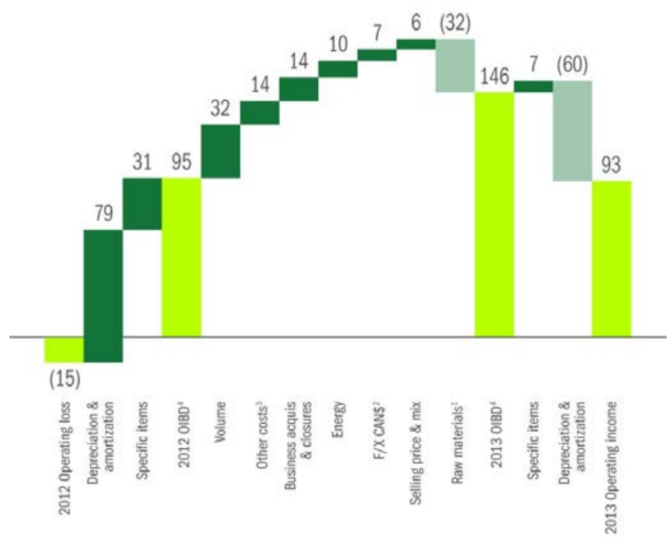
Excluding specific items, **operating income** rose to $86 million in 2013 compared to $28 million in 2012, an increase of $58 million. Variable costs declined by $36 million following the increased portion of our primary mills' activities, lower energy costs in the manufacturing sub-sector and lower chemical costs in the converting segment resulting from a reduction in the percentage of wax products sold. Higher volume contributed to $32 million of additional income, while Management's strategic decisions to close three converting plants in Ontario, along with the Burnaby mill and also the acquisition of Bird Packaging in 2012, provided an additional $14 million. In 2013, the Group's decision to end the medical insurance coverage of future retirees allowed us to reverse $5 million of the post-retirement provision. On the other hand, the Group bought more paper on the market, mainly from its Greenpac investment, to supply its converting units resulting in a negative raw materials variance of $32 million. Finally, impairment charges and accelerated depreciation recorded at the end of 2012 on containerboard assets resulted in a $19 million reduction in the depreciation expense.

The main variances in sales and operating income (loss) for the Containerboard Group are shown below:

Sales ($M)



Operating income (loss) ($M)



For Notes 1 to 4, see definitions on page 27.

The Corporation incurred some specific items in 2013 and 2012 that adversely or positively affected its operating results. Please refer to pages 28 to 31 for more details and reconciliation.

PACKAGING PRODUCTS - BOXBOARD EUROPE

Our Industry

European industry's order inflow of coated boxboard from Europe [1]

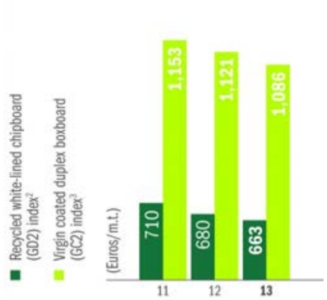
The year 2013 was generally better for the European coated boxboard industry. Order inflows increased by 3% for both the WLC and FBB markets.

Coated recycled boxboard industry's order inflow from Europe [1]
(White-lined chipboard (WLC) - 5-week weekly moving average)

Virgin coated duplex boxboard industry's order inflow from Europe [1]
(Folding boxboard (FBB) - 5-week weekly moving average)

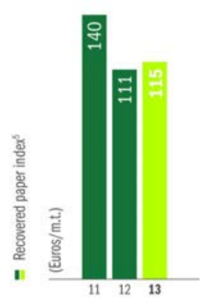
Reference prices - Boxboard Europe [4]

Due to the weak economic environment in Europe, both the recycled WLC and FBB reference prices have been decreasing since 2011. Announced price increase during the year was only partially successful.



Reference prices - Recycled fibre in Europe [4, 5]

In 2013, our recovered paper reference index in Europe remained relatively stable due to lower Asian demand.



1 Source: CEPI Cartonboard

2 The Cascades recycled white-lined chipboard selling prices index represents an approximation of Cascades' recycled grade selling prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe and EUWID prices for white-lined chipboard.

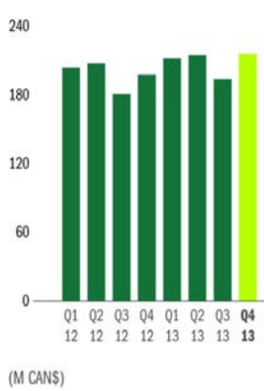
3 The Cascades virgin coated duplex boxboard selling prices index represents an approximation of Cascades' virgin grade selling prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe and EUWID prices for coated duplex boxboard.

4 Source: RISI

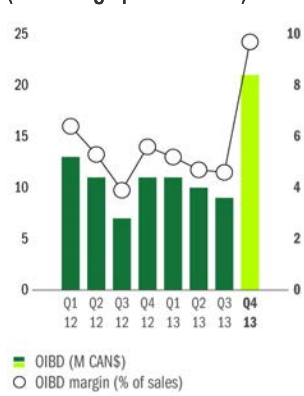
5 The Cascades recovered mixed paper and board sorted prices index represents an approximation of Cascades' recovered paper purchase prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe and EUWID prices for recovered mixed paper and board. This index should only be used as a trend indicator and may differ from our actual purchasing costs and our purchase mix.

Our Performance

Sales

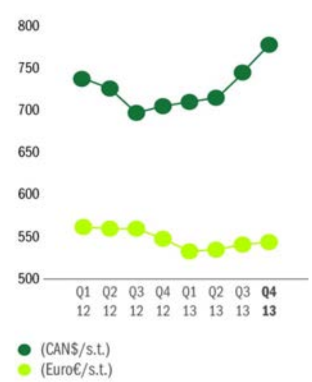


OIBD and OIBD margin (excluding specific items)



Shipments and manufacturing capacity utilization rate

Average selling price



	2012	2013	Change in %
Shipments [1] ('000 s.t.)	1,104	1,137	3%
Average Selling Price [2] (CAN$/unit)	717	736	3%
(Euro€/unit)	558	538	-4%
Sales ($M)	791	837	6%
Operating income (loss) ($M) (as reported)	1	(7)	-800%
(excluding specific items)	5	14	180%
OIBD ($M) (as reported)	38	30	-21%
% of sales	5%	4%	
(excluding specific items)	42	51	21%
% of sales	5%	6%	

1 Shipments do not take into account the elimination of business sector intercompany shipments.
2 Average selling price is a weighted average of virgin and recycled boxboard shipments.

Shipments increased by 33,000 s.t., or 3%, to reach 1,137,000 s.t. in 2013, compared to 1,104,000 s.t. in 2012. The major part of that increase is related to the growth of European demand for white-lined chipboard for packaging, from recycled fibres.

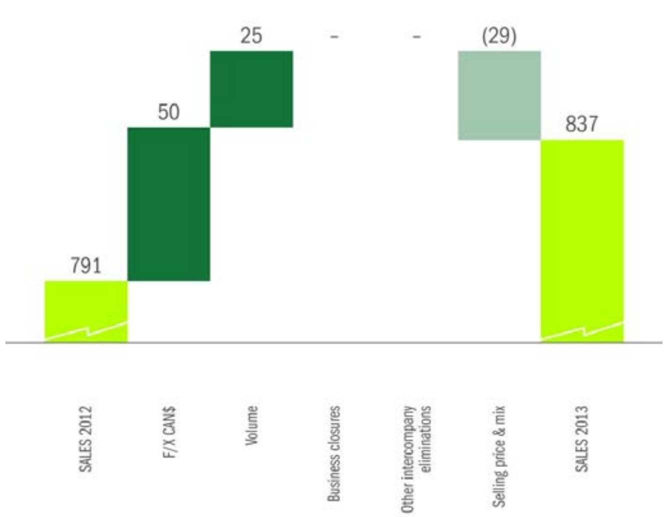
The total **average selling price** went up by $19, to $736 per s.t. in 2013, compared to $717 in 2012 resulting from a lower Canadian dollar. The average selling price in Euros decreased due to the challenging economy and market environment in Europe, which caused an average selling price decrease of €20, or 4%, to €538 in 2013, compared to €558 in 2012. The recycled and virgin boxboard activities selling prices are down by €15 and €40 respectively in 2013, compared to 2012. The challenging economy and market conditions prevailing during the first half of the year have been detrimental to our average selling price. A price increase announcement of €50 made in May of this year was partially implemented during the second half of the year. On the other hand, a change in geographic mix compared to last year negatively impacted the average selling price. Our European activities should continue to benefit from recently announced price increases (see the "Significant Facts and Developments" section on page 20 for more details on price increases).

As a result, the Boxboard Europe Group's **sales** increased by $46 million, or 6%, to $837 million in 2013 compared to $791 million in 2012. The 6% depreciation of the Canadian dollar against the Euro and higher volumes accounted, respectively, for $50 million and $25 million of the increase. On the other hand, as explained above, lower average selling prices partly offset the increase by $29 million.

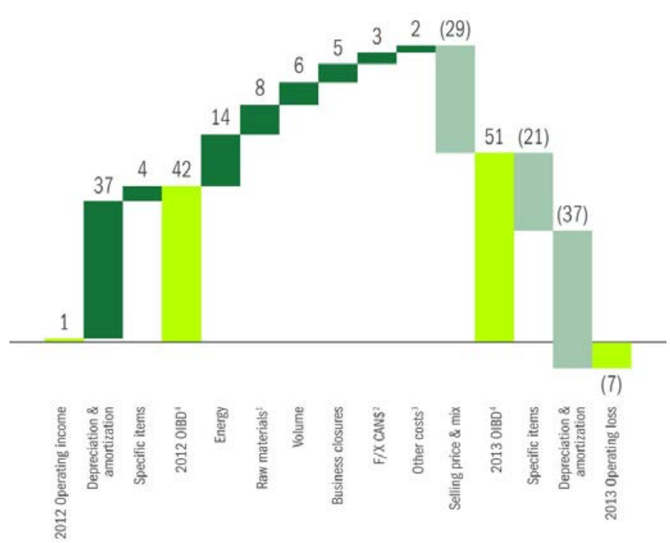
Excluding specific items, **operating income** stood at $14 million in 2013 compared to $5 million in 2012, an increase of $9 million. Lower energy costs combined with a gain on certificates of energy efficiency issued by the Italian authorities for the promotion and the reward of energy savings achieved through approved projects, accounted for $14 million of the increase. Also, lower raw materials costs, as well as higher volumes accounted, respectively, for $8 million and $6 million of the increase. As explained above, the lower average selling price partly offset the increase and accounted for $29 million. In 2013, the Boxboard Europe Group recorded some specific items and the most significant ones are an impairment charge of $17 million and restructuring costs of $4 million.

The main variances in sales and operating income (loss) for the Boxboard Europe Group are shown below:

Sales ($M)



Operating income (loss) ($M)



For Notes 1 to 4, see definitions on page 27.

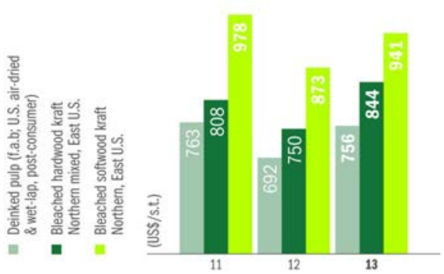
The Corporation incurred some specific items in 2013 and 2012 that adversely or positively affected its operating results. Please refer to pages 28 to 31 for more details and reconciliation.

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Industry

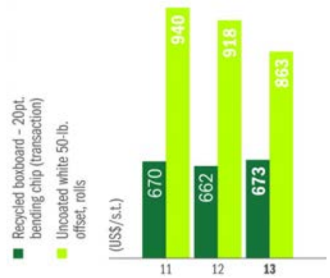
Reference prices - Market pulp [1]

The prices of all grades of pulp have increased in 2013. Our deinked pulp operations benefited from this market environment, but, as we are integrated to a certain extent, the positive impact was mitigated.



Reference prices - Specialty papers [1]

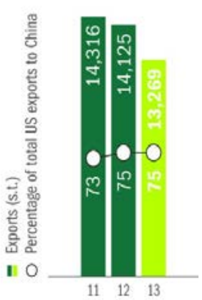
The reference price for recycled boxboard has increased by 2% in 2013 compared to 2012. As for the price for uncoated freesheet, it remained under pressure in 2013 due to excess production capacity.



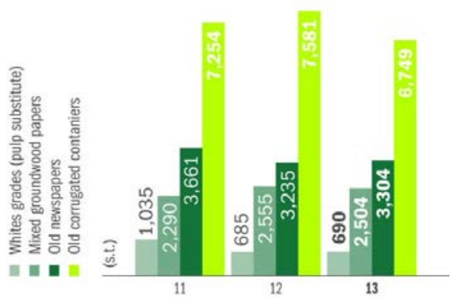
U.S. recycled fibre exports to China [1]

Our Specialty Products Group is impacted by the recovered paper market and Asian demand plays an important role in shipments and pricing dynamics. In 2013, Chinese imports from the United States decreased by 6%. Mixed groundwood papers and old corrugated containers grades represented most of the decrease, with exports being lower by 2% and 11% respectively over 2012. Old newspapers exports increased by 2% in 2013 after having decreased by 12% in the preceding year. Pulp substitutes experienced an increase in exports of 1% in 2013 after having declined by 34% in 2012 compared to 2011.

Total U.S. exports of recycled papers to China - All grades

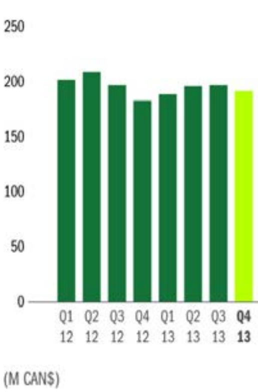


Major grades exported by the U.S.



Our Performance

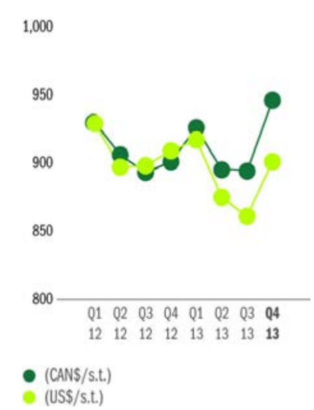
Sales



OIBD and OIBD margin (excluding specific items)

Industrial packaging and specialty papers manufacturing shipments and manufacturing capacity

Average industrial packaging and specialty papers manufacturing selling price



	2012	2013	Change in %
Shipments [1] ('000 s.t.)	385	371	-4%
Average Selling Price [2]			
(CAN$/unit)	908	915	1%
(US$/unit)	908	888	-2%
Sales ($M)	791	774	-2%
Operating income ($M)			
(as reported)	23	6	-74%
(excluding specific items)	23	32	39%
OIBD ($M)			
(as reported)	49	32	-35%
% of sales	6%	4%	
(excluding specific items)	49	58	18%
% of sales	6%	7%	

Shipments decreased by 14,000 s.t., or 4%, to 371,000 s.t. in 2013 compared to 385,000 s.t. in 2012. Lower shipments in both the Industrial Packaging and Specialty Papers sectors accounted for the decrease. The Specialty Papers sector was affected in 2013 by a flood at its St-Jérôme fine paper mill, resulting in a loss of 4,000 short tons.

The total **average selling price** for the Specialty Papers and Industrial Packaging sectors went up by $7, or 1%, to $915 per s.t. in 2013 compared to $908 per s.t. in 2012 due to the lower Canadian dollar. The average selling price in U.S. dollars slightly decreased due to an unfavourable product mix.

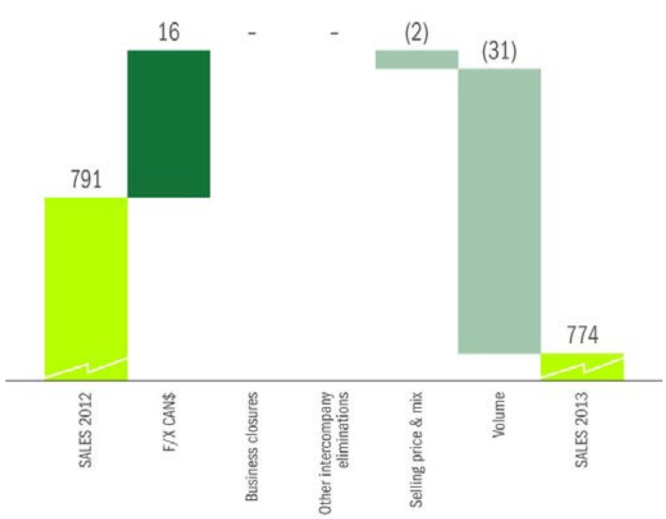
As a result, the Specialty Products Group's **sales** decreased by $17 million, or 2%, to $774 million in 2013 compared to $791 million in 2012. The decrease was mainly driven by lower fibre prices in the market, which impacted our Recovery operations sales. Lower volume and lower average selling price accounted, respectively, for $31 million and $2 million of the decrease. This was partly offset by the 3% depreciation of the Canadian dollar against the U.S. dollar, for $16 million.

Excluding specific items, **operating income** stood at $32 million in 2013 compared to $23 million in the same period of 2013, an increase of $9 million. Favourable exchange rates and lower energy costs accounted, respectively, for $9 million and $2 million of the increase and were partly offset by lower volumes and a lower average selling price that accounted for $2 million each. The Specialty Papers sector was affected, during 2013, by a flood at its St-Jérôme fine paper mill, resulting in a $1 million operating loss. In 2013, this group recorded impairment charges of $26 million on the assets of its kraft paper mill and honeycomb packaging activities.

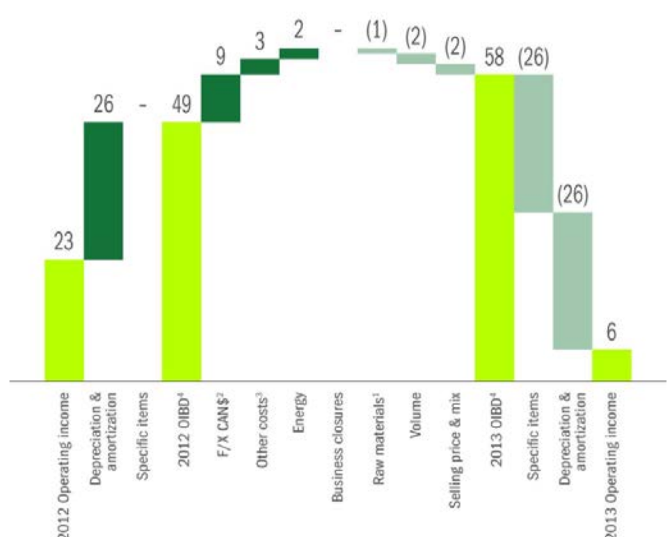
1 Industrial Packaging and Specialty Papers shipments only. Shipments do not take into account the elimination of business sector intercompany shipments.
2 Average selling price includes manufacturing shipments of Industrial Packaging and Specialty Papers sectors only.

The main variances in sales and operating income for the Specialty Products Group are shown below:

Sales ($M)



Operating income ($M)



For Notes 1 to 4, see definitions on page 27.

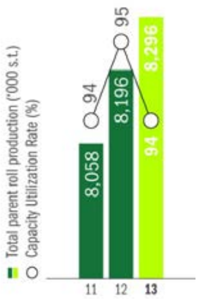
The Corporation incurred some specific items in 2013 and 2012 that adversely or positively affected its operating results. Please refer to pages 28 to 31 for more details and reconciliation.

TISSUE PAPERS

Our Industry

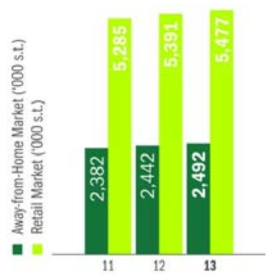
U.S. tissue paper industry-production (parent rolls) and capacity utilization rate [1]

The decrease in the capacity utilization rate in 2013 is explained by additional capacity gradually coming to market to meet increasing demand.



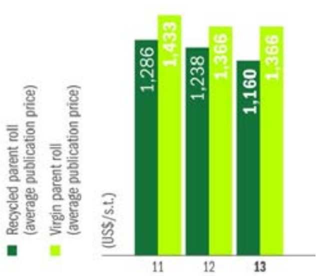
U.S. tissue paper industry converted product shipments [1]

Both the retail and away-from-home markets continued to increase by 2% in 2013.



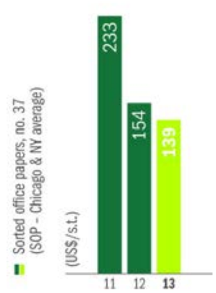
Reference prices - Parent rolls [1]

The reference price for recycled parent rolls continued to decline in 2013 due to additional capacity and favourable recovered paper prices. As for the reference price for virgin parent rolls, it remained stable during the year as increasing virgin pulp prices offset the impact of additional production capacity.



Reference prices - Recycled fibre [1]

For a second consecutive year, the average reference price of Sorted Office Papers no.37 has decreased, being 10% lower than in 2012.

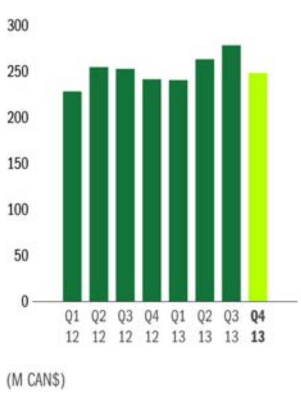


1 Source: RISI

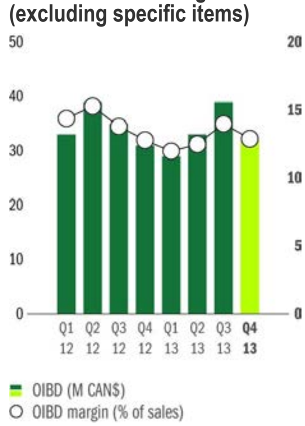
2 The Cascades tissue paper selling prices index represents a mix of primary and converted products, and is based on the product mix at the end of 2006.

Our Performance

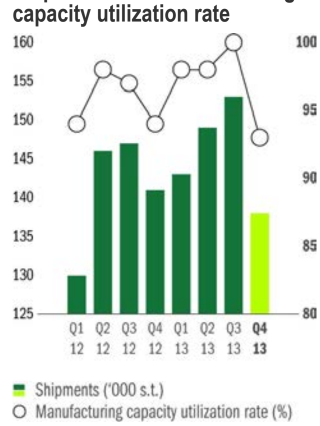
Sales



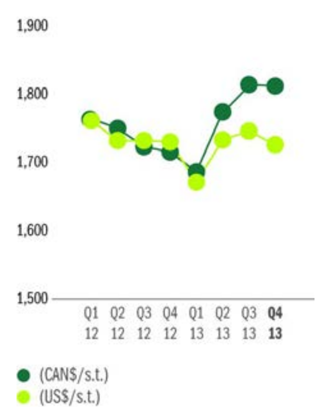
OIBD and OIBD margin (excluding specific items)



Shipments and manufacturing capacity utilization rate



Average selling price [2]



	2012	2013	Change in %
Shipments[1] ('000 s.t.)	564	583	3%
Average Selling Price (CAN$/unit)	1,737	1,772	2%
(US$/unit)	1,738	1,720	-1%
Sales ($M)	979	1,033	6%
Operating income ($M) (as reported)	92	106	15%
(excluding specific items)	93	89	-4%
OIBD ($M) (as reported)	138	150	9%
% of sales	14%	15%	
(excluding specific items)	138	133	-4%
% of sales	14%	13%	

Shipments increased by 19,000 s.t., or 3%, to 583,000 s.t. in 2013 compared to 564,000 s.t. in 2012. The manufacturing external shipments decreased by 4,000 s.t., or 2%, to 163,000 s.t. in 2013, compared to 167,000 s.t. in 2012. The converting shipments increased by 23,000 s.t., or 6%, to 420,000 s.t. in 2013 compared to 397,000 s.t. in 2012. The increase is mainly driven by strong growth in our U.S. retail business segment.

The total **average selling price** went up by $35, or 2%, to $1,772 per s.t. in 2013, compared to $1,737 in 2012. A favourable currency impact, a better integration rate and a higher proportion of consumer products sold have largely offset the negative impact of a Parent Roll price reduction and a converted product price reduction mainly in the U.S. These prices erosion in the U.S. is due to the current competitive market conditions and led to the decrease of 1% of the average selling price in U.S. dollars in 2013 compared to 2012.

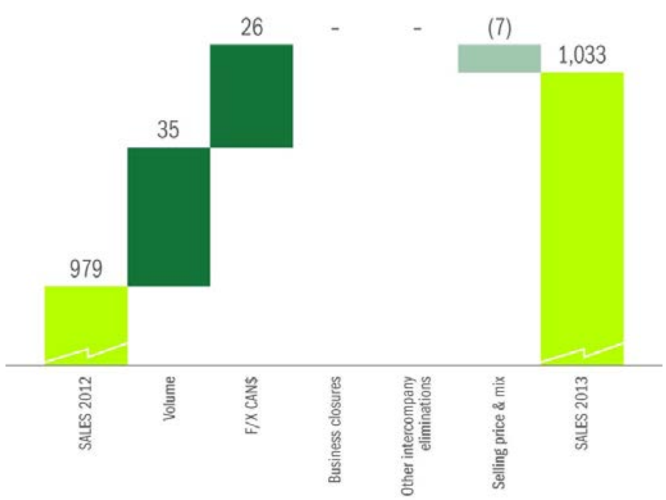
As a result, the Tissue Papers Group's **sales** increased by $54 million, or 6%, to $1,033 million in 2013, compared to $979 million in 2012. Higher volumes and the 3% decrease of the Canadian dollar against the U.S. dollar accounted, respectively, for $35 million and $26 million of the increase. As explained above, the effect of the total average selling price decrease during the year compared to 2012 resulted in a $7 million decrease in sales.

Excluding specific items, **operating income** stood at $89 million in 2013 compared to $93 million in the same period of 2012, a decrease of $4 million, or 4%. Higher volumes accounted for a positive impact of $12 million but, on the other hand, higher production, freight and subcontracting costs in the U.S. accounted for a negative impact of $24 million. These subcontracting costs in the U.S., necessary to convert new sales volumes, will decrease during the first quarter of 2014 as the Corporation is investing in a new manufacturing line in order to increase its U.S converting capacity. Lower energy costs and favourable exchange rates provided positive impacts of $7 million and $6 million respectively. The negative impact of the average selling price, as explained above, negatively impacted operating income for $7 million. An increase in the price and usage of virgin pulp, led to a negative raw materials impact of $2 million. In 2013, the Tissue Papers Group recorded a $17 million reversal of impairment on its Memphis, Tennessee, manufacturing mill.

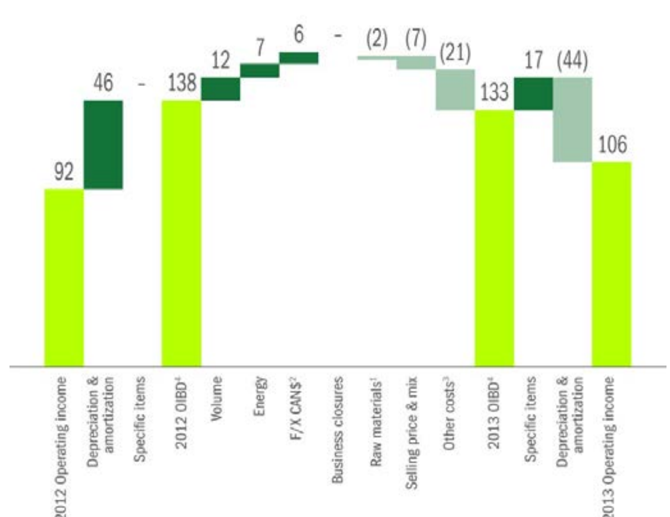
1 Shipments do not take into account the elimination of business sector intercompany shipments.

The main variances in sales and operating income for the Tissue Papers Group are shown below:

Sales ($M)



Operating income ($M)



For Notes 1 to 4, see definitions on page 27.

The Corporation incurred some specific items in 2013 and 2012 that adversely or positively affected its operating results. Please refer to pages 28 to 31 for more details and reconciliation.

CORPORATE ACTIVITIES

The operating loss in 2013 includes an unrealized loss of $2 million on derivative financial instruments compared to an unrealized gain of $6 million in 2012. The Corporation recorded a $5 million charge due to the establishment of an unfunded supplemental executive retirement allocation in favour of the new CEO and the three presidents, respectively, of its Containerboard, Specialty Products and Tissue business segments. As well, the corporate activities incurred additional expenses related to our ERP system transformation, as most of the costs associated with the implementation activities are no longer capitalized. As well, the operating loss for 2013 includes an amount of $2 million, representing the direct cost incurred by the Corporation following flooding incidents at our Niagara Falls containerboard and St-Jérôme fine paper mills. In 2012, the operating loss includes an impairment charge of $1 million due to the reevaluation of notes receivable from 2011 business disposals.

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense decreased by $17 million, to $182 million, in 2013, compared to $199 million in 2012. The impairment charges recorded in 2013 and 2012, and the accelerated amortization recorded in both the Containerboard and Tissue Papers Groups in 2012 decreased the depreciation and amortization expense, but these have been partially offset by capital investments completed during the last twelve months. The depreciation of the Canadian dollar against the Euro and the U.S. dollar increased the depreciation expense coming from our European and U.S. operations.

FINANCING EXPENSE AND INTEREST ON FUTURE EMPLOYEE BENEFITS

The financing expense and interest on future employee benefits remained at $115 million in 2013 compared to 2012. The Corporation amended its revolving credit facility during the second half of 2012 resulting in lower financing costs in the fourth quarter and for future periods. These were offset, however, by the capital investment made during the year and the increase in the total debt.

During the second quarter of 2013, Standard & Poor's, a rating service agency, downgraded the long-term corporate credit rating of the Corporation to "B+" from "BB-" on slower deleveraging, with a stable outlook. This has caused an increase, of 37.5 basis points, to the interest rate on our revolving credit facility in the second half of 2013.

Interest expense on future employee benefits decreased by $1 million to $12 million in 2013, compared to $13 million in 2012. Due to the good investment returns in 2013 and the change in the assumptions, the interest expense on future employee benefits is expected to decrease by $4 million in 2014.This expense does not require any cash payment by the Corporation.

In 2013, the Corporation recorded an unrealized gain of $1 million on financial instruments related to interest rate swaps (nil in 2012).

PROVISION FOR (RECOVERY OF) INCOME TAXES

In 2013, the Corporation recorded an income tax provision of $12 million, for an effective tax rate of 52%. The provision for (recovery of) income taxes based on the effective income tax rate differs from the provision for (recovery of) income taxes based on the combined basic rate for the following reasons:

(in millions of Canadian dollars)	**2013**	2012
Provision for (recovery of) income taxes based on the combined basic Canadian and provincial income tax rate	**7**	(8)
Adjustment of provision for (recovery of) income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	**5**	2
Non-taxable portion of capital gain	**—**	(1)
Permanent differences - others	**(2)**	(1)
Change in unrecognized temporary differences	**2**	2
	5	2
Provision for (recovery of) income taxes	**12**	(6)

In 2013, the income tax provision was mainly impacted by the weighted average of taxable income in each jurisdiction. The tax provisions for the foreign exchange gain or loss on long-term debt and related financial instruments, and our share of results of our Canadian associates and joint ventures are calculated at the rate of capital gain.

As for our United States-based joint ventures and associates, which are mostly composed of the Greenpac mill, our share of results is taxed based on the statutory tax rate. Moreover, as Greenpac is a Limited Liability Company (LLC), partners agreed to account for it as a disregarded entity. As such, income taxes at the United States statutory tax rate are fully integrated into each partner's consolidated income tax provision based on its respective share in the LLC, and no income tax provision is included in Greenpac net earnings.

The effective tax rate and current income taxes are affected by the results of certain subsidiaries and joint ventures located in countries, notably the United States, France and Italy, where the income tax rate is higher than in Canada. The normal effective tax rate is expected to be in the range of 26% to 39%. In fact, the weighted-average applicable tax rate was 29.8% in 2013.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

The share of results of associates and joint ventures is partly represented by our 34.85% interest in Boralex Inc. ("Boralex"), a Canadian public corporation that is a major electricity producer whose core business is the development and operation of power stations that generate renewable energy, with operations in the north-eastern United States, Canada and France. We are also recording our share (59.7%) of the results of the Greenpac mill, which started up its new production facility in July 2013. Prior to the start-up, the project incurred some costs that were not capitalized.

No provision for income taxes is included in our Greenpac share of results (see "Provision for income taxes" for more details).

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES

Continuing operating activities generated $232 million in operating cash flow in 2013, compared to $203 million in 2012. Changes in non-cash working capital components generated $6 million in liquidity in 2013, compared to $42 million in 2012. The first and second quarters of the year normally require cash for working capital purposes, due to seasonal variations. During the first quarter of the year, we always notice an increase in prepaid expenses and payment of year-end volume rebates. Moreover, inventory build-up normally takes place during the first half of the year for the forthcoming summer. Recent price and volume increases, combined with a higher level of our raw materials inventory, also led to cash flow requirements during the first six months of the year. During the second half of 2013, the working capital decreased due to improved collection of accounts receivable. The Corporation is monitoring its working capital requirements and implementing measures to reduce its capital needs. On a yearly basis, our average working capital of the last twelve months as a percentage of sales improved from 14.4% to 12.9%, representing an improvement of $55 million in the working capital requirement during the year.

Cash flow from continuing operating activities, excluding the change in non-cash working capital components, stood at $226 million in 2013, compared to $161 million in the same period of 2012. This cash flow measurement is significant, since it positions the Corporation to pursue its capital expenditures program and reduce its indebtedness.

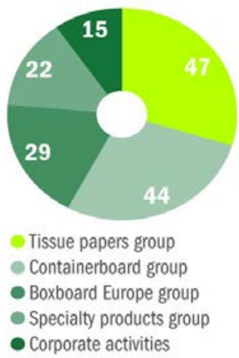
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investment activities in 2013 required total cash resources of $181 million for capital expenditures totaling $136 million, net of disposals of $12 million and other assets and investments in associates and joint ventures for an amount of $45 million.

PURCHASES OF PROPERTY, PLANT AND EQUIPMENT

Capital expenditure projects paid for in 2013 amounted to $148 million. New capital expenditure projects in 2013 amounted to $157 million. The remaining amounts are related to the variation of purchases of property, plant and equipment included in "Trade and other payables" and to capital-lease acquisitions.

New capital expenditure projects by sector were as follows, in 2013 (in M$):



The major capital projects initiated, in progress or completed in 2013 are as follows:

CONTAINERBOARD

- $3 million to complete investments made in the folding carton and microlithography operations in 2012.
- $3 million to complete the major investments made in 2012 in the consolidation of the corrugated products sector in Ontario at the Vaughan, St.Mary's and Etobicoke plants.

TISSUE PAPERS

- $12 million as part of the project recently announced of $35 million to convert and start up a second paper machine at our Oregon plant.
- $7 million for a new towel line that will allow us to increase our production capacity in this fast-growing southeastern U.S. market.

CORPORATE

- $4 million in energy efficiency projects in various plants in order to reduce our ecological footprint and to save on energy costs.
- $4 million to acquire automotive assets in order to increase our transport capacity for eastern Canada and reduce external freight costs.

Other capital projects initiated, in progress or completed across the Corporation have been paid for in 2013 but are not significant enough to be described.

PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

In 2013, the $12 million proceeds on disposal of property, plant and equipment were as follows:

- The Containerboard Group sold some property, plant and equipment assets related to the re-organization announced in 2012 in the corrugated products plants in Ontario for $2 million. It also sold a vacant piece of land in New York City, U.S.A. for $2 million and other property, plant and equipment for $2 million.
- The Boxboard Europe Group, specifically RdM, sold some equipment coming from a plant that had been closed, for proceeds of $5 million.
- The Specialty Products Group sold some equipment related to a recycling unit that had been closed, for proceeds of $1 million.

INCREASE IN OTHER ASSETS AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In 2013, the Corporation also invested in other assets and made investments in associates and joint ventures for $45 million (2012 - $58 million). The main investments are as follows:

$14 million (2012 - $29 million of which $9 million is financed through a loan agreement and will be reimbursed over a period of three years) for the modernization of our financial information system to an ERP information technology system.

US$30 million ($32 million) (2012 - US$34 million ($34 million)), for our Greenpac project (see “Significant Facts and Developments'' section on page 20 for more details) in our Containerboard Group’s segment.

BUSINESS ACQUISITION

2012

$14 million paid for the acquisition of Bird Packaging. The Corporation also assumed $3 million of debt and recorded $8 million of capital-lease obligations following the purchase price allocation (see Note 6 of the consolidated financial statement for more details).

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

In 2013, the Corporation repurchased US$4 million of its 7.25% unsecured senior notes for an amount of US$4 million ($4 million) and US $6 million of its 6.75% unsecured senior notes, for an amount of US$6 million ($6 million). No gain or loss resulted from these transactions.

In 2013, the Corporation also paid US$4 million ($4 million) for the settlement of derivative financial instruments related to its 7.25% unsecured senior notes and US$10 million ($10 million) for the settlement of derivative financial instruments related to its 6.75% unsecured senior notes.

The Corporation also redeemed 69,900 of its common shares on the open market in 2013, pursuant to a normal-course issuer bid, for an amount of $0.3 million.

In 2013, as stated in the "Significant Facts and Developments" section, on page 20, Industria exercised its put option, increasing our ownership of outstanding shares in RdM by 9.07%, for an amount of €14 million ($19 million). Our share in the equity of RdM, as at December 31, 2013, stands at 57.61%. As we have fully consolidated RdM since the second quarter of 2011, the purchase of these shares is considered an acquisition of non-controlling interest and accounted for as an equity transaction.

Including the $15 million in dividends paid out in 2013, financing activities from continuing operations, including debt repayment and the change in our revolving facility, required $49 million in liquidity.

CONSOLIDATED FINANCIAL POSITION

AS AT DECEMBER 31, 2013, 2012 AND 2011

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

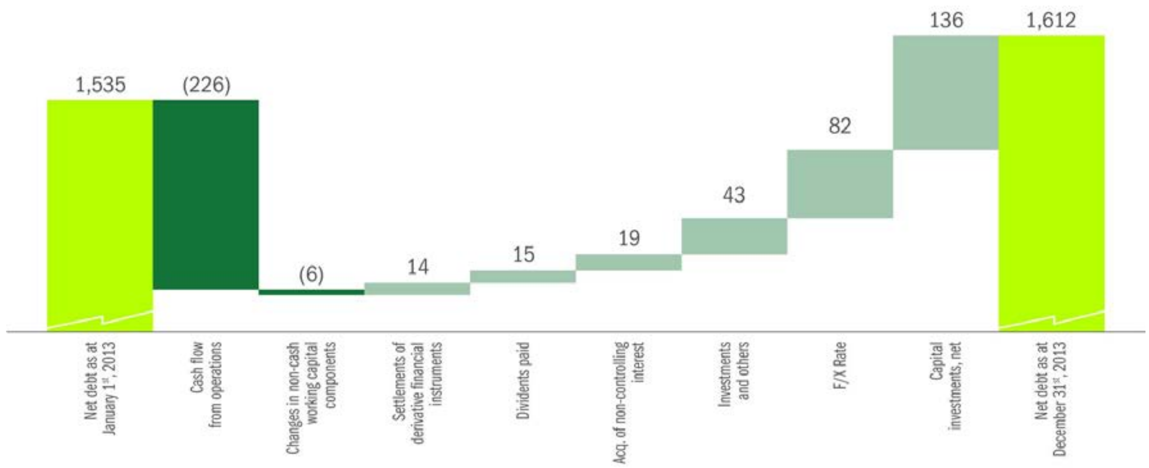
(in millions of Canadian dollars, unless otherwise noted)	**2013**	2012	2011
Cash and cash equivalents	**23**	20	12
Working capital [1]	**455**	455	510
% of sales [2]	**12.9%**	14.4%	14.8%
Bank loans and advances	**56**	80	90
Current portion of long-term debt	**39**	60	49
Long-term debt	**1,540**	1,415	1,358
Total debt	**1,635**	1,555	1,497
Equity attributable to Shareholders	**1,081**	978	1,029
Total equity attributable to Shareholders and debt	**2,716**	2,533	2,526
Ratio of total debt/total equity attributable to Shareholders and debt	**60.2%**	61.4%	59.3%
Shareholders' equity per share (in dollars)	**$11.52**	$10.42	$10.87

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

2 % of sales = Average LTM working capital/LTM sales.

NET DEBT RECONCILIATION

The variances in the net debt (total debt less cash and cash equivalents) during 2013 are shown below (in M$), with the applicable financial ratios included:



304	OIBD excluding specific items	**352**
5.0	Net debt/OIBD excluding specific items	**4.6**

Liquidity available via the Corporation's credit facilities, along with the expected cash flow generated by its operating activities, will provide sufficient funds to meet its financial obligations and to fulfill its capital expenditure program. Capital expenditure requests for 2014 are initially approved at $160 million. This amount is subject to change, depending on the Corporation's operating results and on general economic conditions. As at December 31, 2013, the Corporation had $221 million (net of letters of credit in the amount of $45 million, of which $12 million has been canceled, in March 2014) available through its $750 million credit facility. During the second quarter of 2013, Standard & Poor's, a rating service agency, downgraded the long-term corporate credit rating of the Corporation to "B+" from "BB-" on slower de-leveraging, with a stable outlook.

In 2013, the Corporation issued $23 million in new letters of credit related to the Greenpac project which should decrease on a quarterly basis in 2014.

In 2012, the Corporation amended its revolving credit facility. The changes resulted in future lower financing costs and extended maturity to February 2016. Financial covenants were unchanged.

PENSION LIABILITIES

The Corporation's future employee benefits assets and liabilities amounted to $624 million and $768 million respectively as at December 31, 2013, including an amount of $114 million for post-retirement benefits other than pension plans. These pension plans include an amount of $53 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 is reviewing its benefits program to phase out some of them for the majority of future retirees.

With regards to pension plans, the Corporation's risk is limited, as only less than 20% of its active employees are subject to a defined benefit pension plan, while the remaining employees are part of the Corporation's defined contribution plans, such as group RRSPs or 401 (K). Based on their balances as at December 31, 2013, 45% of the Corporation pension plans have been evaluated on December 31, 2012 (55% in 2010). Where applicable, Cascades used the measurement relief allowed by law in order to reduce the impact of its increased current contributions.

Considering the assumptions used and the asset ceiling limit, the deficit status for accounting purposes of its pension plans amounted to $44 million as at December 31, 2013, compared to $138 million in 2012. The 2013 pension plan expense was $20 million and the cash outflow was $27 million. Due to the good investment returns in 2013 and the change in the assumptions, the expense for these pension plans is expected to decrease by $5 million in 2014. As for the cash flow requirement, these pension plans are expected to require a net contribution of approximately $11 million in 2014. Finally, on a consolidated basis, the solvency ratio of the Corporation's pension plans was 81% as of December 31, 2012 and is expected to increase to slightly above 100% as at December 31, 2013.

COMMENTS ON THE FOURTH QUARTER OF 2013

Sales increased by $54 million, or 6%, to $958 million in the fourth quarter of 2013, compared to $904 million in the same period of 2012, resulting from the decrease of the Canadian dollar of 10% against the Euro and of 6% against the U.S. dollar, and the 2% volume increase in our shipments. Higher average selling price, especially in our containerboard and specialty products segments, also explains the increase.

The Corporation generated an operating income of $45 million in the fourth quarter of 2013, in comparison to an operating loss of $19 million in the same period of last year, an increase of $64 million. Lower energy costs, the positive effects of the Canadian dollar's depreciation. as explained above, and production efficiencies were the main factors behind the increase. On the other hand, higher raw materials costs, especially in our containerboard sector, partly offset the increase. We also incurred additional costs related to our initiatives of upgrading our information systems and the re-engineering our business processes. On a segmented basis, our containerboard, boxboard Europe and specialty products operations posted better results, while our tissue papers operations results were almost stable. Excluding specific items, the operating income stood at $57 million in the fourth quarter of 2013, compared to $22 million in the same period of 2012.

Our 2013 operating income before depreciation was also impacted by the following items:

- A $5 million gain resulting from a decrease in our liabilities following a change to our future post-retirement benefits program; and
- A $6 million gain resulting from energy savings certificates ("white certificates") awarded at the end of 2013 by the Italian authorities to our European boxboard operations, following an energy efficiency improvement program for the years 2010, 2011 and 2012.

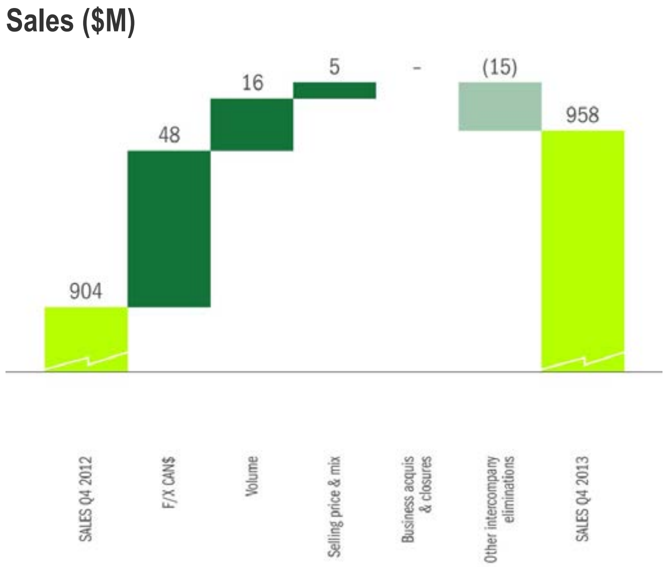
Net earnings excluding specific items amounted to $18 million, or $0.19 per share, in the fourth quarter of 2013, compared to a net loss of $5 million, or $0.06 per share, for the same period last year. Including specific items, net earnings were $6 million, or $0.05, per share compared to a net loss of $32 million, or $0.33 per share, for the same quarter in 2012.

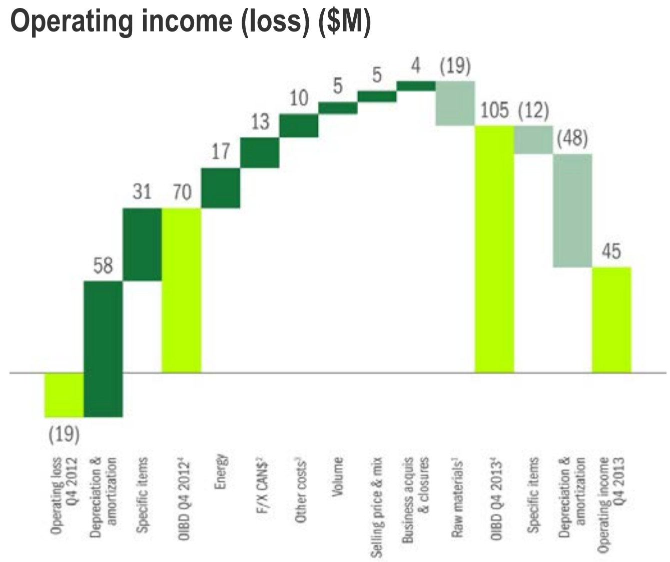
The Corporation incurred some specific items in the fourth quarters of 2013 and 2012 that adversely or positively affected its operating results, which are detailed as follows.

(in millions of Canadian dollars)	For the 3-month period ended December 31, 2013					
	Container-board	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**28**	**(10)**	**4**	**36**	**(13)**	**45**
Depreciation and amortization	**16**	**10**	**6**	**13**	**3**	**48**
Operating income (loss) before depreciation and amortization	**44**	**—**	**10**	**49**	**(10)**	**93**
Specific items:						
Impairment charges (reversal)	**1**	**17**	**6**	**(17)**	**—**	**7**
Restructuring costs	**2**	**4**	**—**	**—**	**—**	**6**
Unrealized gain on financial instruments	**(1)**	**—**	**—**	**—**	**—**	**(1)**
	2	**21**	**6**	**(17)**	**—**	**12**
Operating income (loss) before depreciation and amortization - excluding specific items	**46**	**21**	**16**	**32**	**(10)**	**105**
Operating income (loss) - excluding specific items	**30**	**11**	**10**	**19**	**(13)**	**57**

(in millions of Canadian dollars)	For the 3-month period ended December 31, 2012					
	Container-board	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	(29)	(2)	2	21	(11)	(19)
Depreciation and amortization	28	10	6	11	3	58
Operating income (loss) before depreciation and amortization	(1)	8	8	32	(8)	39
Specific items:						
Impairment charges	23	3	—	—	1	27
Restructuring costs	2	1	—	—	—	3
Unrealized loss (gain) on financial instruments	1	(1)	—	(1)	2	1
	26	3	—	(1)	3	31
Operating income (loss) before depreciation and amortization - excluding specific items	25	11	8	31	(5)	70
Accelerated depreciation due to restructuring measures	10	—	—	—	—	10
Operating income (loss) - excluding specific items	7	1	2	20	(8)	22

The main variances in sales and operating income (loss) in the fourth quarter of 2013, compared to the same period of 2012, are shown below:





For Notes 1 to 4, see definitions on page 27.

NEAR-TERM OUTLOOK

The second half of 2013 was marked by better business conditions, which led to improved results and allowed us to finish the year on a good note. We are beginning 2014 with a certain seasonal slowdown and we will proceed to some preventive shutdowns if necessary. Despite this, we are confident that we will increase our operating results and margins for a third consecutive year in 2014.

While the outlook is encouraging for most of our sectors, the tissue industry currently faces the short-tern impact of additional capacity. We do not foresee important changes in the cost of recycled fibres and we should feel the impact of the depreciation of the Canadian dollar in 2014.

While facing normal logistical challenges associated with the start-up, the Greenpac paper machine is progressing according to the ramp-up curve, We need to continue to improve the logistical aspect of the operations and we are on the right track to achieve these objectives.

CAPITAL STOCK INFORMATION

As at December 31, 2013, issued and outstanding capital stock consisted of 93,887,849 common shares (93,882,445 as at December 31, 2012), and 6,656,423 stock options were issued and outstanding (6,534,700 as at December 31, 2012). In 2013, 560,391 options were issued, 75,304 options were exercised, 32,063 options were forfeited and 331,301 options expired. As at March 12, 2014, issued and outstanding capital stock consisted of 93,887,849 common shares and 6,656,423 stock options.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The Corporation's principal contractual obligations and commercial commitments relate to outstanding debt, operating-leases and obligations for its pension and post-employment benefit plans. The following table summarizes these obligations as at December 31, 2013:

CONTRACTUAL OBLIGATIONS

Payment due by period (in millions of Canadian dollars)	TOTAL	LESS THAN A YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS
Long-term debt and capital-leases, including capital and interest	1,995	134	132	1,404	325
Operating leases	72	24	16	23	9
Pension plans and other post-employment benefits [1]	2,191	47	51	155	1,938
Total contractual obligations	**4,258**	**205**	**199**	**1,582**	**1,582**

[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, 2013.

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 $106 million and $99 million for 2013 and 2012 respectively. Aggregate sales to the Corporation from its joint-venture partners and other affiliates came to $114 million and $76 million for 2013 and 2012 respectively.

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 LONG-LIVED ASSETS, INTANGIBLE ASSETS AND GOODWILL

In determining the recoverable amount of an asset or a CGU, the Corporation uses several key assumptions, based on external information on the industry when available, and including production levels, selling prices, volume, raw materials costs, foreign exchange rates, growth rates, discounting rates and capital spending.

The Corporation believes such assumptions to be reasonable. These assumptions involve a high degree of judgment and complexity and reflect Management's best estimates based on available information at the assessment date. In addition, products are commodity products; therefore, pricing is inherently volatile and often follows a cyclical pattern.

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS

GROWTH RATES

The assumptions used were based on the Corporation's internal budget. Revenues, operating margins and cash flows were projected for a period of five years, and a perpetual long-term growth rate was applied thereafter. In arriving at its forecasts, the Corporation considered 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.

FOREIGN EXCHANGE RATES

Foreign exchange rates are determined using the financial institutions' average forecast for the first two years of forecasting. For the three following years, the Corporation uses the last five years' historical average of the foreign exchange rate.

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 actuarially determined 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 healthcare 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.

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

SUBSIDIARIES AND EQUITY ACCOUNTED INVESTMENTS

Significant judgment is applied in assessing whether certain investment structures result in control, joint control or significant influence over the operations of the investment. Management's assessment of control, joint control or significant influence over an investment will determine the accounting treatment for the investment.The Corporation has a 59.7% interest in an associate ("Greenpac"). Because the Corporation does not have the power over relevant activities of Greenpac, it is accounted for as an associate.

CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

A) NEW IFRS ADOPTED

IFRS 10 — CONSOLIDATION

IFRS 10 requires an entity to consolidate an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation - Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The Corporation evaluated this standard and there is no impact on the consolidated financial statements.

IFRS 11 — JOINT ARRANGEMENTS

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice of proportionately consolidating or equity accounting for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers. The Corporation evaluated this standard and there is no impact on the consolidated financial statements.

IFRS 12 — DISCLOSURE OR INTERESTS IN OTHER ENTITIES

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Corporation evaluated this standard and it resulted in no impact on the consolidated financial statements. However, more information is required in the Notes to the financial statements.

IFRS 13 — FAIR VALUE MEASUREMENT

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Corporation evaluated this standard and there is no impact on the consolidated financial statements.

IAS 19 — EMPLOYEE BENEFITS

IAS 19 has been amended and includes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and enhances the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in the statement of other comprehensive income as they arise, without subsequent recycling to net income. Past service costs (which now include curtailment gains and losses) are no longer recognized over a service period but are instead recognized immediately in the period of a plan amendment. Pension benefit costs are split between: (i) the cost of benefits accrued in the current period (service costs) and benefit changes (past service costs, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component is calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment of taxes related to benefit plans, guidance on the risk/cost sharing feature, and expanded disclosures. The impact of this standard on the interest expense on employee future benefits for the year ended December 31, 2012, is $15 million ($11 million, or $0.11 per basic and diluted common share, after related income tax). Other comprehensive income increased by $11 million (net of income tax of $4 million) for the year ended December 31, 2012. There is no impact on the employee benefit asset and liability and deferred income tax asset and liability.

IAS 1 — PRESENTATION OF FINANCIAL STATEMENTS

IAS 1 has been amended to require entities to separate items presented in the statement of other comprehensive income into two groups based on whether or not items may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. The Corporation evaluated this standard and there is no financial impact although it results in a different presentation of the consolidated statement of comprehensive income.

AMENDMENTS TO OTHER STANDARDS

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. The Corporation evaluated these changes and there is no impact on the consolidated financial statements.

B) RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

IFRS 9 — FINANCIAL INSTRUMENTS

IFRS 9 was issued in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in the statement of other comprehensive income.

IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI, without having to adopt the remainder of IFRS 9, and to (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

IFRS 7 — FINANCIAL INSTRUMENTS DISCLOSURES

IFRS 7 requires disclosure of both gross and net information about financial instruments eligible for offset in the balance sheet and financial instruments subject to master netting arrangements. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32, Financial Instruments: Presentation to clarify the existing requirements for offsetting financial instruments in the balance sheet. The amendments to IAS 32 are effective as of January 1, 2014. The Corporation is evaluating this standard and no significant impact on the consolidated financial statements is expected.

IAS 36 — IMPAIRMENT OF NON-FINANCIAL ASSETS

In May 2013, the IASB amended IAS 36, Impairment of assets regarding disclosures for non-financial assets. This amendment removed certain disclosures related to the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory until January 1st, 2014, however; the Corporation has decided to early adopt the amendment as of December 31, 2013.

CONTROLS AND PROCEDURES

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

The Corporation's President and Chief Executive Officer, and the 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 (ICOFR) as defined in National Instrument 52-109: "Certification of Disclosure in Issuer's Annual and Interim Filings" in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The President and Chief Executive Officer, and the Vice-President and Chief Financial Officer have concluded, based on their evaluation, that the Corporation's DC&P were effective as at December 31, 2013 for providing reasonable assurance that material information related to the issuer, is made known to them by others within the Corporation.

The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed the effectiveness of the ICOFR as at December 31, 2013, based on the framework established in the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (version 1992). Based on this assessment, they have concluded that the Corporation's ICOFR were effective as at December 31, 2013 and expect to certify the Corporation's annual filings with the U.S. Securities and Exchange Commission on Form 40-F, as required by the United States Sarbanes-Oxley Act.

During the quarter ended December 31, 2013, there were no changes to the Corporation's ICOFR that have materially affected, or are reasonably likely to materially affect, its ICOFR.

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.

a) 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 materials 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 and boxboard, are highly 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. 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 not able 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 wasn't able 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, if energy prices were to 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.

To mitigate price risk, our strategies include the use of various derivative financial instrument transactions, whereby it sets the price for notional quantities of old corrugated containers, electricity and natural gas.

Additional information on our North American raw materials, electricity and natural gas hedging programs as at December 31, 2013, is set out below:

NORTH AMERICAN FINISHED PRODUCTS AND RAW MATERIALS HEDGING

	OLD CORRUGATED CONTAINERS	SORTED OFFICE PAPERS
Quantity hedged (in s.t.)	10,200	12,000
% of annual consumption hedged	1%	2%
Average prices (in US$, per s.t.)	$ 131	$ 117
Fair value as at December 31, 2013 (in millions of CAN$) [1]	$ (0.2)	—

1 Based on various indices.

NORTH AMERICAN ELECTRICITY HEDGING

	UNITED STATES	CANADA
Electricity consumption	28%	72%
Electricity consumption in a regulated market	50%	75%
% of consumption hedged in a de-regulated market (2014)	21%	47%
Average prices (2014 - 2017) (in US$, per KWh)	$ 0.041	$ 0.027
Fair value as at December 31, 2013 (in millions of CAN$)	$ 0.4	$ (0.1)

NORTH AMERICAN NATURAL GAS HEDGING

	UNITED STATES	CANADA
Natural gas consumption	35%	65%
% of consumption hedged (2014)	56%	59%
Average prices (2014 - 2017) (in US$, per mmBTU) (in CAN$, per GJ)	$ 5.07	$ 4.71
Fair value as at December 31, 2013 (in millions of CAN$)	$ (5.2)	$ (12.7)

b) Cascades faces significant competition and some of its competitors may have greater cost advantages or 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, particularly in tissue and boxboard, 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 vinyl, 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:

- its 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, and 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 does. For example, fully integrated manufacturers, which are 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 materials 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 is, 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.

To mitigate competition risk, Cascades' targets are to offer quality products that meet customers' needs at competitive prices and to provide good customer service.

c) Because of the Corporation's international operations, it faces political, social and exchange rate risks that can negatively affect its business, operating results, profitability and financial condition.

Cascades has customers and operations located outside Canada. In 2013, sales outside Canada represented approximately 62% of the Corporation's consolidated sales, including 38% in the United States. In 2013, 32% of sales from Canadian operations were made to the United States.

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

- the effective marketing of its products in other countries
- tariffs and other trade barriers, and
- different regulatory schemes and political environments applicable to the Corporation's operations, in areas such as environmental and health and safety compliance.

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 and the Euro. The appreciation of the Canadian dollar against the U.S. dollar over the last few years has adversely affected the Corporation's reported operating results and financial condition. This had a direct impact on export prices and also contributed to reducing Canadian dollar prices in Canada, because several of the Corporation's product lines are priced in U.S. dollars. However, a substantial portion of the Corporation's debt is also denominated in currencies other than the Canadian dollar. The Corporation has senior notes outstanding and also some borrowings under its credit facility that are denominated in U.S. dollars and in Euros, in the amounts of US$760 million and €175 million respectively as at December 31, 2013.

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 U.S. dollar and the Euro, it could affect the profitability of the Corporation's facilities, which could lead Cascades to shut down facilities either temporarily or permanently, all of which could adversely affect its business or financial results. To mitigate the risk of currency rises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations, which are partially covered by purchases and debt, Management has implemented a policy for managing foreign exchange risk against the relevant functional currency.

The Corporation uses various foreign exchange forward contracts and related currency option instruments to anticipate sales net of purchases, interest expenses and debt repayment. Gains or losses from the derivative financial instruments designated as hedges are recorded under "Other comprehensive income (loss)" and are reclassified under earnings in accordance with the hedge items.

Additional information on our North American foreign exchange hedging program is set out below:

NORTH AMERICAN FOREIGN EXCHANGE HEDGING [1]

Sell contracts and currency options on net exposure to $US:	2014	2015
Total amount (in millions of $US)	$ 35	$ 25
Estimated % of sales, net of expenses from Canadian operations	12%	12%
Average rate ($US/$CAN)	0.9590	0.9696
Fair value as at December 31, 2013 (in millions of $CAN)	—	$ (1)

1 See Note 27 of the audited consolidated financial statements for more details on derivatives.

d) The Corporation's operations are subject to comprehensive environmental regulations and involve expenditures that 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, Canada and Europe that holds companies accountable for the investigation and remediation of hazardous substances. The Corporation's European subsidiaries are also subject to the Kyoto Protocol, 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 person, property or the environment.

Either of these 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, we expect to incur ongoing capital and operating expenses in order to achieve and maintain compliance with applicable environmental requirements.

EMISSIONS MARKET

The Corporation is exposed to the emissions trading market and has to hold carbon credits equivalent to its emissions. Depending on circumstances, the Corporation may have to buy credits on the market or could sell some in the future. These transactions would have no significant effect on the financial position of the Corporation and it is not anticipated that it will change in the future.

e) 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 most of its facilities, with policy specifications and insured limits customarily carried in its industry for similar properties. The cost of the Corporation's insurance policies has increased over the past few years. 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.

To mitigate the risk subject to insurance coverage, the Corporation reviews its strategy annually with the Board of Directors and is seeking different alternatives to achieve more efficient forms of insurance coverage, at the lowest costs possible.

f) Labour disputes could have a material adverse effect on the Corporation's cost structure and ability to run its mills and plants.

As at December 31, 2013, the Corporation had approximately 12,200 employees, of whom approximately 10,200 were employees of its Canadian and United States operations. Approximately 41% of the Corporation's employees are unionized under 40 separate collective bargaining agreements. In addition, in Europe, some of the Corporation's operations are subject to national industry collective bargaining agreements that are renewed on an annual basis. The Corporation's inability to negotiate acceptable contracts with these 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 flow. Of the Corporation's 40 collective bargaining agreements in North America, 13 will expire in 2014 and 10 more in 2015.

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.

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

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

- three 50%-owned joint ventures with Sonoco Products Corporation, of which two are in Canada and one in the United States, that produce specialty paper packaging products such as headers, rolls and wrappers
- a 73%-owned subsidiary, Cascades Recovery Inc., a Canadian operator of wastepaper recovery and recycling operations
- a 34.85% interest in Boralex Inc., a Canadian public corporation and a major electricity producer whose core business is the development and operation of power stations that generate renewable energy, with operations in Canada, the northeastern United States and France
- a 57.61%-owned subsidiary, RdM, a European manufacturer of recycled boxboard, and
- a 59.7% interest in Greenpac Mill LLC, an American corporation that manufactures a light-weight linerboard made with 100% recycled fibres. The production began in July 2013.

Apart from Cascades Recovery and RdM, Cascades does not have effective control over these entities. The Corporation's inability to control entities in which it invests may affect its ability to receive distributions from those 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 fails to observe its 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 the notes 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 provide 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.

On September 13, 2007, we entered into a Combination Agreement with RdM, a publicly traded Italian corporation that is the second-largest recycled boxboard producer in Europe. The Combination Agreement was amended on June 12, 2009. It provided, among other things, that RdM and Cascades were granted an irrevocable call option or put option, respectively, to purchase two European virgin boxboard mills of Cascades (the "Virgin Assets"). RdM may exercise its call option 120 days after delivery of Virgin Assets financials for the year ended December 31, 2011, by Cascades to RdM. This option was not exercised by RdM and has expired. Cascades had the possibility to exercise its put option 120 days after delivery of Virgin Assets Financials for the year ended December 31, 2012, by Cascades to RdM. The call option price shall be equal to 6.5 times the 2011 audited EBITDA of the Virgin Assets as per the Virgin Assets financials at December 31, 2011. The put option price shall be equal to 6 times the 2012 audited EBITDA of the Virgin Assets as per the Virgin Assets financials for the year ended December 31, 2012. Cascades Europe was also granted the right to require that all of the call option price or put option price, as the case may be, be paid in newly issued ordinary shares of RdM. In 2013, neither RdM nor Cascades exercised its call or put option to purchase the two European virgin boxboard mills of Cascades. These options are no longer outstanding.

In 2010, the Corporation entered into a put and call agreement with Industria E Innovazione ("Industria") whereby Cascades had the option of buying 9.07% of the shares of RdM (100% of the shares held by Industria) for €0.43 per share between March 1, 2011 and December 31, 2012. Industria also has the option of requiring the Corporation to purchase its shares for €0.41 per share between January 1, 2013 and March 31, 2014. Industria did raise the put option in the second quarter of 2013, resulting in a cash payment for the Corporation of €14 million ($19 million).

h) 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:

- difficulty in integrating and managing newly acquired operations, and in improving their operating efficiency
- difficulty 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 Corporation
- 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 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 generally 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.

i) 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 regularly undertake 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.

j) Certain Cascades insiders collectively own a substantial percentage of the Corporation's common shares.

Messrs. Bernard, Laurent and Alain Lemaire ("the Lemaires") collectively own 32.6% of the common shares as at December 31, 2013, and there may be situations in which their interests and the interests of other holders of common shares will not be aligned. Because the Corporation's remaining common shares are widely held, the Lemaires may be effectively able to:

- elect all of the Corporation's directors and, as a result, control matters requiring Board approval
- control 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
- otherwise control or influence the Corporation's business direction and policies.

In addition, the Lemaires may have interests in pursuing acquisitions, divestitures or other transactions that, in their judgment, could enhance the value of their equity investment, even though the transactions might involve increased risk to the holders of the common shares.

k) If Cascades is not successful in retaining or replacing its key personnel, particularly if the Lemaires do not stay active in the Corporation's business, its business, financial condition or operating results could be adversely affected.

The Lemaires are key to the Corporation's management and direction. Although Cascades believes that the Lemaires 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. On May 9, 2013, Mr. Mario Plourde was appointed as the new President and Chief Executive Officer ("CEO") of the Corporation, following a two-year transition as Chief Operating Officer. Mr. Plourde has more than 27 years of seniority within the Corporation. Cascades does not carry key man insurance on the Lemaires or on any other members of its senior management.

I) Risks relating to the Corporation's indebtedness and liquidity.

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, 2013, it had $1,635 million in outstanding debt on a consolidated basis, including capital-lease obligations. The Corporation also had $221 million available under its revolving credit facility. On the same basis, its consolidated ratio of total debt to capitalization as of December 31, 2013 was 60.2%. The Corporation's actual financing expense, including interest on employees' future benefits was $115 million for 2013. Cascades also has significant obligations under operating leases, as described in its audited consolidated financial statements that are incorporated by reference herein.

During the second quarter of 2013, Standard & Poor's, a rating service agency, downgraded the long-term corporate credit rating of the Corporation to "B+" from "BB-" on slower deleveraging, with a stable outlook. This has caused an increase, of 37.5 basis points, to the interest rate on our revolving credit facility in the second half of 2013.

On September 4, 2012, the Corporation announced that it had entered into an agreement with its banking syndicate to extend an to extend and amend certain conditions of its existing $750 million revolving credit facility. The amendment provides that the term of the facility was extended by one year, to February 2016, and that the applicable pricing grid was adjusted to better reflect market conditions. The other existing financial conditions remained unchanged.

In 2009, the Corporation refinanced a portion of its long-term debt to extend its maturity profile from 2013 to 2016, 2017 and 2020.

The Corporation has outstanding senior notes rated by Moody's Investor Service ("Moody's") and Standard & Poor's ("S&P").

The following table reflects the Corporation's secured debt rating/corporate rating/unsecured debt rating as at the date on which this MD&A was approved by the Board of Directors, and the evolution of these ratings compared to past years:

Credit Rating (outlook)	MOODY'S	STANDARD & POOR'S
2004	Ba1/Ba2/Ba3 (stable)	BBB-/BB+/BB+ (negative)
2005 - 2006	Ba1/Ba2/Ba3 (stable)	BB+/BB/BB- (negative)
2007	Baa3/Ba2/Ba3 (stable)	BBB-/BB/BB- (stable)
2008	Baa3/Ba2/Ba3 (negative)	BB+/BB-/B+ (negative)
2009 - 2010	Baa3/Ba2/Ba3 (stable)	BB+/BB-/B+ (stable)
2011	Baa3/Ba2/Ba3 (stable)	BB+/BB-/B+ (positive)
2012	Baa3/Ba2/Ba3 (stable)	BB+/BB-/B+ (negative)
2013	**Baa3/Ba2/Ba3 (stable)**	**BB/B+/B (stable)**

This facility is in place with a core group of highly rated international banks. The Corporation may decide to enter into certain derivative instruments to reduce interest rates and foreign exchange exposure.

The Corporation's leverage could have major consequences for holders of its common 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.

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 we are substantially leveraged, we and our subsidiaries will be able to incur substantial additional indebtedness in the future. Although our credit facility and the indentures governing the notes restrict us and our restricted subsidiaries from incurring additional debt, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we and they now face as a result of our 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:

- borrow money
- pay dividends on stock or redeem stock or subordinated debt
- make investments
- sell capital stock in subsidiaries
- guarantee other indebtedness
- enter into agreements that restrict dividends or other distributions from restricted subsidiaries
- enter into transactions with affiliates
- create or assume liens
- enter into sale and leaseback transactions
- engage in mergers or consolidations, and
- enter into a sale of all or substantially all of our assets.

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 subsidiaries with non-controlling interest.

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 re-finance or re-structure the payments on the applicable debt. Even if the Corporation were able to secure additional financing, it may 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 its covenants, and could require it to take actions to reduce its debt or to act in a manner contrary to its current business objectives.

m) 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 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 or minority investments. 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 re-financing or re-structuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. Re-financing may not be possible, and any 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 re-finance 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.

n) Risks related to the common shares.

The market price of the common shares may fluctuate, and purchasers may not be able to re-sell the common shares at or above the purchase 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. 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.

o) Cash-flow and fair-value interest rate risks.

As the Corporation has no significant interest-bearing assets, its earnings and operating cash flows are substantially independent of changes in market interest rates.

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

p) 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 creditworthy financial institutions.

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

q) Enterprise Resource Planning (ERP) implementation.

The Corporation decided to modernize its financial information system with the implementation of an integrated Enterprise Resource Planning (ERP) system. The Corporation identified the risks associated with said project and adopted a step-by-step plan to address any risks related to the implementation process. The Corporation dedicated a project team, required corporate oversight with the appropriate skills and knowledge, and retained the services of consultants to provide expertise and training. Supported by senior management and key personnel, the Corporation undertook a detailed analysis of its requirements during 2010 and, in November of 2010, successfully completed a pilot project in one of its plants. The project team has finalized a detailed blueprint for its manufacturing and some of its converting operations, and implemented the solution in some business units as of December 31, 2012 and 2013. The project team is continuing to review the blueprint and programming related to its remaining converting operations, and to evaluate its deployment strategy for the coming years, including the human and capital resources required for the project.

MANAGEMENT'S REPORT
TO THE SHAREHOLDERS OF CASCADES INC.

March 12, 2014

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 as issued by the International Accounting Standards Board ("IFRS") 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.

External 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.

Mario Plourde
President and Chief Executive Officer - Kingsey Falls, Canada

Allan Hogg
Vice-President and Chief Financial Officer - Kingsey Falls, Canada

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CASCADES INC.

March 12, 2014

We have audited the accompanying consolidated financial statements of Cascades Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and 2012 and the consolidated statements of earnings (loss), comprehensive income (loss), equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cascades Inc. and its subsidiaries as at December 31, 2013 and 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

Chartered Professional Accountants - Montréal, Canada

[1] *FCPA auditor, FCA, public accountancy permit No. A108517*

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)	NOTE	DECEMBER 31, 2013	DECEMBER 31, 2012
			Restated - Note 3a)
Assets			
Current assets			
Cash and cash equivalents		**23**	20
Accounts receivable	7 and 15	**512**	513
Current income tax assets		**34**	22
Inventories	8 and 15	**543**	497
Financial assets	27	**2**	15
		1,114	1,067
Long-term assets			
Investments in associates and joint ventures	9	**261**	222
Property, plant and equipment	10 and 15	**1,684**	1,659
Intangible assets with finite useful life	11	**196**	200
Financial assets	27	**17**	13
Other assets	12	**108**	70
Deferred income tax assets	18	**118**	128
Goodwill and other intangible assets with indefinite useful life	11	**333**	335
		3,831	3,694
Liabilities and Equity			
Current liabilities			
Bank loans and advances		**56**	80
Trade and other payables	13	**590**	551
Current income tax liabilities		**2**	1
Current portion of provisions for contingencies and charges	14	**2**	6
Current portion of financial liabilities and other liabilities	16 and 27	**11**	74
Current portion of long-term debt	15	**39**	60
		700	772
Long-term liabilities			
Long-term debt	15	**1,540**	1,415
Provisions for contingencies and charges	14	**37**	33
Financial liabilities	27	**39**	36
Other liabilities	16	**212**	264
Deferred income tax liabilities	18	**109**	80
		2,637	2,600
Equity attributable to Shareholders			
Capital stock	19	**482**	482
Contributed surplus	20	**17**	16
Retained earnings		**642**	567
Accumulated other comprehensive loss	21	**(60)**	(87)
		1,081	978
Non-controlling interest		**113**	116
Total equity		**1,194**	1,094
		3,831	3,694

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

Alain Lemaire
DIRECTOR

Georges Kobrynsky
DIRECTOR

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the years ended December 31 (in millions of Canadian dollars, except per share amounts and number of shares)	NOTE	2013	2012
			Restated - Note 3a)
Sales		**3,849**	3,645
Cost of sales and expenses			
Cost of sales (including depreciation and amortization of $182 million; 2012— $199 million)	22	**3,277**	3,157
Selling and administrative expense	22	**406**	382
Loss (gain) on acquisitions, disposals and others	24	**3**	(1)
Impairment charges and restructuring costs	25	**33**	36
Foreign exchange loss (gain)		**(5)**	2
Gain on derivative financial instruments	27	**(5)**	(6)
		3,709	3,570
Operating income		**140**	75
Financing expense	26	**103**	102
Interest expense on employee future benefits	3 and 26	**12**	13
Foreign exchange gain on long-term debt and financial instruments		**(2)**	(8)
Share of results of associates and joint ventures		**3**	(2)
Profit (loss) before income taxes		**24**	(30)
Provision for (recovery of) income taxes	18	**12**	(6)
Net earnings (loss) from continuing operations including non-controlling interest for the year		**12**	(24)
Net earnings (loss) from discontinued operations for the year	5	**2**	(5)
Net earnings (loss) including non-controlling interest for the year		**14**	(29)
Net earnings (loss) attributable to non-controlling interest		**3**	(7)
Net earnings (loss) attributable to Shareholders for the year		**11**	(22)
Net earnings (loss) from continuing operations per common share			
Basic		**$ 0.09**	$ (0.18)
Diluted		**$ 0.09**	$ (0.18)
Net earnings (loss) per common share			
Basic		**$ 0.11**	$ (0.23)
Diluted		**$ 0.11**	$ (0.23)
Weighted average basic number of common shares outstanding		**93,885,402**	94,157,726
Weighted average number of diluted common shares		**94,694,761**	94,595,401
Net earnings (loss) attributable to Shareholders:			
Continuing operations		**9**	(17)
Discontinued operations	5	**2**	(5)
Net earnings (loss)		**11**	(22)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31 (in millions of Canadian dollars)		2013	2012
			Restated - Note 3a)
Net earnings (loss) including non-controlling interest for the year		**14**	(29)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Translation adjustments	21		
Change in foreign currency translation of foreign subsidiaries		**52**	(13)
Change in foreign currency translation related to net investment hedging activities		**(30)**	9
Income taxes		**4**	(1)
Cash flow hedges	21		
Change in fair value of foreign exchange forward contracts		**(7)**	6
Change in fair value of interest rate swaps		**13**	(7)
Change in fair value of commodity derivative financial instruments		**9**	4
Income taxes		**(6)**	—
		35	(2)
Items that are reclassified to retained earnings			
Actuarial gain (loss) on post-employment benefit obligations	17 and 22	**97**	(27)
Income taxes		**(26)**	7
		71	(20)
Other comprehensive income (loss)		**106**	(22)
Comprehensive income (loss) including non-controlling interest for the year		**120**	(51)
Comprehensive income (loss) attributable to non-controlling interest for the year		**12**	(12)
Comprehensive income (loss) attributable to Shareholders for the year		**108**	(39)
Comprehensive income (loss) attributable to Shareholders:			
Continuing operations		**106**	(34)
Discontinued operations		**2**	(5)
Comprehensive income (loss)		**108**	(39)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

For the year ended December 31, 2013

(in millions of Canadian dollars)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance - Beginning of year	**482**	**16**	**567**	**(87)**	**978**	**116**	**1,094**
Comprehensive income							
Net earnings	**—**	**—**	**11**	**—**	**11**	**3**	**14**
Other comprehensive income	**—**	**—**	**70**	**27**	**97**	**9**	**106**
	—	**—**	**81**	**27**	**108**	**12**	**120**
Dividends	**—**	**—**	**(15)**	**—**	**(15)**	**—**	**(15)**
Stock options	**—**	**1**	**—**	**—**	**1**	**—**	**1**
Acquisition of non-controlling interest	**—**	**—**	**9**	**—**	**9**	**(15)**	**(6)**
Balance - End of year	**482**	**17**	**642**	**(60)**	**1,081**	**113**	**1,194**

For the year ended December 31, 2012

Restated - Note 3a)

(in millions of Canadian dollars)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance - Beginning of year	486	14	615	(86)	1,029	136	1,165
Comprehensive loss							
Net loss	—	—	(22)	—	(22)	(7)	(29)
Other comprehensive loss	—	—	(16)	(1)	(17)	(5)	(22)
	—	—	(38)	(1)	(39)	(12)	(51)
Dividends	—	—	(15)	—	(15)	—	(15)
Stock options	—	1	—	—	1	—	1
Redemption of common shares	(4)	1	—	—	(3)	—	(3)
Acquisition of non-controlling interest	—	—	5	—	5	(8)	(3)
Balance - End of year	482	16	567	(87)	978	116	1,094

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in millions of Canadian dollars)	NOTE	2013	2012
			Restated - Note 3a)
Operating activities from continuing operations			
Net earnings (loss) attributable to Shareholders for the year		**11**	(22)
Net loss (earnings) from discontinued operations for the year		**(2)**	5
Net earnings (loss) from continuing operations		**9**	(17)
Adjustments for:			
Financing expense and interest expense on employee future benefits	26	**115**	115
Depreciation and amortization		**182**	199
Loss (gain) on acquisitions, disposals and others	24	**3**	(1)
Impairment charges and restructuring costs	25	**30**	30
Unrealized gain on derivative financial instruments		**(6)**	(5)
Foreign exchange gain on long-term debt and financial instruments		**(2)**	(8)
Provision for (recovery of) income taxes		**12**	(6)
Share of results of associates and joint ventures		**3**	(2)
Net earnings (loss) attributable to non-controlling interest		**3**	(7)
Net financing expense paid		**(100)**	(99)
Income taxes received (paid)		**5**	(17)
Dividend received		**12**	10
Employee future benefits and others		**(40)**	(31)
		226	161
Changes in non-cash working capital components	26	**6**	42
		232	203
Investing activities from continuing operations			
Investments in associates and joint ventures		**(32)**	(19)
Purchases of property, plant and equipment		**(148)**	(161)
Proceeds on disposals of property, plant and equipment		**12**	20
Investments in intangible and other assets		**(13)**	(39)
Business acquisition, net of cash acquired	6	**—**	(14)
		(181)	(213)
Financing activities from continuing operations			
Bank loans and advances		**(31)**	(11)
Change in revolving credit facilities		**76**	117
Purchase of senior notes	15	**(10)**	(8)
Increase in other long-term debt		**14**	8
Payments of other long-term debt		**(50)**	(63)
Settlement of derivative financial instruments	15	**(14)**	—
Redemption of common shares		**—**	(3)
Acquisition of non-controlling interest including dividend paid		**(19)**	(3)
Dividends paid to the Corporation's Shareholders		**(15)**	(15)
		(49)	22
Change in cash and cash equivalents during the year from continuing operations		**2**	12
Change in cash and cash equivalents from discontinued operations	5	**—**	(4)
Net change in cash and cash equivalents during the year		**2**	8
Currency translation on cash and cash equivalents		**1**	—
Cash and cash equivalents - Beginning of the year		**20**	12
Cash and cash equivalents - End of the year		**23**	20

The accompanying notes are an integral part of these consolidated financial statements.

SEGMENTED INFORMATION

The Corporation analyzes the performance of its operating segments based on their operating income before depreciation and amortization, which is not a measure of performance under International Financial Reporting Standards ("IFRS"); however, the chief operating decision-maker ("CODM") uses this performance measure to assess the operating performance of each reportable segment. Earnings for each segment are prepared on the same basis as those of the Corporation. Intersegment operations are recorded on the same basis as are sales to third parties, which are at fair market value. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in Note 2.

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

The Corporation's operations are managed in four segments: Containerboard, Boxboard Europe, Specialty Products (which constitutes the Packaging Products of the Corporation) and Tissue Papers.

	SALES	
For the years ended December 31 (in millions of Canadian dollars)	**2013**	2012
Packaging Products		
Containerboard	**1,314**	1,189
Boxboard Europe	**837**	791
Specialty Products	**774**	791
Intersegment sales	**(61)**	(68)
	2,864	2,703
Tissue Papers	**1,033**	979
Intersegment sales and others	**(48)**	(37)
Total	**3,849**	3,645

	OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	
For the years ended December 31 (in millions of Canadian dollars)	**2013**	2012
		Restated - Note 3a)
Packaging Products		
Containerboard	**153**	64
Boxboard Europe	**30**	38
Specialty Products	**32**	49
	215	151
Tissue Papers	**150**	138
Corporate	**(43)**	(15)
Operating income before depreciation and amortization	**322**	274
Depreciation and amortization	**(182)**	(199)
Financing expense and interest expense on employee future benefits	**(115)**	(115)
Foreign exchange gain on long-term debt and financial instruments	**2**	8
Share of results of associates and joint ventures	**(3)**	2
Profit (loss) before income taxes	**24**	(30)

For the years ended December 31 (in millions of Canadian dollars)	PURCHASES OF PROPERTY, PLANT AND EQUIPMENT 2013	2012
Packaging Products		
Containerboard	**44**	72
Boxboard Europe	**29**	29
Specialty Products	**22**	15
	95	116
Tissue Papers	**47**	34
Corporate	**15**	19
Total purchases	**157**	169
Proceeds on disposal of property, plant and equipment	**(12)**	(20)
Capital-lease acquisitions	**(4)**	(5)
	141	144
Purchases of property, plant and equipment included in "Trade and other payables"		
Beginning of year	**28**	25
End of year	**(33)**	(28)
Purchases of property, plant and equipment net of proceeds on disposals	**136**	141

(in millions of Canadian dollars)	TOTAL ASSETS DECEMBER 31, 2013	DECEMBER 31, 2012
Packaging products		
Containerboard	**1,312**	1,256
Boxboard Europe	**712**	676
Specialty Products	**469**	502
	2,493	2,434
Tissue Papers	**755**	722
Corporate	**358**	345
Intersegment eliminations	**(46)**	(40)
	3,560	3,461
Investments in associates and joint ventures	**261**	222
Other investments	**10**	11
Total assets	**3,831**	3,694

SEGMENTED INFORMATION (CONTINUED)

Information by geographic segment is as follows :

For the years ended December 31 (in millions of Canadian dollars)	2013	2012
Sales		
Operations located in Canada		
Within Canada	**1,415**	1,339
To the United States	**695**	674
Offshore	**38**	42
	2,148	2,055
Operations located in the United States		
Within the United States	**779**	723
To Canada	**44**	43
Offshore	**2**	2
	825	768
Operations located in Italy		
Within Italy	**233**	211
Other countries	**137**	121
	370	332
Operations located in other countries		
Within Europe	**398**	377
Other countries	**108**	113
	506	490
Total	**3,849**	3,645

(in millions of Canadian dollars)	DECEMBER 31, 2013	DECEMBER 31, 2012
Property, plant and equipment		
Canada	**1,022**	1,066
United States	**297**	239
Italy	**306**	297
Other countries	**59**	57
Total	**1,684**	1,659

(in millions of Canadian dollars)	DECEMBER 31, 2013	DECEMBER 31, 2012
Goodwill, customer relationships and client lists, and other finite and indefinite useful life intangible assets		
Canada	**471**	476
United States	**50**	51
Italy	**8**	8
Total	**529**	535

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For each of the years in the two-year period ended December 31, 2013
(tabular amounts in millions of Canadian dollars, except per-share and option amounts and number of 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 shares are listed on the Toronto Stock Exchange.

The Board of Directors approved the consolidated financial statements on March 12, 2014.

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 1 of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting which incorporates International Financial Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board. The key accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all years presented, unless otherwise stated.

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 (including structured entities) over which the Corporation has power over decision about relevant activities. The existence and effect of potential voting rights that are currently 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 deconsolidated 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 since 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 interest. 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	Alberta, Canada
Cascades Fine Papers Group Inc.	100	Canada
Cascades Recovery Inc.	73	Canada
Cascades USA Inc.	100	Delaware
Cascades S.A.S. (France)	100	France
Cascades Europe S.A.S.	100	France
Reno de Medici S.p.A.	57.61	Italy

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. TRANSACTIONS AND CHANGE IN OWNERSHIP
Acquisitions or disposals of equity interests 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 result in gains or losses for the Corporation are 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. The Corporation's investment from associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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 in 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 share of the underlying assets of associates 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.

REVENUE RECOGNITION
The Corporation recognizes its sales, which consist of product sales, when it is probable that the economic benefits will flow to the Corporation, the goods are shipped and the significant risks and benefits of ownership are transferred, the price is fixed or determinable, and collection of the resulting receivable is reasonably assured.

Revenue is measured based on the price specified in the sales contract, net of discounts and estimated returns at the time of sale. Historical experience is used to estimate and provide for discounts and returns. Volume discounts are assessed based on anticipated annual sales.

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 are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

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.

CLASSIFICATION
The Corporation classifies its financial instruments in the following categories: at fair value through profit or loss, held to maturity ("HTM"), loans and receivables, available for sale ("AFS") and other liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial assets and financial liabilities at initial recognition. Settlement date accounting is used by the Corporation for all financial assets.

A. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
A financial asset or financial liability is classified in this category if it is acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of earnings. Gains and losses arising from changes in fair value are presented in the consolidated statement of earnings in loss (gain) on acquisition, disposal and others in the period in which they arise. Financial assets and financial liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated balance sheet date, which is classified as long-term.

B. HELD TO MATURITY
HTM financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables, AFS or fair value through profit or loss that the entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost. The Corporation has no HTM financial assets as at December 31, 2013 and 2012.

C. AVAILABLE-FOR-SALE FINANCIAL ASSETS

AFS investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. AFS investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in the statement of other comprehensive income (loss). AFS investments are classified as long-term, unless the investment matures within 12 months, or Management expects to dispose of them within 12 months.

Interest on AFS investments, calculated using the effective interest method, is recognized in the consolidated statement of earnings as part of financing expense. Dividends on AFS equity instruments are recognized in the consolidated statement of earnings as part of loss (gain) on disposal and others when the Corporation's right to receive payment is established. When an AFS investment is sold or impaired, the accumulated gains or losses are moved from Accumulated other comprehensive income (loss) to the consolidated statement of earnings and included in selling and administrative expense.

D. LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables comprise accounts receivable, notes receivable from business disposals, the Greenpac bridge loan and cash and cash equivalents. Loans and receivables are initially recognized at fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

E. FINANCIAL LIABILITIES AT AMORTIZED COST

Financial liabilities at amortized cost include bank loans and advances, trade and other payables, and long-term debt. Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method. They are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as long-term liabilities.

IMPAIRMENT OF FINANCIAL ASSETS

At each report date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

i) Financial assets carried at amortized cost: The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

ii) AFS financial assets: The impairment loss is the difference between the original cost of the asset and its permanent fair value decrease at the measurement date, less any impairment losses previously recognized in the consolidated statement of earnings. This amount represents the cumulative loss in "Accumulated other comprehensive income (loss)" that is reclassified to net earnings (loss).

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on AFS equity instruments are not reversed.

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 either:

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 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

A. 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 statement of other comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of earnings.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated statement of earnings under "Financing expense". The gain or loss relating to the ineffective portion is recognized in the consolidated statement of earnings. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in Cost of goods sold in the case of inventory or in Depreciation in the case of property, plant and equipment.

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 forecast 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.

B. 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 statement of other comprehensive income (loss). 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.

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 a provision for doubtful accounts that is based on expected collectability.

INVENTORIES

Inventories of finished goods are valued at the lower of cost, determined either by average production cost or retail method, or net realizable value. Inventories of raw materials and supplies are valued at the lower of cost or replacement value, which is the best available measure of their net realizable value. Cost of raw materials and supplies is determined using the average cost and first-in, first-out methods respectively. Net realizable value is the estimated selling price in the ordinary course of business, less cost to complete and applicable variable selling expenses.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are recorded at cost less accumulated depreciation and net impairment losses, including interest incurred during the construction period of certain property, plant and equipment. Depreciation is calculated on a straight-line basis over 20 to 33 years for buildings, 7 to 20 years for machinery and equipment, 5 to 10 years for automotive equipment, and 3 to 10 years for other property, plant and equipment, determined according to the estimated useful life of each class of property, plant and equipment. 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.

GRANTS AND INVESTMENT TAX CREDITS

Grants and investment tax credits 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.

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.

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, application software and favourable leases. 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:

Customer relationships and client lists	Between 2 and 30 years
Other finite-life intangible assets	Between 2 and 20 years
Application software	Between 3 and 10 years
Enterprise Resource Planning (ERP)	7 years
Favourable leases	Term of the lease

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

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 lower than its recoverable amount. For that purpose, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units (CGUs)).

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 at the line item Impairment charges and restructuring costs.

Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration. The revalued carrying value is the greater of the estimated recoverable amount or 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 at the line item Impairment charges and restructuring costs.

B. GOODWILL AND OTHER INTANGIBLE ASSETS WITH AN 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. They are reviewed for impairment annually on December 31 or when an event or a circumstance occurs and indicates that the value could be permanently impaired. Goodwill and other intangible assets with an indefinite useful life are allocated to CGUs for the purpose of impairment testing based on the level at which Management monitors it, which is not higher than an operating segment. The allocation is made to those 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 or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. When determining fair value less cost of disposal, the Corporation considers if there is a market price for the asset being evaluated. Otherwise, the Corporation uses the income approach.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of earnings on a straight-line basis over the term of the lease.

The Corporation leases certain property, plant and equipment. Leases of property, plant and equipment for which the Corporation has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. Property, plant and equipment acquired under a finance lease are depreciated over the shorter of the estimated useful life of the asset or the lease term using the straight-line method. Each lease payment is allocated between the liability and the financing expense so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of financing expense, are included in long-term debt.

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 can be made of the amount of the obligation.

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.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

ENVIRONMENTAL RESTORATION 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 profit 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 which is created on an ongoing basis during production are provided for at their present values and charged against profit as the obligation arises.

Changes in the measurement of a liability relating to the decommissioning of a plant or other site preparation work that result 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.

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 and amortized on a straight-line basis over the anticipated period of the credit facility.

EMPLOYEE BENEFITS

The Corporation offers funded and unfunded defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans (RRSP) 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 salaries or compensation at the end of a career. Retirement benefits are, in some cases, partially adjusted based on inflation. The Corporation also offers to 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 the 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 updated regularly 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.

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 statement of other comprehensive income (loss) 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 pension and other post-employment benefits are recognized in the consolidated statement of earnings as Interest expense on employee future benefits. The measurement date of the employee future benefit plans is December 31 of each year. An actuarial evaluation is performed at least every three years. Based on their balances as at December 31, 2013, 45% of the plans were evaluated on December 31, 2012 (55% in 2010).

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 and 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 entity 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 for the year.

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 exchange rate for the year. Translation gains or losses are deferred and included in Accumulated other comprehensive income (loss).

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 in 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

IFRS 10 — CONSOLIDATION

IFRS 10 requires an entity to consolidate an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation - Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements. The Corporation evaluated this standard and there is no impact on the consolidated financial statements.

NOTE 3
CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

IFRS 11 — JOINT ARRANGEMENTS

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice of proportionately consolidating or equity accounting for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers. The Corporation evaluated this standard and there is no impact on the consolidated financial statements.

IFRS 12 — DISCLOSURE OR INTERESTS IN OTHER ENTITIES

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Corporation evaluated this standard and it resulted in no impact on the consolidated financial statements. However, more information is required in the Notes to the financial statements.

IFRS 13 — FAIR VALUE MEASUREMENT

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Corporation evaluated this standard and there is no impact on the consolidated financial statements.

IAS 19 — EMPLOYEE BENEFITS

IAS 19 has been amended and includes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and enhances the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in the statement of other comprehensive income as they arise, without subsequent recycling to net income. Past service costs (which now include curtailment gains and losses) are no longer recognized over a service period but are instead recognized immediately in the period of a plan amendment. Pension benefit costs are split between: (i) the cost of benefits accrued in the current period (service costs) and benefit changes (past service costs, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component is calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment of taxes related to benefit plans, guidance on the risk/cost sharing feature, and expanded disclosures. The impact of this standard on the interest expense on employee future benefits for the year ended December 31, 2012, is $15 million ($11 million, or $0.11 per basic and diluted common share, after related income tax). Other comprehensive income increased by $11 million (net of income tax of $4 million) for the year ended December 31, 2012. There is no impact on the employee benefit asset and liability and deferred income tax asset and liability.

IAS 1 — PRESENTATION OF FINANCIAL STATEMENTS

IAS 1 has been amended to require entities to separate items presented in the statement of other comprehensive income into two groups based on whether or not items may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. The Corporation evaluated this standard and there is no financial impact although it results in a different presentation of the consolidated statement of comprehensive income.

AMENDMENTS TO OTHER STANDARDS

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. The Corporation evaluated these changes and there is no impact on the consolidated financial statements.

B) RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

IFRS 9 — FINANCIAL INSTRUMENTS

IFRS 9 was issued in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010, and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in the statement of other comprehensive income.

IFRS 9 was amended in November 2013, to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI, without having to adopt the remainder of IFRS 9, and to (iii) remove the previous mandatory effective date for adoption of January 1, 2015, although the standard is available for early adoption.

IFRS 7 — FINANCIAL INSTRUMENTS DISCLOSURES

IFRS 7 requires disclosure of both gross and net information about financial instruments eligible for offset in the balance sheet and financial instruments subject to master netting arrangements. Concurrent with the amendments to IFRS 7, the IASB also amended IAS 32, Financial Instruments: Presentation to clarify the existing requirements for offsetting financial instruments in the balance sheet. The amendments to IAS 32 are effective as of January 1, 2014. The Corporation is evaluating this standard and no significant impact on the consolidated financial statements is expected.

IAS 36 — IMPAIRMENT OF NON-FINANCIAL ASSETS

In May 2013, the IASB amended IAS 36, Impairment of assets regarding disclosures for non-financial assets. This amendment removed certain disclosures related to the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory until January 1st, 2014, however; the Corporation has decided to early adopt the amendment as of December 31, 2013.

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 LONG-LIVED ASSETS, INTANGIBLE ASSETS AND GOODWILL

In determining the recoverable amount of an asset or a CGU, the Corporation uses several key assumptions, based on external information on the industry when available, and including production levels, selling prices, volume, raw materials costs, foreign exchange rates, growth rates, discounting rates and capital spending.

The Corporation believes such assumptions to be reasonable. These assumptions involve a high degree of judgment and complexity and reflect Management's best estimates based on available information at the assessment date. In addition, products are commodity products; therefore, pricing is inherently volatile and often follows a cyclical pattern.

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS

GROWTH RATES

The assumptions used were based on the Corporation's internal budget. Revenues, operating margins and cash flows were projected for a period of five years, and a perpetual long-term growth rate was applied thereafter. In arriving at its forecasts, the Corporation considered 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.

NOTE 4
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

FOREIGN EXCHANGE RATES

Foreign exchange rates are determined using the financial institutions' average forecast for the first two years of forecasting. For the three following years, the Corporation uses the last five years' historical average of the foreign exchange rate.

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 actuarially determined 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 healthcare 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.

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

SUBSIDIARIES AND EQUITY ACCOUNTED INVESTMENTS

Significant judgment is applied in assessing whether certain investment structures result in control, joint control or significant influence over the operations of the investment. Management's assessment of control, joint control or significant influence over an investment will determine the accounting treatment for the investment.The Corporation has a 59.7% interest in an associate ("Greenpac"). Because the Corporation does not have the power over relevant activities of Greenpac, it is accounted for as an associate.

NOTE 5
DISCONTINUED OPERATIONS

a. On March 11, 2011, the Corporation announced that it had entered into an agreement for the sale of Dopaco Inc. and Dopaco Canada Inc. (collectively Dopaco), its converting business for the quick-service restaurant industry which was part of the Containerboard Group, to Reynolds Group Holdings Limited.

2013

In 2013, we reversed a $2 million provision for which we retained liability following the transaction since it did not materialize.

2012

The Corporation retained liability for certain pending litigation, namely a claim of damages in relation to the contamination of a site previously used by Dopaco. In 2012, the Corporation recorded a provision of $2 million (net of related income tax of $1 million) regarding this claim. Following the settlement of this claim, the Corporation paid $2 million. In 2012, the Corporation also recorded an income tax adjustment of $3 million relating to the finalization of the income tax on the Dopaco gain.

(in millions of Canadian dollars)	2013	2012
Results of the discontinued operations of Dopaco		
Other expenses (revenues) and specific items	**(2)**	3
Income taxes	**—**	2
Net earnings (loss) from discontinued operations	**2**	(5)
Net earnings (loss) from discontinued operations per common share		
Basic	**$ 0.02**	$ (0.05)
Diluted	**$ 0.02**	$ (0.05)

b. In 2012, the Corporation also paid $3 million in relation to a 2006 legal settlement in the fine paper distribution activities that were disposed of in 2006.

NOTE 6
BUSINESS ACQUISITION

2012 ACQUISITION

On April 1, 2012, the Corporation purchased all of the outstanding shares of Bird Packaging Limited ("Bird'"), located in Ontario, for a cash consideration of $14 million. Bird's assets include containerboard converting equipment as well as warehouses located in Guelph, Kitchener and Windsor. This acquisition is part of the Containerboard Group. The excess of the consideration paid over the net fair value of the assets acquired and the liabilities assumed resulted in non-deductible goodwill of $8 million and has been allocated to the Central Canada containerboard converting plants Cash Generating Unit ("CGU"). This acquisition is expected to create synergies in the CGU.

The purchase price determination was finalized as at September 30, 2012.

Assets acquired and liabilities assumed were as follows:

		2012
	BUSINESS SEGMENT:	CONTAINERBOARD
(in millions of Canadian dollars)	ACQUIRED COMPANY:	BIRD PACKAGING LIMITED
Fair values of identifiable assets acquired and liabilities assumed:		
Accounts receivable		5
Inventories		1
Property, plant and equipment		3
Capital-lease assets		8
Client list		4
Goodwill		8
Total assets		29
Bank loans and advances		(1)
Trade and other payables		(3)
Long-term debt		(2)
Capital-lease obligation		(8)
Deferred income tax liabilities		(1)
Net assets acquired		14
Cash paid		14

On a stand-alone basis, in 2012, the acquisition of Bird since the date of acquisition represented sales amounting to $21 million and net earnings attributable to Shareholders is nil. Had the acquisition occurred on January 1, 2012, consolidated sales and net loss attributable to Shareholders would have been $3,653 million and $21 million, respectively, for the year ended December 31, 2012. These estimates are based on the assumption that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on January 1, 2012.

NOTE 7
ACCOUNTS RECEIVABLE

(in millions of Canadian dollars)	NOTE	2013	2012
Accounts receivable - Trade		**459**	460
Receivables from related parties	29	**19**	14
Less: provision for doubtful accounts		**(13)**	(12)
Trade receivables - net		**465**	462
Provisions for volume rebates		**(27)**	(23)
Other		**74**	74
		512	513

As of December 31, 2013, trade receivables of $155 million (December 31, 2012 - $161 million) were past due but not impaired. The aging of these trade receivables at each reporting date is as follows:

(in millions of Canadian dollars)	2013	2012
Past due 1-30 days	**118**	121
Past due 31-60 days	**23**	27
Past due 61-90 days	**9**	9
Past due 91 days and over	**5**	4
	155	161

Movements in the Corporation's allowance for doubtful accounts are as follows:

(in millions of Canadian dollars)	2013	2012
Balance at beginning of year	**12**	13
Provision for doubtful accounts, net of unused beginning balance	**4**	3
Receivables written off during the year as uncollectable	**(3)**	(4)
Balance at end of year	**13**	12

The increase and decrease of provision for doubtful accounts have been included in Selling and administrative expenses in the consolidated statement of earnings.

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

NOTE 8
INVENTORIES

(in millions of Canadian dollars)	2013	2012
Finished goods	**254**	222
Raw materials	**128**	114
Supplies	**161**	161
	543	497

As at December 31, 2013, finished goods, raw materials and supplies are adjusted for net realizable value ("NRV") of $1 million, nil and $4 million, respectively (December 31, 2012 - $4 million, nil, $2 million). As at December 31, 2013, the carrying amount of inventory carried at net realizable value consisted of $22 million in finished goods inventory, nil in raw materials inventory and $4 million in supplies (December 31, 2012 - $21 million, nil and $3 million).

The Corporation has sold all the goods that were written down in 2012. No reversal of previously written-down inventory occurred in 2013 and 2012. The cost of raw materials and supplies included in Cost of sales amounted to $1,473 million (2012 - $1,398 million).

NOTE 9
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

(in millions of Canadian dollars)	2013	2012
Investments in associates	230	187
Investments in joint ventures	31	35
	261	222

Investments in associates and joint ventures as at December 31, 2013, include goodwill of $20 million (December 31, 2012 - $20 million).

B. INVESTMENTS IN ASSOCIATES

The following are the principal associates of the Corporation:

	PERCENTAGE OF EQUITY OWNED (%)	BUSINESS RELATIONSHIP	PRINCIPAL ESTABLISHMENT
Boralex Inc.	34.85	Note 1	Kingsey Falls, Canada
Greenpac Holding LLC	59.7	Note 2	Niagara Falls, United States

Note 1: Boralex Inc., is a Canadian public corporation and a major electricity producer whose core business is the development and operation of power stations that generate renewable energy, with operations in Canada, the northeastern United States and France.

Note 2: Greenpac Mill LLC is an American corporation that manufactures a light-weight linerboard made with 100% recycled fibres.

The Corporation's financial information from its principal associates is as follows:

	2013		2012	
(in millions of Canadian dollars)	BORALEX INC.	GREENPAC HOLDING LLC	BORALEX INC.	GREENPAC HOLDING LLC
Balance sheet				
Cash and cash equivalents	125	13	107	3
Current assets	193	70	167	5
Long-term assets	1,229	479	1,063	335
Current liabilities	60	33	49	30
Current financial liabilities	99	5	124	1
Long-term liabilities	50	—	40	—
Long-term financial liabilities	828	338	675	183
Statements of earnings (loss)				
Sales	169	58	181	—
Depreciation and amortization	54	9	58	—
Financing expense	51	11	49	—
Net earnings (loss) from continuing operations	(5)	(18)	(9)	(1)
Provision of income taxes	1	—	(2)	—
Other comprehensive income (loss)				
Translation adjustment	18	—	(1)	—
Cash flow hedges	25	(10)	(4)	(12)
Available for sale asset	1	—	1	—
	44	(10)	(4)	(12)

Investment in Boralex Inc. has a fair value of $142 million as at December 31, 2013 (December 31, 2012 - $121 million).

NOTE 9
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

C. INVESTMENT IN JOINT VENTURES
The following are the principal joint ventures of the Corporation and the Corporation's percentage of equity owned:

	PERCENTAGE EQUITY OWNED (%)	BUSINESS RELATIONSHIP	PRINCIPAL ESTABLISHMENT
Cascades Sonoco Inc.	50	Note 1	Birmingham and Tacoma, United States
Cascades Conversion Inc.	50	Note 1	Kingsey Falls, Canada
Converdis Inc.	50	Note 1	Berthierville, Canada

Note 1 : The joint ventures all produce specialty paper packaging products such as headers, rolls and wrappers.

The Corporation's joint ventures information is as follows:

			2013
(in millions of Canadian dollars)	CASCADES SONOCO INC.	CASCADES CONVERSION INC.	CONVERDIS INC.
Balance sheet			
Cash and cash equivalents	**4**	**2**	**—**
Current assets	**20**	**17**	**5**
Long-term assets	**12**	**21**	**5**
Current liabilities	**4**	**5**	**2**
Current financial liabilities	**3**	**—**	**—**
Long-term liabilities	**3**	**2**	**1**
Statement of earnings (loss)			
Sales	**97**	**62**	**24**
Depreciation and amortization	**1**	**1**	**—**
Net earnings (loss) from continuing operations	**7**	**6**	**1**
Provision of income taxes	**3**	**2**	**—**
Other comprehensive income			
Translation adjustment	**1**	**—**	**—**
	1	**—**	**—**
Cash flow			
Dividend received from joint ventures	**6**	**3**	**—**

(in millions of Canadian dollars)	CASCADES SONOCO INC.	CASCADES CONVERSION INC.	CONVERDIS INC.
			2012
Balance sheet			
Cash and cash equivalents	3	4	—
Current assets	19	17	6
Long-term assets	11	23	5
Current liabilities	5	4	3
Current financial liabilities	—	2	—
Long-term liabilities	2	3	1
Statement of earnings (loss)			
Sales	87	56	21
Depreciation and amortization	1	1	1
Net earnings (loss) from continuing operations	7	6	2
Provision of income taxes	3	2	1
Cash flow			
Dividend received from joint ventures	4	5	—

The Corporation received dividends of $1 million from its associate Niagara Sheet LLC as at December 31, 2012.

There are no contingent liabilities relating to the Corporation's interest in the joint ventures, and no contingent liabilities of the ventures themselves.

D. SUBSIDIARIES WITH NON-CONTROLLING INTEREST

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

			2013			2012
(in millions of Canadian dollars, unless otherwise noted)	RENO DE MEDICI S.p.A.	NORCAN FLEXIBLE PACKAGING	CASCADES RECOVERY INC.	RENO DE MEDICI S.p.A.	NORCAN FLEXIBLE PACKAGING	CASCADES RECOVERY INC.
Principal establishment	Milan, Italy	Mississauga, Canada	Toronto, Canada	Milan, Italy	Mississauga, Canada	Toronto, Canada
% of shares held by non-controlling interest	**42.39%**	**43.54%**	**27%**	51.46%	43.54%	27%
Net earnings (loss) attributable to non-controlling interest	**3**	**(1)**	**1**	(7)	—	1
Non-controlling interest accumulated at the end of the year	**84**	**2**	**26**	88	3	25
Subsidiaries financial information						
Assets	**559**	**18**	**124**	533	18	151
Liabilities	**360**	**13**	**39**	362	11	57
Net earnings (loss)	**3**	**(1)**	**3**	(7)	—	4
Cash flows from operating activities	**37**	**1**	**16**	27	1	14
Cash flows from investing activities	**(17)**	**—**	**(5)**	(21)	2	(4)
Cash flows from financing activities	**(21)**	**(1)**	**(16)**	(5)	(3)	(9)

In 2010, The Corporation entered into a put and call agreement with Industria E Innovazione ("Industria") whereby it had the option to buy 9.07% (100% of the shares held by Industria) of the shares of Reno de Medici (RdM) for €0.43 per share between March 1, 2011 and December 31, 2012. Industria also had the option of requiring the Corporation to purchase its shares for €0.41 per share between January 1, 2013 and March 31, 2014. As the put option held by Industria became effective on January 1, 2013, the non-controlling interest has been adjusted by 9.07% effective January 1, 2013, to 42.39%.

NOTE 9
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

E. NON-SIGNIFICANT ASSOCIATES AND JOINT VENTURES

The carrying value of investments in associates and joint ventures that are not significant, for the Corporation is as follow:

(in millions of Canadian dollars)	**2013**	2012
Non-significant associates		
Niagara Sheet LLC	**3**	3
Groupe NBG	**1**	1
Corpap Inc.	**1**	—
Longhorn Paper Converting LLC	**—**	—
Abzac Canada Inc.	**6**	7
Pac Service SpA	**2**	2
	13	13
Non-significant joint ventures		
Metro Municipal Recycling Services Inc.	**—**	2
1525429 Ontario Limited	**1**	1
Manucor SpA	**—**	2
Best Diamond Packaging LLC	**4**	4
Fresh Bailiwick	**1**	1
Norpap Inc.	**1**	1
	7	11
	20	24

The Corporation received dividends of $3 million from the joint ventures of Cascades Recovery as at December 31, 2013.

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

(in millions of Canadian dollars)	**2013**	2012
Non significant associates		
Niagara Sheet LLC	**1**	—
Groupe NBG	**—**	—
Corpap Inc.	**—**	(1)
Longhorn Paper Converting LLC	**—**	—
Abzac Canada Inc.	**—**	—
Pac Service SpA	**—**	—
	1	(1)
Non significant joint ventures		
Metro Municipal Recycling Services Inc.	**—**	1
1525429 Ontario Limited	**—**	—
Manucor SpA	**(2)**	(3)
Best Diamond Packaging LLC	**—**	—
Fresh Bailiwick	**—**	—
Norpap Inc.	**—**	—
	(2)	(2)
	(1)	(3)

NOTE 10
PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars)	NOTE	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	AUTOMOTIVE EQUIPMENT	OTHER	TOTAL
As at January 1, 2012							
Cost		106	664	2,691	76	333	3,870
Accumulated depreciation and impairment		—	252	1,645	54	216	2,167
Net book amount		106	412	1,046	22	117	1,703
Year ended December 31, 2012							
Opening net book amount		106	412	1,046	22	117	1,703
Additions		1	11	85	5	67	169
Disposals		(2)	(1)	(3)	—	(3)	(9)
Depreciation		—	(25)	(139)	(6)	(11)	(181)
Business acquisitions	6	—	8	3	—	—	11
Impairment charge		—	—	(24)	—	—	(24)
Other		(1)	5	45	—	(50)	(1)
Exchange differences		—	(2)	(6)	—	(1)	(9)
Closing net book amount		104	408	1,007	21	119	1,659
As at December 31, 2012							
Cost		104	681	2,764	78	225	3,852
Accumulated depreciation and impairment		—	273	1,757	57	106	2,193
Net book amount		104	408	1,007	21	119	1,659
Year ended December 31, 2013							
Opening net book amount		**104**	**408**	**1,007**	**21**	**119**	**1,659**
Additions		**3**	**8**	**51**	**11**	**84**	**157**
Disposals		**—**	**—**	**(8)**	**—**	**(2)**	**(10)**
Depreciation		**—**	**(25)**	**(123)**	**(7)**	**(9)**	**(164)**
Impairment charge		**(2)**	**(13)**	**—**	**—**	**(1)**	**(16)**
Other		**—**	**10**	**68**	**—**	**(76)**	**2**
Exchange differences		**4**	**11**	**37**	**—**	**4**	**56**
Closing net book amount		**109**	**399**	**1,032**	**25**	**119**	**1,684**
As at December 31, 2013							
Cost		**111**	**721**	**2,831**	**84**	**215**	**3,962**
Accumulated depreciation and impairment		**2**	**322**	**1,799**	**59**	**96**	**2,278**
Net book amount		**109**	**399**	**1,032**	**25**	**119**	**1,684**

Other property, plant and equipment includes buildings and machinery and equipment in the process of construction or installation with a book value of $60 million (December 31, 2012 - $55 million) and deposits on purchases of equipment amounting to $10 million (December 31, 2012 - $10 million). The carrying value of finance-lease assets is $16 million.

No interest has been capitalized in fixed assets in 2013. In 2012, $2 million of interest incurred on qualifying assets was capitalized. The weighted average capitalization rate on funds borrowed in 2012 was 6.31%.

NOTE 11
GOODWILL AND OTHER INTANGIBLE ASSETS WITH A FINITE AND AN 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 A FINITE USEFUL LIFE	GOODWILL	OTHER INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE
As at January 1, 2012								
Cost		50	175	41	266	322	7	329
Accumulated amortization and impairment		15	42	24	81	—	1	1
Net book amount		35	133	17	185	322	6	328
Year ended December 31, 2012								
Opening net book amount		35	133	17	185	322	6	328
Additions		31	—	—	31	—	—	—
Business acquisitions	6	—	4	—	4	8	—	8
Impairment charge		—	—	(2)	(2)	—	—	—
Amortization		(4)	(11)	(3)	(18)	—	—	—
Exchange differences		—	—	—	—	(1)	—	(1)
Closing net book amount		62	126	12	200	329	6	335
As at December 31, 2012								
Cost		81	179	41	301	329	7	336
Accumulated amortization and impairment		19	53	29	101	—	1	1
Net book amount		62	126	12	200	329	6	335
Year ended December 31, 2013								
Opening net book amount		**62**	**126**	**12**	**200**	**329**	**6**	**335**
Additions		**15**	**—**	**—**	**15**	**—**	**—**	**—**
Impairment charge		**—**	**(2)**	**—**	**(2)**	**(4)**	**—**	**(4)**
Amortization		**(4)**	**(11)**	**(3)**	**(18)**	**—**	**—**	**—**
Exchange differences		**—**	**1**	**—**	**1**	**1**	**1**	**2**
Closing net book amount		**73**	**114**	**9**	**196**	**326**	**7**	**333**
As at December 31, 2013								
Cost		**97**	**180**	**41**	**318**	**330**	**8**	**338**
Accumulated amortization and impairment		**24**	**66**	**32**	**122**	**4**	**1**	**5**
Net book amount		**73**	**114**	**9**	**196**	**326**	**7**	**333**

NOTE 12
OTHER ASSETS

(in millions of Canadian dollars)	NOTE	2013	2012
Notes receivable from business disposals		**18**	18
Other investments		**10**	11
Other assets		**42**	38
Deferred financing costs		**4**	6
Employee future benefits	17	**44**	1
		118	74
Less: Current portion, included in accounts receivables		**(10)**	(4)
Total other assets		**108**	70

In 2012, the Corporation granted a US$15 million ($15 million) bridge loan to Greenpac Holding LLC (Greenpac Project). The loan is included in Other assets will mature no later than 2021 and bears interest ranging from 7.5% to 12% depending on the stage of completion of the Greenpac Project. Including accrued interest, the bridge loan stands at $20 million as at December 31, 2013. However, we expect the loan to be repaid over the next 4 years through secured tax credits to be received by members of the project and operational cash flows. In 2013, the Corporation also capitalized in Other assets $6 million worth of costs incurred for the supervision of the Greenpac Project construction (2012 - $6 million). These costs are repaid to the Corporation by Greenpac Mill over an 8-year period.

NOTE 13
TRADE AND OTHER PAYABLES

(in millions of Canadian dollars)	NOTE	2013	2012
Trade payables		**484**	465
Payables to related parties	29	**14**	13
Accrued expenses		**92**	73
Trade and other payables		**590**	551

NOTE 14
PROVISIONS FOR CONTINGENCIES AND CHARGES

(in millions of Canadian dollars)	ENVIRONMENTAL RESTORATION OBLIGATIONS	ENVIRONMENTAL COSTS	LEGAL CLAIMS	SEVERANCES	ONEROUS CONTRACT	OTHERS	TOTAL PROVISIONS
As at January 1, 2012	6	14	11	4	2	1	38
Additional provision	—	3	2	4	4	1	14
Reversal of provision	—	(1)	—	—	—	—	(1)
Payments	—	(2)	(4)	(5)	(1)	(1)	(13)
Revaluation	1	—	—	—	—	—	1
Others	1	(1)	(1)	(1)	—	2	—
As at December 31, 2012	8	13	8	2	5	3	39
Additional provision	**—**	**1**	**2**	**4**	**1**	**—**	**8**
Payments	**—**	**(1)**	**(4)**	**(2)**	**(3)**	**(1)**	**(11)**
Revaluation	**—**	**—**	**—**	**—**	**—**	**2**	**2**
Unwinding of discount	**—**	**—**	**—**	**—**	**1**	**—**	**1**
As at December 31, 2013	**8**	**13**	**6**	**4**	**4**	**4**	**39**

Analysis of total provisions:

(in millions of Canadian dollars)	2013	2012
Non-current	**37**	33
Current	**2**	6
	39	39

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 those sites.

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

LEGAL CLAIMS
In the normal course of operations, the Corporation is party to various legal actions and contingencies related to contract disputes and labour issues.

NOTE 15
LONG-TERM DEBT

(in millions of Canadian dollars)	MATURITY	2013	2012
Revolving credit facility, weighted average interest rate of 3.01% as at December 31, 2013, consists of $291 million; US$10 million and €125 million (December 31, 2012 - $299 million; US$37 million and €49 million)	2016	**484**	401
7.25% Unsecured senior notes of US$4 million repurchased in 2013	2013	**—**	4
6.75% Unsecured senior notes of US$6 million repurchased in 2013	2013	**—**	6
7.75% Unsecured senior notes of $200 million	2016	**199**	198
7.75% Unsecured senior notes of US$500 million	2017	**527**	493
7.875% Unsecured senior notes of US$250 million	2020	**263**	245
Other debts of subsidiaries		**39**	53
Other debts without recourse to the Corporation		**80**	90
		1,592	1,490
Less: Unamortized financing costs		**13**	15
Total long-term debt		**1,579**	1,475
Less:			
Current portion of 7.25% Unsecured senior notes		**—**	4
Current portion of 6.75% Unsecured senior notes		**—**	6
Current portion of debts of subsidiaries		**15**	20
Current portion of debts without recourse to the Corporation		**24**	30
		39	60
		1,540	1,415

a. In 2013, the Corporation repurchased US$4 million of its 7.25% unsecured senior notes for an amount of US$4 million ($4 million) and US$6 million of its 6.75% unsecured senior notes for an amount of US$6 million ($6 million). No gain or loss resulted from these transactions.

b. In 2012, the Corporation repurchased US$3million of its 6.75% unsecured senior notes for an amount of US$3 million ($3 million) and US $5 million of its 7.25% unsecured senior notes for an amount of US$5 million ($5 million). No gain or loss resulted from these transactions.

c. As at December 31, 2013, accounts receivable and inventories totaling approximately $655 million (December 31, 2012 - $611 million) as well as property, plant and equipment totaling approximately $261 million (December 31, 2012 - $275 million) were pledged as collateral for the Corporation's revolving credit facility.

d. The Corporation has finance leases for various items of property, plant and equipment. Renewals and purchase options are specific to the entity that holds the lease. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2013		2012	
(in millions of Canadian dollars)	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS
Within one year	**6**	**5**	5	3
Later than 1 year but no later than 5 years	**10**	**7**	10	7
More than 5 years	**9**	**6**	9	7
Total minimum lease payments	**25**	**18**	24	17
Less: amounts representing finance charges	**7**	**—**	7	—
Present value of minimum lease payments	**18**	**18**	17	17

NOTE 16
OTHER LIABILITIES

(in millions of Canadian dollars)	NOTE	2013	2012
Employee future benefits	17	**202**	259
Other		**11**	5
		213	264
Less: Current portion, included in Trade and other payables		**(1)**	—
Total other liabilities		**212**	264

NOTE 17
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 financial statements.

(in millions of Canadian dollars)	NOTE	2013	2012
Balance sheet obligations for			
Defined pension benefits	17(a)	**44**	138
Post-employment benefits other than defined benefit pension plans	17(b)	**114**	120
Net liability in the balance sheet		**158**	258
Allocated as follow:			
Short term		**(6)**	—
Long term		**164**	258
Net liability on balance sheet		**158**	258
Income statement charge			
Defined pension benefits		**20**	19
Defined contribution benefits		**19**	17
Post-employment benefits other than defined benefit pension plans		**7**	7
		46	43
Remeasurements for			
Defined pension benefits		**(89)**	21
Post-employment benefits other than defined benefit pension plans		**(8)**	6
		(97)	27

A. DEFINED BENEFIT PENSION PLANS

The Corporation offers funded and unfunded defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans (RRSP) 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 salaries or compensation at the end of a career. Retirement benefits are, in some cases, partially adjusted based on inflation.

The majority of benefit payments are payable from a 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 practice 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 investments managers, investment consultants, actuaries and custodians.

NOTE 17
EMPLOYEE FUTURE BENEFITS (CONTINUED)

The movement in the net defined benefit obligation and fair value of plan assets of 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 at January 1, 2012	672	(560)	112	13	125
Current service cost	12	—	12	—	12
Interest expense (income)	31	(24)	7	—	7
Past service costs	1	—	1	—	1
Curtailments	(1)	—	(1)	—	(1)
Impact on profit or loss	43	(24)	19	—	19
Remeasurements					
Return on plan assets, excluding amounts included in interest expense (income)	—	(23)	(23)	—	(23)
Loss (gain) from change in financial assumptions	44	—	44	—	44
Impact of remeasurements on other comprehensive income	44	(23)	21	—	21
Exchange differences	(1)	—	(1)	—	(1)
Contributions					
Employers	—	(26)	(26)	—	(26)
Plan participants	3	(3)	—	—	—
Benefit payments	(38)	38	—	—	—
As at December 31, 2012	723	(598)	125	13	138
Current service cost	**12**	**—**	**12**	**—**	**12**
Interest expense (income)	**29**	**(22)**	**7**	**1**	**8**
Impact on profit or loss	**41**	**(22)**	**19**	**1**	**20**
Remeasurements					
Return on plan assets, excluding amounts included in interest expense (income)	**—**	**(63)**	**(63)**	**—**	**(63)**
Loss (gain) from change in demographic assumptions	**17**	**—**	**17**	**—**	**17**
Loss (gain) from change in financial assumptions	**(42)**	**—**	**(42)**	**—**	**(42)**
Experience losses (gains)	**(1)**	**—**	**(1)**	**—**	**(1)**
Impact of remeasurements on other comprehensive income	**(26)**	**(63)**	**(89)**	**—**	**(89)**
Exchange differences	**3**	**(1)**	**2**	**—**	**2**
Contributions					
Employers	**—**	**(27)**	**(27)**	**—**	**(27)**
Plan participants	**3**	**(3)**	**—**	**—**	**—**
Benefit payments	**(90)**	**90**	**—**	**—**	**—**
As at December 31, 2013	**654**	**(624)**	**30**	**14**	**44**

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

(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
				2013
Present value of funded obligations	**594**	**7**	**—**	**601**
Fair value of plan assets	**619**	**5**	**—**	**624**
Deficit (surplus) of funded plans	**(25)**	**2**	**—**	**(23)**
Impact of minimum funding requirement (asset ceiling)	**14**	**—**	**—**	**14**
Present value of unfunded obligations	**33**	**—**	**20**	**53**
Net liability on balance sheet	**22**	**2**	**20**	**44**

(in million of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
						2013
Present value of funded obligations	**386**	**—**	**186**	**28**	**1**	**601**
Fair value of plan assets	**424**	**—**	**173**	**25**	**2**	**624**
Deficit (surplus) of funded plans	**(38)**	**—**	**13**	**3**	**(1)**	**(23)**
Impact of minimum funding requirement (asset ceiling)	**11**	**—**	**3**	**—**	**—**	**14**
Present value of unfunded obligations	**7**	**20**	**2**	**2**	**22**	**53**
Net liability on balance sheet	**(20)**	**20**	**18**	**5**	**21**	**44**

(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
				2012
Present value of funded obligations	665	7	—	672
Fair value of plan assets	594	4	—	598
Deficit (surplus) of funded plans	71	3	—	74
Impact of minimum funding requirement (asset ceiling)	13	—	—	13
Present value of unfunded obligations	33	—	18	51
Net liability on balance sheet	117	3	18	138

(in millions of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
						2012
Present value of funded obligations	450	—	193	28	1	672
Fair value of plan assets	424	—	151	21	2	598
Deficit (surplus) of funded plans	26	—	42	7	(1)	74
Impact of minimum funding requirement (asset ceiling)	7	—	6	—	—	13
Present value of unfunded obligations	7	18	2	2	22	51
Net liability on balance sheet	40	18	50	9	21	138

The significant actuarial assumptions are as follows:

			2013			2012
	CANADA	UNITED STATES	EUROPE	CANADA	UNITED STATES	EUROPE
Discount rate	**4.75%**	**4.5%**	**3.25%**	4.25%	4%	3%
Salary growth rate	**Between 1,5% and 3%**	**N/A**	**—%**	Between 2% and 3,5%	N/A	—
Inflation rate	**2.5%**	**N/A**	**1.75%**	2.5%	N/A	1.75%

NOTE 17
EMPLOYEE FUTURE BENEFITS (CONTINUED)

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 95% of all pension plans, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2013	2012
Retiring at the end of the year		
Male	**20.9**	19.8
Female	**23.1**	22.1
Retiring 20 years after the end of the reporting year		
Male	**22.6**	21.3
Female	**24.2**	22.9

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 DEFINED BENEFIT OBLIGATION		
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	0.25%	(3)%	3.1%
Salary growth rate	0.25%	0.5%	(0.5)%

	INCREASE BY 1 YEAR IN ASSUMPTION
Life expectancy	2.6%

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

					2013
(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	%
Cash and short-term investments	**28**	**1**	**—**	**29**	**4.7 %**
Bonds					
Canadian bonds	**115**	**97**	**—**	**212**	
				212	**33.9 %**
Shares					
Canadian shares	**113**	**—**	**—**	**113**	
Foreign shares	**13**	**—**	**—**	**13**	
				126	**20.2 %**
Mutual funds					
Money market funds	**—**	**11**	**—**	**11**	
Canadian bond mutual funds	**—**	**11**	**—**	**11**	
Foreign bond mutual funds	**—**	**2**	**—**	**2**	
Canadian equity mutual funds	**—**	**49**	**—**	**49**	
Foreign equity mutual funds	**—**	**176**	**—**	**176**	
Alternative investments funds	**—**	**2**	**—**	**2**	
				251	**40.2 %**
Other					
Derivatives contract, net	**6**	**—**	**—**	**6**	
				6	**1 %**
	275	**349**	**—**	**624**	

(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	2012 %
Cash and short-term investments	14	—	—	14	2.4 %
Bonds					
Canadian bonds	123	58	—	181	
				181	30.3 %
Shares					
Canadian shares	116	—	—	116	
Foreign shares	63	—	—	63	
				179	29.8 %
Mutual funds					
Money market funds	—	10	—	10	
Canadian bond mutual funds	—	43	—	43	
Foreign bond mutual funds	—	2	—	2	
Canadian equity mutual funds	28	5	—	33	
Foreign equity mutual funds	—	122	—	122	
Alternative investments funds	—	14	—	14	
				224	37.5 %
	344	254	—	598	

The plan assets do not include shares or debt securities of the Corporation. Annual benefit annuities of an approximate value of $11 million are pledged by insurance contracts established by the Corporation.

NOTE 17
EMPLOYEE FUTURE BENEFITS (CONTINUED)

B. POST EMPLOYMENT BENEFITS OTHER THAN DEFINED BENEFIT PENSION PLANS

The Corporation also offers to 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 the new retirees, and the retirement allowance is not offered to the majority of employees hired after 2002.

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

				2013
(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of unfunded obligations	**85**	**3**	**26**	**114**
Liability on balance sheet	**85**	**3**	**26**	**114**

						2013
(in millions of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
Present value of unfunded obligations	**46**	**26**	**17**	**12**	**13**	**114**
Liability on balance sheet	**46**	**26**	**17**	**12**	**13**	**114**

				2012
(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of unfunded obligations	92	3	25	120
Liability on balance sheet	92	3	25	120

						2012
(in millions of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
Present value of unfunded obligations	56	25	19	12	8	120
Liability on balance sheet	56	25	19	12	8	120

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 at January 1, 2012	115	—	115
Current service cost	3	—	3
Interest expense (income)	5	—	5
Curtailments	(1)	—	(1)
Impact on profit or loss	7	—	7
Remeasurements			
Loss (gain) from change in financial assumptions	3	—	3
Experience losses (gains)	3	—	3
Impact of remeasurements on other comprehensive income	6	—	6
Contributions and premiums paid by the employer	—	(8)	(8)
Benefit payments	(8)	8	—
As at December 31, 2012	120	—	120
Current service cost	**3**	**—**	**3**
Interest expense (income)	**4**	**—**	**4**
Post-employment variation	**(1)**	**—**	**(1)**
Plan changes	**1**	**—**	**1**
Impact on profit or loss	**7**	**—**	**7**
Remeasurements			
Loss (gain) from change in demographic assumptions	**1**	**—**	**1**
Loss (gain) from change in financial assumptions	**(11)**	**—**	**(11)**
Experience losses (gains)	**2**	**—**	**2**
Impact of remeasurements on other comprehensive income	**(8)**	**—**	**(8)**
Exchange differences	**3**	**—**	**3**
Contributions and premiums paid by the employer	**—**	**(8)**	**(8)**
Benefit payments	**(8)**	**8**	**—**
As at December 31, 2013	**114**	**—**	**114**

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 healthcare costs 4.75% a year (2012 - 5.0%).

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)%	3.2 %
Salary growth rate	0.25%	0.7 %	(0.7)%
Health care cost increase	1%	3 %	(2.4)%

	INCREASE BY 1 YEAR IN ASSUMPTION
Life expectancy	1.34 %

NOTE 17
EMPLOYEE FUTURE BENEFITS (CONTINUED)

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; if plan assets underperform this yield, this will create an experience loss. Both the Canada and US 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.

For the Canadian pension plans, which represents 99% of funded pension plans, 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 will improves and/or when the rate of return on bonds used for solvency valuations will increases.

The first stage of this process was completed in 2013 with the sale of a number of equity holdings and the purchase of a mixture of government and corporate bonds for smaller pension plans ($50 million or less); for larger pension plans, it has been done through future contracts. The government bonds represent investments in Canadian government securities only. The corporate bonds are global securities with an emphasis on Canada.

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 a title would not have a big impact of 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, particularly for plans in a good financial position that have a greater proportion of bonds.

Inflation risk

The majority of the plans' benefit obligations are not linked to inflation since benefits paid are not indexed for the vast majority of the plans. Therefore, this risk is not significant.

Life expectancy

The majority of the plans' obligations are to provide benefits for the lifetime of the member, 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 with the projected unit credit method at the end of the reporting period) has been applied as for calculating the liability recognized in the statement of financial position.

As at December 31, 2013, the aggregate surplus of the Corporation's funded pension plans (mostly in Canada) amounted to $23 million (a deficit of $74 million as at December 31, 2012). The Corporation will make special payments of $2 million for past service to fund the Canadian pension plan deficit over ten years. Current agreed service contributions amount to $12 million and continue to be made in the normal course. As for the cash flow requirement, these pension plans are expected to require a net contribution of approximately $11 million in 2014.

The weighted average duration of the defined benefit obligation is 13 years (2012 - 13.5 years).

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

(in millions of Canadian dollars)	LESS THAN A YEAR	BETWEEN 1-2 YEARS	BETWEEN 2-5 YEARS	OVER 5 YEARS	TOTAL
Pension benefits	**39**	**41**	**126**	**1,754**	**1,960**
Post-employment benefits other than defined benefit pension plans	**8**	**10**	**29**	**184**	**231**
As at December 31, 2013	**47**	**51**	**155**	**1,938**	**2,191**

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, 2013.

NOTE 18
INCOME TAXES

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

(in millions of Canadian dollars)	**2013**	2012
Current tax	**(3)**	15
Deferred tax	**15**	(21)
	12	(6)

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

(in millions of Canadian dollars)	**2013**	2012
Provision for (recovery of) income taxes based on the combined basic Canadian and provincial income tax rate	**7**	(8)
Adjustment of provision for (recovery of) income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	**5**	2
Non-taxable portion of capital gain	**—**	(1)
Permanent differences - others	**(2)**	(1)
Change in unrecognized temporary differences	**2**	2
	5	2
Provision for (recovery of) income taxes	**12**	(6)

Weighted average income tax rate for the year ended December 31, 2013, was 28.9% (2012 - 28.5%).

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

(in millions of Canadian dollars)	**2013**	2012
Foreign currency translation related to hedging activities	**(4)**	1
Cash flow hedge	**1**	2
Included in other comprehensive income (loss) of associates	**—**	(2)
Actuarial gain (loss) on post-employment benefit obligations	**26**	(7)
	23	(6)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

(in millions of Canadian dollars)	**2013**	2012
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	**333**	313
Deferred income tax assets to be recovered within 12 months	**7**	22
	340	335
Deferred income tax liabilities:		
Deferred income tax liabilities to be used after more than 12 months	**331**	285
Deferred income tax liabilities to be used within 12 months	**—**	2
	331	287
	9	48

NOTE 18
INCOME TAXES (CONTINUED)

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

(in millions of Canadian dollars)	NOTE	2013	2012
As at January 1		48	12
Through statement of earnings (loss)		(15)	17
Variance of income tax credit, net of related income tax		3	8
Through statement of comprehensive income (loss)		(23)	10
Through business acquisitions and disposals	6	—	(1)
Exchange differences		(4)	2
As at December 31		9	48

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)	RECOGNIZED TAX BENEFIT ARISING FROM INCOME TAX LOSSES	EMPLOYEE FUTURE BENEFITS	EXPENSE ON RESEARCH	UNUSED TAX CREDITS	FINANCIAL INSTRUMENTS	OTHERS	TOTAL
As at January 1, 2012	144	56	52	51	16	13	332
Through statement of earnings (loss)	(3)	(4)	4	(10)	2	1	(10)
Variance of income tax credit	—	—	—	8	—	—	8
Through statement of comprehensive income (loss)	—	7	—	—	(2)	—	5
As at December 31, 2012	141	59	56	49	16	14	335
Through statement of earnings (loss)	33	(1)	7	2	(8)	(4)	29
Variance of income tax credit	—	—	—	3	—	—	3
Through statement of comprehensive loss	—	(26)	—	—	(1)	—	(27)
As at December 31, 2013	174	32	63	54	7	10	340

DEFERRED INCOME TAX LIABILITIES

(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT	CAPITAL GAIN	INTANGIBLE ASSETS	INVESTMENTS	OTHERS	TOTAL
As at January 1, 2012	202	56	34	12	16	320
Through statement of earnings (loss)	(40)	2	10	4	(7)	(31)
Through statement of comprehensive income	—	1	—	—	—	1
Included in comprehensive loss of associates	—	—	—	(2)	—	(2)
Through business acquisitions and disposals	1	—	—	—	—	1
Exchange differences	(2)	—	—	—	—	(2)
As at December 31, 2012	161	59	44	14	9	287
Through statement of earnings (loss)	1	(12)	8	40	7	44
Through statement of comprehensive loss	—	(4)	—	—	—	(4)
Exchange differences	4	—	—	—	—	4
As at December 31, 2013	166	43	52	54	16	331

The Corporation has accumulated losses for income tax purposes amounting to approximately $759 million which may be carried forward to reduce taxable income in future years. The future tax benefit resulting from the deferral of $593 million 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. Income tax losses as at December 31, 2013 are detailed as follows:

(in millions of Canadian dollars)	UNRECOGNIZED TAX LOSSES	RECOGNIZED TAX LOSSES	TOTAL TAX LOSSES	MATURITY
Canada	—	2	2	2014
	—	6	6	2015
	—	8	8	2026
	—	14	14	2027
	—	2	2	2028
	—	8	8	2029
	—	66	66	2030
	—	77	77	2031
	—	130	130	2032
	—	130	130	2033
United States	—	4	4	2018
	—	9	9	2019
	—	5	5	2020
	—	2	2	2029
	—	2	2	2031
	—	2	2	2032
	—	2	2	2033
Europe	166	124	290	Indefinitely
	166	593	759	

NOTE 19
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)	**2013**	2012
Cash and cash equivalents	**(23)**	(20)
Bank loans and advances	**56**	80
Long-term debt, including current portion	**1,579**	1,475
	1,612	1,535
Shareholders' equity	**1,081**	978
Total capital	**2,693**	2,513

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 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 the 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 finance leases and other accrued obligations (2013 - $1,538 million; 2012 - $1,462 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 at December 31, 2010 in the amount of $208 million. The interest coverage ratio is defined as EBITDA to interest expense. The EBITDA is defined as net earnings of the last four quarters plus interest expense, income taxes, amortization and depreciation, expense for stock options and dividends received from a person who is not a credit party (2013 - $293 million; 2012 - $264 million). Excluded from net earnings are share of results of equity investments and gains or losses from non-recurring items. Interest 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 also unrealized gains or losses arising from hedging agreements. It also excludes any gains or losses on the translation of any 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 indenture dated December 3, 2009.

As at December 31, 2013, the funded debt to capitalization ratio stood at 54.38% and the interest coverage ratio was 3.2x. The Corporation is in compliance with the ratio requirements of its lenders. If cash is available, the Corporation will use it to reduce its revolving credit facility utilization.

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 Indenture dated December 3, 2009.

On a regular basis, the Corporation meets with the rating agencies. In 2013, Standard & Poor's, a rating service agency, downgraded the long-term corporate credit rating of the Corporation to "B+" from "BB-" on slower deleveraging, with a stable outlook.

The Corporation normally invests between $100 million and $200 million yearly in purchases of property, plant and equipment. 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 to 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:

		2013		2012	
	NOTE	NUMBER OF SHARES	IN MILLIONS OF CANADIAN DOLLARS	NUMBER OF SHARES	IN MILLIONS OF CANADIAN DOLLARS
Balance - beginning of year		**93,882,445**	**482**	94,647,165	486
Shares issued on exercise of stock options		**75,304**	**—**	8,666	—
Redemption of common shares	19(c)	**(69,900)**	**—**	(773,386)	(4)
Balance - end of year		**93,887,849**	**482**	93,882,445	482

C. REDEMPTION OF COMMON SHARES

In 2013, in the normal course of business, the Corporation renewed its redemption program of a maximum of 2,816,753 common shares with the Toronto Stock Exchange, said shares representing approximately 3% of issued and outstanding common shares. The redemption authorization is valid from March 15, 2013 to March 14, 2014. In 2013, the Corporation redeemed 69,900 common shares under this program for a consideration of approximately $- million (2012 - $3 million).

D. EARNINGS (LOSS) PER SHARE

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

	2013	2012
Net earnings (loss) available to common shareholders (in millions of Canadian dollars)	11	(22)
Weighted average basic number of common shares outstanding (in millions)	93.9	94.2
Dilution effect of stock options (in millions)	0.8	0.4
Adjusted weighted average number of common shares (in millions)	94.7	94.6
Basic net earnings (loss) per common share (in Canadian dollars)	$ 0.11	$ (0.23)
Diluted net earnings (loss) per common share (in Canadian dollars)	$ 0.11	$ (0.23)

In calculating diluted net earnings (loss) per share for 2013 and 2012, stock options of 6,656,423 and 6,534,700 respectively were excluded due to their antidilutive effect. As of March 12, 2014, the Corporation had not redeemed any shares since the beginning of the financial year.

E. DETAILS OF DIVIDENDS DECLARED PER SHARE ARE AS FOLLOWS:

	2013	2012
Dividends declared per share	$ 0.16	$ 0.16

NOTE 20
STOCK-BASED COMPENSATION

a. Under the terms of a share option plan adopted on December 15, 1998, and amended on March 15, 2013, and approved by Shareholders on May 8, 2013, for officers and key employees of the Corporation, a remaining balance of 2,612,903 common shares has been specifically reserved for issuance. 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 12 months after the first anniversary date of grant, and up to an additional 25% every 12 months after the second, third and fourth anniversaries of grant date. Options cannot be exercised if the market value of the share at 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 (2012 - $1 million).

Changes in the number of options outstanding as at December 31, 2013 and 2012 are as follows:

	2013		2012	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $
Beginning of year	6,534,700	6.54	5,693,429	7.25
Granted	560,391	5.18	1,361,314	4.55
Exercised	(75,304)	2.39	(8,666)	2.28
Expired	(331,301)	11.69	(373,383)	10.86
Forfeited	(32,063)	4.46	(137,994)	4.75
End of year	6,656,423	6.22	6,534,700	6.54
Options exercisable - end of year	4,727,343	6.65	4,093,105	7.48

The weighted-average share price at the time of exercise of the options was $4.97 (2012 - $4.14).

NOTE 20
STOCK-BASED COMPENSATION (CONTINUED)

The following options were outstanding as at December 31, 2013:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE		
YEAR GRANTED	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE $	EXPIRATION DATE
2004	252,530	13.00	252,530	13.00	2014
2005	240,545	12.73	240,545	12.73	2014-2015
2006	291,828	11.49	291,828	11.49	2014-2016
2007	315,900	11.83	315,900	11.83	2014-2017
2008	478,882	7.81	478,882	7.81	2014-2018
2009	364,560	2.28	364,560	2.28	2014-2019
2009	1,478,465	3.92	1,478,465	3.92	2014-2019
2010	711,170	6.43	550,513	6.43	2014-2020
2011	767,217	6.26	411,384	6.26	2014-2021
2012	1,194,935	4.47	342,736	4.50	2014-2022
2013	560,391	5.18	—	—	2023
	6,656,423	6.22	4,727,343	6.65	

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 five years. The following weighted-average assumptions were used to estimate the fair value of $1.75 (2012 - $1.32), as at the date of grant, of each option issued to employees:

	2013	2012
Grant date share price	**$ 5.15**	$ 4.34
Exercise price	**$ 5.18**	$ 4.55
Risk-free interest rate	**1.75%**	1.37%
Expected dividend yield	**3.11%**	3.68%
Expected life of options	**6 years**	6 years
Expected volatility	**47%**	42%

b. 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 to the plan for 25% of the employee's contribution.

   The shares are purchased on the market on a predetermined date each month. For the year ended December 31, 2013, the Corporation's contribution to the plan amounted to $1 million (2012 - $1 million).

c. The Corporation has a Deferred Share Unit Plan for the benefit of its external directors, 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, 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 as at the grant date. The liability is adjusted periodically to reflect any variation in the market value of the common shares. As at December 31, 2013, the Corporation had a total of 227,415 DSUs outstanding (2012 - 243,355 DSUs), representing a long-term liability of $2 million (2012 - $1 million).

d. In 2013, the Corporation put in place 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.The vesting date will not be later than the end of the second fiscal year of the Corporation following the year during which such PSU award is granted. Periodically, the number of PSUs forming part of the award shall be adjusted depending upon the three year average return on capital employed of the Corporation (ROCE). 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. 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 adjusted periodically to reflect any variation in the market value of the common shares, the expected average ROCE and the passage of time. As at December 31, 2013, the Corporation had a total of 560,391 PSUs outstanding , representing a long-term liability of nil.

NOTE 21
ACCUMULATED OTHER COMPREHENSIVE LOSS

(in millions of Canadian dollars)	**2013**	2012
Foreign currency translation, net of hedging activities and related income tax of nil (December 31, 2012 - $(4) million)	**(29)**	(47)
Unrealized gain (loss) arising from foreign exchange forward contracts designated as cash flow hedges, net of related income taxes of $1 million (December 31, 2012 - nil)	**(4)**	2
Unrealized loss arising from interest rate swap agreements designated as cash flow hedges, net of related income taxes of $8 million (December 31, 2012 - $13 million)	**(13)**	(21)
Unrealized loss arising from commodity derivative financial instruments designated as cash flow hedges, net of related income taxes of $5 million (December 31, 2012 - $7 million)	**(13)**	(20)
Unrealized loss on available-for-sale financial assets, net of related income taxes of nil (December 31, 2012 - nil)	**(1)**	(1)
	(60)	(87)

NOTE 22
COST OF SALES BY NATURE

(in millions of Canadian dollars)	**2013**	2012
Raw materials	**1,473**	1,398
Wages and employee benefits expenses	**604**	576
Energy	**309**	318
Delivery	**276**	263
Depreciation and amortization	**182**	199
Others	**433**	403
Total cost of sales	**3,277**	3,157

SELLING AND ADMINISTRATIVE EXPENSES BY NATURE

(in millions of Canadian dollars)	**2013**	2012
Wages and employee benefits expenses	**292**	278
Information technology	**24**	26
Publicity and marketing	**11**	21
Others	**79**	57
Total selling and administrative expenses	**406**	382

NOTE 23
EMPLOYEE BENEFITS EXPENSES

(in millions of Canadian dollars)	2013	2012
Wages and employee benefits expenses	896	854
Share options granted to directors and employees	1	1
Pension costs - defined contribution plans	19	17
Pension costs - defined benefit plans	20	19
Post employment benefits other than defined benefit pension plans	7	7
	943	898

KEY MANAGEMENT COMPENSATION

Key management includes members of the Board of Directors, Presidents 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)	2013	2012
Salaries and other short-term benefits	9	9
Post-employment benefits	1	1
Share-based payments	1	1
	11	11

NOTE 24
LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

(in millions of Canadian dollars)	2013	2012
Employment contracts	5	—
Gain on disposal of property, plant and equipment	(2)	(1)
	3	(1)

2013

As part of the transition process related to the appointment of a new President and CEO, the Corporation entered into employment contracts with the new President and CEO and its Presidents of the Containerboard, Specialty Products and Tissue Papers business segments. The fair value of the post-employment benefit obligation related to these employment contracts was evaluated at $5 million and an equivalent charge has been recorded.

The Containerboard Group sold a piece of land located at its New York City, USA, containerboard plant and recorded a gain of $2 million on the disposal.

2012

The Containerboard Group sold a vacant piece of land located next to the Vaudreuil, Québec, corrugated containerboard plant and recorded a gain of $1 million on the disposal.

NOTE 25
IMPAIRMENT CHARGES (REVERSAL) AND RESTRUCTURING COSTS

A. IMPAIRMENT CHARGES (REVERSAL) ON PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE AND OTHER ASSETS

For the year ended December 31, 2013 and 2012, the Corporation recorded net impairment charges totaling $23 million and $29 million respectively. The recoverable amount of CGUs was determined using a fair value less cost of disposal sell model based on the income approach, unless otherwise indicated. Impairments are detailed as follows:

						2013
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	TOTAL
Property, plant & equipment	**—**	**17**	**16**	**33**	**(17)**	**16**
Spare parts	**—**	**—**	**4**	**4**	**—**	**4**
Intangible assets with finite useful life and other assets	**1**	**—**	**2**	**3**	**—**	**3**
Total	**1**	**17**	**22**	**40**	**(17)**	**23**

						2012
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	CORPORATE ACTIVITIES	TOTAL
Machinery and equipment	22	2	—	24	—	24
Spare parts	1	1	—	2	—	2
Intangible assets with finite useful life and other assets	2	—	—	2	1	3
Total	25	3	—	28	1	29

2013

The Containerboard Group recorded an impairment charge of $1 million due to the reevaluation of notes receivable (in Other assets) from 2011 business disposals.

The Boxboard Europe Group reviewed the recoverable amount of its Magenta and Marzabotto (both in Italy) as well as its Iberica, Spain, recycled boxboard manufacturing mills, and recorded impairment charges on property, plant and equipment totalling $7 million. The slow recovery of the European economic environment since the 2009 financial crisis negatively impacted profitability of these mills and led to the consolidation of our recycled boxboard activities in Europe. Recoverable amount was based on selling price of assets as it was higher than the income approach.

The Boxboard Europe Group also recorded an impairment charge of $10 million on property, plant and equipment at its Djupafors (Sweden) virgin boxboard mill. This impairment charge was recorded due to sustained difficult market conditions which led to insufficient profitability. Recoverable amount was based on selling price of assets as it was higher than the income approach.

The Specialty Product Group reviewed the recoverable amount of its East Angus, Québec, kraft paper mill and recorded impairment charges of $16 million on property, plant and equipment and $4 million on spare parts. The strength of the Canadian dollar over the last few years combined with lower demand reduced profitability. The recoverable amount was based on the selling prices of assets as it was higher than the income approach.

The Specialty Group also reviewed the recoverable amount of its honeycomb activities CGU and recorded an impairment charge of $2 million on a client list. Low shipments in this sector does not generate enough profitability to support the carrying value of this intangible assets with a finite life.

The Tissue Papers Group recorded a $17 million reversal of impairment on its Memphis, Tennessee, manufacturing mill. We had initially recorded an impairment charge of $22 million at transition date to IFRS on January 1, 2010, due to operational challenges. Since then, the Corporation implemented a Group best practices program to maximize efficiency at all of its plants. These actions contributed to solve operating difficulties at the Memphis mill.

2012

The Containerboard Group reviewed the recoverable value of its Mississauga manufacturing mill, and an impairment charges of $21 million on property, plant and equipment and $2 million on intangible assets were recorded due to difficult market conditions. Recoverable amount was based on selling price of assets as it was higher than the income approach. The Containerboard Group also recorded additional impairment charges totalling $2 million on its Burnaby mill and Le Gardeur converting plant which were closed in 2011.

The Boxboard Europe Group reviewed the recoverable amount of its Magenta manufacturing mill, and an impairment charges of $2 million on property, plant and equipment and $1 million on spare parts were recorded due to difficult market conditions.

The Corporation also recorded an impairment charge of $1 million for its corporate activities due to the reevaluation of notes receivable from 2011 business disposals.

B. GOODWILL AND OTHER INDEFINITE USEFUL LIFE INTANGIBLE ASSETS

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

- Containerboard's goodwill of $275 million is allocated to all Containerboard's CGUs.
- Specialty Products' goodwill is allocated to all Cascades Recovery CGUs, $13 million, and partitioning activities CGU, $2 million.
- Tissue Papers' goodwill of $36 million and trademarks of $2 million are allocated to all Tissue Papers' CGUs.
- Water rights of $5 million are allocated to RdM's CGU.

The Corporation tested its Containerboard goodwill for impairment due to challenging market conditions in the past years. As a result of this impairment test, the Corporation concluded that the recoverable amount of the CGUs was in excess of $313 million over their carrying amount, thus no impairment charge was necessary. With all other variables held constant, a decrease in terminal growth rate of 6%; or a rise in discounting rate of 3%, or a decrease in terminal shipments of 94,000 s.t., or a decrease in terminal exchange rate of $0.05 would reduce the excess of $313 million to nil.

The Corporation applied the income approach in determining fair value less cost of disposal and used the following key assumptions:

	2013	2012
	CONTAINERBOARD	CONTAINERBOARD
Terminal growth rate	**2%**	2%
Discounting rate	**9.5%**	9.5%
Terminal exchange rate (CA$/US$)	**$ 1.10**	$ 1.10
Terminal shipments (manufacturing only)	**903,000 s.t.**	878,000 s.t.

The Corporation also tested its goodwill allocated to its honeycomb activities CGU. The Corporation used the income approach to determine the recoverable amount and we concluded it was not enough to support the carrying value of the goodwill. Consequently, the Corporation recorded an impairment charge of $4 million on the goodwill of this CGU.

With regards to other goodwill, there were no events noted in 2013 that would trigger an impairment loss given the significant excess of recoverable amount compared to the carrying amount of the respective goodwill.

C. RESTRUCTURING COSTS[1]

Restructuring costs are detailed as follows:

(in millions of Canadian dollars)	2013	2012
Containerboard	2	6
Boxboard Europe	4	1
	6	7

1 In addition to the restructuring costs, the Corporation also recorded accelerated depreciation expense of $13 million in 2012.

2013

The Containerboard Group recorded a $1 million provision relating to an onerous lease contract and additional severances provision totalling $1 million relating to the consolidation of its Ontario converting activities announced in 2012.

The Boxboard Europe Group recorded severances totalling $4 million in relation to consolidation of its recycled boxboard activities in Italy and Spain as well as its virgin boxboard mill located in Djupafors, Sweden.

2012

On April 25, 2012, the Corporation announced the closure of its North York and Peterborough units as well as the OCD plant in Mississauga, Ontario. These plants are part of the Containerboard Group. These closures resulted in the recognition of an onerous contract and severance provisions totalling $7 million and accelerated depreciation of $3 million due to the revaluation of the remaining useful life and residual value of some equipments.

On September 5, 2012, the Corporation announced the closure of its Lachute folding carton plant, Québec, part of the Containerboard Group. This resulted in the recognition of severance provisions totalling $2 million and a curtailment gain on pension plan amounting to $2 million.

The Containerboard Group also reviewed the useful life and residual value of its Trenton, Ontario, steam reformer and recorded accelerated depreciation totalling $9 million.

In 2012, the Containerboard Group recorded a $1 million reversal of an environmental provision with regards to its Burnaby, British Columbia, manufacturing mill which had been closed in 2011.

In 2012, the Boxboard Europe Group recorded a severance provisions of $1 million at one of its RdM manufacturing mills due to difficult market conditions.

On August 13, 2012, the Corporation announced the closure of its Tissue Papers Group plant located in Scarborough, Ontario, and reviewed the useful life and residual value of its assets which resulted in accelerated depreciation of $1 million.

NOTE 26
ADDITIONAL INFORMATION

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

(in millions of Canadian dollars)	**2013**	2012
Accounts receivable	**32**	25
Current income tax assets	**1**	(2)
Inventories	**(26)**	15
Trade and other payables	**4**	4
Current income tax liabilities	**(5)**	—
	6	42

B. FINANCING EXPENSE AND INTEREST EXPENSE ON EMPLOYEE FUTURE BENEFITS

(in millions of Canadian dollars)	**2013**	2012
Interest on long-term debt	**98**	96
Interest income	**(4)**	(2)
Amortization of financing costs	**5**	5
Other interest and banking fees	**4**	4
Interest on employee future benefits	**12**	12
Net financing expense	**115**	115

NOTE 27
FINANCIAL INSTRUMENTS

27.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The classification of financial instruments as at December 31, 2013 and 2012, along with the respective carrying amounts and fair values, is as follows:

		2013		2012	
(in millions of Canadian dollars)	NOTE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets at fair value through profit or loss					
Derivatives	27.4	**9**	**9**	16	16
Financial assets available for sale					
Other investments		**6**	**6**	5	5
Investments in shares		**1**	**1**	4	4
Financial liabilities at fair value through profit or loss					
Derivatives	27.4	**35**	**35**	81	81
Financial liabilities at amortized cost					
Long-term debt		**1,579**	**1,640**	1,475	1,545
Derivatives designated as hedge					
Asset derivatives		**9**	**9**	8	8
Liability derivatives		**14**	**14**	29	29

27.2 DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(i) The fair values of cash and cash equivalents, accounts receivable, notes receivable, bank loans and advances, trade and other payables and provisions approximate their carrying amounts due to their relatively short maturities.

(ii) The fair value of investments in shares held for trading is based on observable market data and mainly represents the Corporation's investment in Junex Inc., which is quoted on the Toronto Stock Exchange.

(iii) The fair value of long-term debt 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 the credit market liquidity conditions.

NOTE 27
FINANCIAL INSTRUMENTS (CONTINUED)

27.3 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 at December 31, 2013 and 2012 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:
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.

				2013
(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				
Other investments	**6**	**—**	**6**	**—**
Investments in shares held for trading	**1**	**1**	**—**	**—**
Derivative financial assets	**18**	**—**	**18**	**—**
Total	**25**	**1**	**24**	**—**
Financial liabilities				
Derivative financial liabilities	**(49)**	**—**	**(49)**	**—**
Total	**(49)**	**—**	**(49)**	**—**

				2012
(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				
Other investments	5	—	5	—
Investments in shares held for trading	4	4	—	—
Derivative financial assets	24	—	24	—
Total	33	4	29	—
Financial liabilities				
Derivative financial liabilities	110	—	110	—
Total	110	—	110	—

27.4 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 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

(in millions of Canadian dollars)		ASSETS			LIABILITIES		2013
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	27.4 A) (i)	—	9	9	(1)	(28)	(29)
Price risk	27.4 A) (ii)	2	7	9	(8)	(11)	(19)
Interest risk	27.4 A) (iii)	—	—	—	(1)	—	(1)
Total		2	16	18	(10)	(39)	(49)

(in millions of Canadian dollars)		ASSETS			LIABILITIES		2012
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	27.4 A) (i)	12	8	20	(56)	(8)	(64)
Price risk	27.4 A) (ii)	3	1	4	(17)	(15)	(32)
Interest risk	27.4 A) (iii)	—	—	—	(1)	(1)	(2)
Other risk	27.4 D)	—	—	—	—	(12)	(12)
Total		15	9	24	(74)	(36)	(110)

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, the United States, France, Sweden, Italy and Germany. 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 the 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. The Corporation may designate these foreign exchange forward contracts as a cash flow hedge of future anticipated sales, purchases, 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 (loss) 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.

Management has implemented a policy to manage 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 12 months and to hedge 0% to 75% for the subsequent 24 months.

In 2013, approximately 32% of sales from Canadian operations were made to the United States and 15% of sales from French and Italian operations were made in countries whose currencies were other than the Euro. The Corporation's operations in Sweden are also exposed to currency risk, mainly the Euro and the British pound (GBP). Total sales for 2013 from the Corporation's Swedish operations impacted by the Euro or the GBP were approximately CA $36 million.

NOTE 27
FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes the Corporation's commitments to buy and sell foreign currencies as at December 31, 2013 and 2012:

					2013
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)		FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt					
Derivatives designated as cash flow hedges and reclassified in Foreign exchange gain on long-term debt (effective portion):					
Foreign exchange forward contracts to buy (US$ for CA$)	**0.9965**	**December 2017**	**US$**	**150**	**13**
Subtotal					**13**
Derivatives designated as held for trading and reclassified in Foreign exchange loss (gain) on long-term debt (effective portion):					
Foreign exchange forward contracts to buy (US$ for CA$)	**1.06**	**January 2020**	**US$**	**50**	**1**
Currency option sold to sell US$ (US$ for CA$)	**1.1167**	**December 2017**	**US$**	**300**	**(17)**
Currency option sold to sell US$ (US$ for CA$)	**1.15**	**January 2020**	**US$**	**100**	**(6)**
Currency option sold to buy US$ (US$ for CA$)	**1.0225**	**January 2020**	**US$**	**200**	**(10)**
Subtotal					**(32)**
Forecasted sales					
Derivatives designated as cash flow hedges and reclassified in Sales (effective portion):					
Foreign exchange forward contracts to sell (US$ for CA$)	**1.0484**	**0 to 12 months**	**US$**	**15**	**—**
Foreign exchange forward contracts to buy (€ for US$)	**1.3399**	**0 to 12 months**	**US$**	**2.4**	**—**
Foreign exchange forward contracts to sell (GBP for SEK)	**10.736**	**0 to 12 months**	**£**	**2**	**—**
Foreign exchange forward contracts to sell (€ for SEK)	**9.001**	**0 to 12 months**	**€**	**2.8**	**—**
Subtotal					**—**
Derivatives designated as held for trading and reclassified in Loss (gain) on derivative financial instruments:					
Currency option instruments to sell (US$ for CA$)	**1.0427**	**0 to 12 months**	**US$**	**35**	**—**
Currency option instruments to sell (US$ for CA$)	**1.0314**	**13 to 24 months**	**US$**	**25**	**(1)**
Subtotal					**(1)**
Total					**(20)**

In 2013, the Corporation also paid US$4 million ($4 million) for the settlement of derivative financial instruments related to its 7.25% unsecured senior notes and US$10 million ($10 million) for the settlement of derivative financial instruments related to its 6.75% unsecured senior notes.

In 2013, the Corporation did offset $5 million in derivative assets against $22 million in derivative liabilities as we intend to settle the derivatives on a net basis.

				2012
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt				
Derivatives designated as cash flow hedges and reclassified in Foreign exchange loss (gain) on long-term debt (effective portion):				
Foreign exchange forward contracts to buy (US$ for CA$)	0.9987	December 2017	US$ 200	8
Subtotal				8
Derivatives designated as held for trading and reclassified in Foreign exchange loss (gain) on long-term debt (effective portion):				
Foreign exchange forward contracts to buy (US$ for CA$)	1.1928	February 2013	US$ 310	(61)
Foreign exchange forward contracts to buy (US$ for CA$)	1.1945	May 2013	US$ 50	(10)
Currency option and forward contracts bought to sell US$ (US$ for CA$)	1.1700	January to February 2013	US$ 124	22
Currency option bought to sell US$ (US$ for CA$)	1.1500	February to May 2013	US$ 27	4
Currency option sold to buy US$ (US$ for CA$)	1.0113	February 2013	US$ 37.5	(1)
Currency option sold to buy US$ (US$ for CA$)	1.0500	February to December 2017	US$ 200	(8)
Subtotal				(54)
Forecasted sales				
Derivatives designated as cash flow hedges and reclassified in Sales (effective portion):				
Foreign exchange forward contracts to sell (US$ for CA$)	1.045	0 to 12 months	US$ 2.5	—
Foreign exchange forward contracts to buy (€ for US$)	1.3142	0 to 12 months	US$ 2.4	—
Foreign exchange forward contracts to sell (GBP for €)	1.2567	0 to 12 months	£ 1.2	—
Subtotal				—
Derivatives designated as held for trading and reclassified in Loss (gain) on derivative financial instruments:				
Currency option instruments to sell (US$ for CA$)	1.03	0 to 12 months	US$ 35	2
Currency option instruments to sell (US$ for CA$)	1.0426	13 to 24 months	US$ 5	—
Foreign exchange forward contracts to buy (US$ for CA$)	0.9932	January 2013	US$ 15	—
Subtotal				2
Total				(44)

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 at 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 2013, 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 before depreciation for the year would have been approximately $5 million lower, based on the net exposure of total US sales less US purchases of the Corporation's Canadian operations and operating income before depreciation of the Corporation's US operations but excluding the effect of this change on the denominated working capital components. The interest expense would have been approximately $1 million lower arising mainly from the Corporation's US dollar-denominated unsecured senior notes.

In 2013, if the Canadian dollar had strengthened by $0.01 against the Euro with all other variables held constant, operating income before depreciation for the year would have been approximately $1 million lower following the translation of operating income of the Corporation's European operations.

NOTE 27
FINANCIAL INSTRUMENTS (CONTINUED)

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 (loss)", 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 and the Euro as at December 31, 2013 and 2012. 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 at December 31, 2013 and 2012, with the hedging instruments being the long-term debt denominated in US dollars.

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

	2013			2012		
(in millions of Canadian dollars)	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
10% change in the CA$/US$ rate	**80**	**67**	**13**	76	62	14
10% change in the CA$/Euro rate	**7**	**—**	**7**	6	—	6

(ii) Price risk

The Corporation is exposed to commodity price risk on old corrugated containers, 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 raw materials, natural gas and electricity. Gains or losses from these derivative financial instruments designated as hedges are recorded in Accumulated other comprehensive income (loss) net of related income taxes and are reclassified to earnings as adjustments to "Cost of sales" in the same period as the respective hedged item affects earnings.

The fair value of these contracts is as follows:

	2013		
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in Cost of sales			
Old corrugated containers	**10,200 s.t.**	**2014**	**—**
Sorted office papers	**12,000 s.t.**	**2014**	**—**
Electricity	**375,888 MWh**	**2014 to 2017**	**—**
Derivatives designated as cash flow hedges and reclassified in Cost of sales (effective portion)			
Natural gas:			
Canadian portfolio	**11,525,060 GJ**	**2014 to 2018**	**(13)**
US portfolio	**4,776,300 mmBtu**	**2014 to 2018**	**(5)**
Total			**(18)**

	2012		
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in Cost of sales			
Old corrugated containers	25,000 s.t.	2013	—
Sorted office papers	21,000 s.t.	2013	(1)
Electricity	541,896 MWh	2013 to 2015	(1)
Derivatives designated as cash flow hedges and reclassified in Cost of sales (effective portion)			
Natural gas:			
Canadian portfolio	11,795,450 GJ	2013 to 2017	(20)
US portfolio	5,807,100 mmBtu	2013 to 2017	(10)
Total			(32)

In 2011, as part of the sale of its Versailles boxboard mill, the Corporation also entered into an agreement to sell natural gas to the acquirer. Maturity of the remaining contracts is 2014 to 2016 with a notional amount of 668,250 mmBtu (2012 - 1,752,768 mmBtu). The fair value of this agreement is an asset of $1 million as at December 31, 2013 (2012 - $4 million asset).

In 2013, the Corporation entered into an agreement to purchase steam. The agreement includes an embedded derivative and the fair value as at December 31, 2013 was $7 million.

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 old corrugated containers, natural gas and electricity as at December 31, 2013 and 2012. 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 at December 31, 2013 and 2012, with the hedging instruments being derivative commodity contracts.

Consolidated commodity consumption: Price change effect before tax

	2013			2012		
(in millions of Canadian dollars[1])	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
US$15/s.t. change in recycled paper price	**30**	**—**	**30**	28	1	27
US$30/s.t. change in commercial pulp price	**7**	**—**	**7**	6	—	6
US$1/mmBTU. change in natural gas price	**9**	**5**	**4**	8	5	3
US$1/MWh change in electricity price	**2**	**—**	**2**	2	—	2

1 Sensitivity calculated with an exchange rate of 0.97 US$/CA$ for 2013 and 1.00 US$/CA$ for 2012.

NOTE 27
FINANCIAL INSTRUMENTS (CONTINUED)

(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 at December 31, 2013, approximately 33% (2012 - 30%) of the Corporation's long-term debt was at variable rates.

Based on the outstanding long-term debt as at December 31, 2013 the impact on interest expense of a 100-basis point change in rate would be approximately $5 million (impact on net earnings is approximately $4 million).

The Corporation has swaps maturing in 2014 and up to 2017 on a notional amount of $50 million. As at December 31, 2013, these agreements are recorded as an asset at a fair value of nil (2012 - nil). The Corporation also holds interest rate swaps through RdM. These swaps are contracted to fix the interest rate on a notional amount of €14 million and are maturing in 2015 and 2016. Fair value of these agreements is a liability of $1 million as at December 31, 2013 (December 31, 2012 - $2 million liability).

(iv) Loss (gain) on derivative financial instruments is as follows:

(in millions of Canadian dollars)	**2013**	2012
Unrealized gain on derivative financial instruments	**(6)**	(5)
Realized loss (gain) on derivative financial instruments	**1**	(1)
	(5)	(6)

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 creditworthy 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 provision for doubtful accounts. An allowance for doubtful accounts 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 trade receivable balance is evaluated separately to identify impairment. The amount of the allowance for doubtful accounts is the difference between the asset's carrying amount and the present value of estimated cash flows. 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 Selling and administrative expenses. When a trade receivable is uncollectable, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against Selling and administrative expenses in the consolidated statement of earnings.

Loans and notes receivables from business disposals are recognized at fair value. There is no past due amount as at December 31, 2013.

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 at December 31, 2013 and 2012:

						2013
(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	**56**	**56**	**56**	**—**	**—**	**—**
Trade and other payables	**590**	**590**	**590**	**—**	**—**	**—**
Revolving credit facility	**484**	**514**	**14**	**15**	**485**	**—**
Unsecured senior notes	**989**	**1,354**	**78**	**77**	**890**	**309**
Other debts of subsidiaries	**39**	**46**	**17**	**9**	**10**	**10**
Other debts without recourse to the Corporation	**80**	**80**	**25**	**30**	**19**	**6**
Derivative financial liabilities	**49**	**49**	**10**	**7**	**18**	**14**
	2,287	**2,689**	**790**	**138**	**1,422**	**339**

						2012
(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	80	80	80	—	—	—
Trade and other payables	551	551	551	—	—	—
Revolving credit facility	401	436	11	11	414	—
Unsecured senior notes	946	1,366	84	74	900	308
Other debts of subsidiaries	53	60	20	15	14	11
Other debts without recourse to the Corporation	90	85	30	19	33	3
Derivative financial liabilities	110	110	74	21	15	—
	2,231	2,688	850	140	1,376	322

As at December 31, 2013, the Corporation had unused credit facilities of $303 million (December 31, 2012 - $370 million), net of outstanding letters of credit of $56 million (December 31, 2012 - $29 million).

The payments between two and five years include the maturity of the Corporation's revolving credit and facility of February 2016 and of its unsecured senior notes of December 2017.

D. OTHER RISK

In 2010, the Corporation entered into a put and call agreement with Industria E Innovazione (“Industria”) whereby Cascades had the option of buying 9.07% of the shares in RdM (100% of the shares held by Industria) for €0.43 per share between March 1, 2011 and December 31, 2012. Industria also has the option of requiring the Corporation to purchase its shares for €0.41 per share between January 1, 2013 and March 31, 2014. The Corporation evaluated these options using the Black-Scholes model and had recorded a liability of $12 million as at December 31, 2012. The option was exercised during the second quarter of 2013 resulting in a cash payment for the Corporation of €14 million ($19 million). Our share in the equity of RdM stands at 57.61% as at December 31, 2013.

FACTORING OF ACCOUNTS RECEIVABLE

The Corporation sells its accounts receivable from one of its European subsidiaries through a factoring contract with a financial institution. The Corporation uses factoring of receivables as a source of financing by reducing its working capital requirements. When the receivables are sold, the Corporations removes them from the balance sheet, recognizes the amount received as the consideration for the transfer and records a loss on factoring which is included in "Financing expense". As at December 31, 2013, the off-balance sheet impact of the factoring of receivables amounted to $47 million (€32 million). The Corporation expects to continue to sell receivables on an ongoing basis. Should it decide to discontinue this contract, its working capital and bank debt requirements would increase.

NOTE 28
COMMITMENTS AND CONTINGENCIES

a. The Corporation leases various properties, vehicles and equipment under non-cancellable operating lease agreements.

Future minimum payments under operating leases are as follows:

(in millions of Canadian dollars)	2013	2012
No later than one year	24	27
Later than one year but no later than five years	39	53
More than five years	9	10

b. Capital commitments

Capital expenditures contracted at the end of the reporting date but not yet incurred are as follows:

	2013		2012	
(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
No later than one year	13	2	6	2
Later than one year but no later than five years	1	2	1	—
	14	4	7	2

c. The Corporation has entered into agreements to guarantee certain obligations in relation to the construction of a new linerboard mill ("Greenpac") near its Niagara Falls, New York site, in which the Corporation has an interest of 59.7%. The Corporation has guaranteed cost overruns relating to the construction costs in excess of the budgeted construction costs, which should remain in place until the ramp-up period is completed. The mill successfully started its production as planned on July 15. Our objective of achieving full capacity within 12 months still stands and the ramp-up has been progressing according to plan. In December 2013, the Corporation issued a letter of credit in the amount of US$21 million in relation to the debt service reserve account of the project. This letter of credit will be reduce gradually in 2014 and should be eliminated by the end of 2014.

d. In the normal course of operations, the Corporation is party to various legal actions and contingencies, mostly related to contract disputes, environmental and product warranty claims, and labour issues. While the final outcome with respect to legal actions outstanding or pending as at December 31, 2013 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 its operations or its cash flows.

e. 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 ("Thunder Bay"). Both authorities have requested that the Corporation look into a management site plan relating to the sediment quality adjacent to Thunder Bay's lagoon. Several meetings have been held during the year with the MOE and Environment Canada. A study on the sediment quality and potential remediation options has commenced. Although a loss is probable, it is not possible at this time to estimate the Corporation's obligation because of the uncertainty surrounding the extent of the environmental impact and the potential remediation alternatives.

The Corporation is also in discussions with representatives of the MOE, regarding its potential responsibility for an environmental impact identified at Thunder Bay. This facility was sold to Thunder Bay Fine Papers Inc. ("Fine Papers") in 2007. Fine Papers has since sold the facility to Superior Fine Papers Inc. ("Superior"). The MOE has requested that the Corporation together with the former owner Fine Papers and the current owner Superior submit a closure plan for the Waste Disposal Site and a decommissioning plan for the closure and long-term monitoring for the Sewage Works (the "Plans"). Although, the Corporation recognizes that where as a result of past events, there may be an outflow of resources embodying future economic benefits in settlement of a possible obligation, it is not possible at this time to estimate the Corporation's obligation, since Superior has not submitted all of the Plans and related costs to allow the Corporation to perform an evaluation nor does the Corporation have access to the site. Moreover, the Corporation is unable to ascertain the value of the assets remaining on its former site which may be available to fund this potential obligation. The Corporation is pursuing all available legal remedies to resolve the situation. In any event, Management does not consider the Corporation's potential obligation to be significant.

The Corporation has recorded an environmental reserve to address its estimated exposure for these matters.

NOTE 29
RELATED PARTY TRANSACTIONS

The Corporation entered into the following transactions with related parties:

(in millions of Canadian dollars)	JOINT VENTURES	ASSOCIATES
2013		
Sales to related parties	**58**	**48**
Purchases from related parties	**34**	**80**
2012		
Sales to related parties	54	45
Purchases from related parties	32	44

These transactions occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to related party balance presented elsewhere in these consolidated financial statements, the following balances were outstanding at the end of the reporting period:

(in millions of Canadian dollars)	**December 31, 2013**	December 31, 2012
Receivables from related parties		
Joint ventures	**11**	7
Associates	**8**	7
Payables to related parties		
Joint ventures	**10**	9
Associates	**4**	4

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.

HISTORICAL FINANCIAL INFORMATION - 10 YEARS

For the years ended December 31, (in millions of Canadian dollars, except per share amounts and ratios) (unaudited) Historical financial information are not adjusted to reclass the impact of discontinued operations and IFRS for years ended prior to 2011.	IFRS **2013**	IFRS 2012
Highlights - Consolidated Results		
Sales	**3,849**	3,645
Cost of sales and expenses	**3,497**	3,341
Operating income before depreciation and amortization (OIBD) excluding specific items	**352**	304
Depreciation and amortization	**182**	199
Operating income excluding specific items	**170**	105
Financing expense	**115**	115
Foreign exchange loss (gain) on long-term debt and financial instruments	**(2)**	(8)
Specific items	**28**	33
	29	(35)
Provision for (recovery of) income taxes	**12**	(4)
Share of results of associates and joint ventures	**3**	(2)
Net earnings (loss) attributable to non-controlling interest	**3**	(7)
Net earnings (loss)	**11**	(22)
Net earnings (loss) per common share	**$ 0.11**	$ (0.23)
Highlights - Consolidated Cash Flow		
Cash flow generated by operating activities	**232**	199
Cash flow from operation	**226**	154
per common share	**$ 2.41**	$ 1.64
Purchases of property, plant and equipment net of proceeds on disposal	**136**	141
Business acquisitions and cash from a joint venture	**—**	14
Proceed from business disposals	**—**	—
Net change in long-term debt	**(30)**	(54)
Dividends on common shares	**15**	15
per common share	**$ 0.16**	$ 0.16
Dividend yield	**2.3%**	3.9 %
Highlights - Consolidated Balance Sheet (As at December 31)		
Current assets less current liabilities	**414**	295
Property, plant & equipment	**1,684**	1,659
Total assets	**3,831**	3,694
Total long-term debt	**1,579**	1,475
Non-controlling interests	**113**	116
Shareholders' equity	**1,081**	978
per common share	**$ 11.52**	$ 10.42
Stock Market Highlights		
Shares issued and outstanding (in millions)	**93.9**	93.9
Trading volume (in millions)	**25.2**	20.2
Market capitalization	**646**	385
Closing price	**$ 6.88**	$ 4.10
High	**$ 6.92**	$ 5.18
Low	**$ 4.07**	$ 3.85
Key Financial Ratios		
Net earnings (loss)/sales	**0.3%**	(0.6)%
Sales/total assets*	**1.0X**	1.0X
Total assets/average Shareholders' equity*	**3.7X**	3.7X
Return on Shareholder's equity*	**1.1%**	(2.2)%
Return on total assets (OIBD/average total assets)*	**9.4%**	8.2 %
OIBD/sales	**9.1%**	8.3 %
OIBD/interest	**3.1X**	2.6X
Current assets less current liabilities/sales*	**10.8%**	8.1 %
Net funded debt/OIBD*	**4.6X**	5.0X
Total debt/total debt + Shareholders' equity	**60.2%**	61.4 %
Price to earnings	**62.5%**	N/A
Price to book value	**0.6X**	0.4X

** Prior to 2007, ratios are calculated excluding the impact of the Norampac acquisition.*

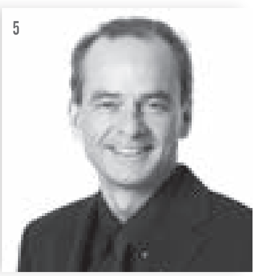
HISTORICAL FINANCIAL INFORMATION - 10 YEARS (CONTINUED)

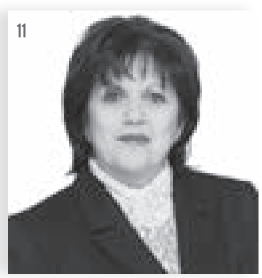
IFRS							
2011	2010	2009	2008	2007	2006	2005	2004
3,760	3,959	3,877	4,025	4,033	3,481	3,862	3,692
3,517	3,561	3,412	3,720	3,693	3,167	3,600	3,433
243	398	465	305	340	314	262	259
186	212	218	213	208	163	174	161
57	186	247	92	132	151	88	98
100	112	118	103	106	83	83	79
(4)	4	31	24	(59)	—	(10)	(18)
(148)	65	33	54	7	76	159	13
109	5	65	(89)	78	(8)	(144)	24
27	—	23	(29)	6	(3)	(40)	3
(14)	(15)	(17)	(8)	(27)	(8)	(7)	(2)
(3)	3	(1)	2	3	—	—	—
99	17	60	(54)	96	3	(97)	23
$ 1.03	$ 0.18	$ 0.61	$ (0.55)	$ 0.96	$ 0.04	$ (1.19)	$ 0.28
115	228	355	126	53	191	100	157
121	246	303	150	163	174	100	164
$ 1.26	$ 2.54	$ 3.10	$ 1.52	$ 1.64	$ 2.15	$ 1.23	$ 2.01
110	131	171	184	169	110	121	130
60	3	69	(5)	10	572	52	120
(292)	—	—	47	37	94	—	14
143	30	59	149	91	178	91	107
15	16	16	16	16	13	13	13
$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16
3.6%	2.4%	1.8%	4.6 %	1.9%	1.2%	1.6 %	1.2%
400	479	484	522	581	574	530	502
1,703	1,777	1,912	2,030	1,886	2,063	1,562	1,700
3,728	3,724	3,792	4,031	3,769	3,911	3,046	3,144
1,407	1,395	1,469	1,708	1,574	1,666	1,297	1,226
136	24	21	22	25	19	—	—
1,029	1,257	1,304	1,256	1,199	1,157	897	1,059
$ 10.87	$ 13.01	$ 13.41	$ 12.74	$ 12.09	$ 11.62	$ 11.10	$ 13.02
94.6	96.6	97.2	98.5	99.1	99.5	80.8	81.4
33.8	57.7	79.8	39.8	63.2	31.7	23.6	24.6
419	647	869	339	837	1,317	812	1,090
$ 4.43	$ 6.70	$ 8.94	$ 3.44	$ 8.44	$ 13.23	$ 10.05	$ 13.40
$ 7.75	$ 9.80	$ 9.10	$ 8.90	$ 15.80	$ 14.78	$ 13.95	$ 14.80
$ 3.51	$ 5.71	$ 1.70	$ 3.00	$ 7.46	$ 9.66	$ 7.35	$ 11.21
2.6%	0.4%	1.5%	(1.3)%	2.4%	0.1%	(2.5)%	0.6%
1.0x	1.1x	1.0x	1.0x	1.1x	1.2x	1.3x	1.2x
3.3x	2.9x	3.0x	3.3x	3.2x	3.2x	3.1x	3.0x
8.7%	1.3%	4.7%	(4.4)%	8.1%	0.3%	(9.9)%	2.2%
6.5%	10.6%	11.9%	7.8 %	8.9%	10.6%	8.4 %	8.5%
6.5%	10.1%	12.0%	7.6 %	8.4%	9.0%	6.8 %	7%
2.4x	3.6x	3.9x	3.0x	3.2x	3.8x	3.2x	3.3x
10.6%	12.1%	12.5%	13.0 %	14.4%	13.3%	13.7 %	13.6%
6.1x	3.6x	3.3x	5.9x	4.7x	3.8x	5.0x	4.8x
59.3%	53.7%	54.3%	59.1 %	57.5%	59.6%	59.9 %	54.6%
4.3x	37.2x	14.7x	N/A	8.8x	330.8x	N/A	47.9x
0.4x	0.5x	0.7x	0.3x	0.7x	1.1x	0.9x	1.0x

BOARD OF DIRECTORS

Cascades' Board of Directors (BoD) and management believe that quality corporate governance helps ensure that the Corporation is effectively run and investor confidence maintained. In order to stay the course in this regard, Cascades regularly reviews its governance practices to remain in compliance with applicable legislation and to improve the Corporation's efficiency.

The composition of the Board of Directors must be carefully determined since its responsibilities include ensuring good corporate governance, among other things. Cascades draws on the expertise of a highly experienced team of directors, and recognizes the importance of independent directors. As of March 14, 2014, seven of the twelve Board members were independent. They meet at least once yearly, in the absence of non-independent directors and senior management. New BoD members are also offered an orientation and training program, to familiarize themselves with Cascades' activities as well as the issues and challenges it faces.





1
Bernard Lemaire
Director
Kingsey Falls, Québec Canada
Director since 1964
Non-Independent

2
Laurent Lemaire
Executive Vice-Chairman
of the Board
Warwick, Québec Canada
Director since 1964
Non-Independent

3
Alain Lemaire
Executive Chairman
of the Board
Kingsey Falls, Québec Canada
Director since 1967
Non-Independent

4
Paul R. Bannerman
Chairman of the Board
Etcan International Inc.
Montréal, Québec Canada
Director since 1982
Non-Independent

5
Louis Garneau
President
Louis Garneau Sports Inc.
Saint-Augustin-de-Desmaures
Québec Canada
Director since 1996
Independent

6
Sylvie Lemaire
Director of companies
Otterburn Park, Québec Canada
Director since 1999
Non-Independent

7
David McAusland
Partner
McCarthy Tétrault
Beaconsfield, Québec Canada
Director since 2003
Independent

8
James B.C. Doak
President and Managing Director
Megantic Asset Management Inc.
Toronto, Ontario Canada
Director since 2005
Independent

9
Georges Kobrynsky
Director of companies
Outremont, Québec Canada
Director since 2010
Independent

10
Élise Pelletier
Management and Human
Resources Consultant
Saint-Bruno-de-Montarville
Québec Canada
Director since 2012
Independent

11
Sylvie Vachon
President and Chief
Executive Officer of
The Montréal Port Authority
Montréal, Québec Canada
Director since 2013
Independent

12
Laurence G. Sellyn
Executive Vice-President,
Chief Financial and
Administrative Officer,
Gildan Activewear Inc.
Montréal, Québec Canada
Director since 2013
Independent

MATTER FOR PRIDE

In 2013, Cascades launched its second triennial **sustainable development plan** for 2013-2015. Since then, the actions deployed have led to progress in a number of areas.

	RESULT 2013	TARGET 2015
REDUCE the quantity of **ENERGY** purchased to make our products (GJ/metric tonne)	10.74	10.6
INCREASE the **RECOVERY OF WASTE MATERIALS** (kg of waste recovered)	72.8%	71%
REDUCE the amount of waste **WATER** (m^3/ metric tonne)	12.5	10.6
SOURCE materials from **RESPONSIBLE SUPPLIERS** (volume of purchases considered responsible)	35%	40%
DEVELOP and market **NEW PRODUCTS** (sales from new products)	4.8%	6%
REDUCE occupational **INJURIES AND ILLNESSES** (OSHA frequency rate)	3.2	2.5
INCREASE the level of **EMPLOYEE COMMITMENT** (mobilization rate)	55%	65%
INCREASE our **CONTRIBUTIONS** in the communities (units having taken at least three initiatives)	50%	85%
OPTIMIZE THE RETURN on capital employed (return on capital employed)	4%	6%

Our efforts are ongoing. For more information on our initiatives in sustainable development: www.cascades.com/sustainable-development

Cascades
GREEN BY NATURE™

RECYCLED
Paper made from recycled material
FSC® C102810

Printed on **Rolland Enviro100 Satin**, 60 lb. Text and 80 lb. Cover, which contain 100% post-consumer fibre and is Processed Chlorine Free certified. The financial section printed on **Rolland Opaque Natural**, 50 lb. Text, made with 30% post-consumer fibre. All papers are certified FSC and EcoLogo, as well as made using renewable biogas energy.

Production: **Communications Department of Cascades** – Design: **cgcom.com** – Prepress and printing: **L'Empreinte**

Printed in Canada

CASCADES’ 50th ANNIVERSARY

1964-2014

First, there were three, united by their innovative spirit and their values steeped in respect. Now we are 12,000 strong, and proud to follow in their footsteps as we look toward the future.

No one could have predicted, in 1964, that their bold gamble would transform into a grand adventure that would stand the test of time and have an impact all over North America and in parts of Europe.

But that is nevertheless exactly what happened, thanks to the vision and uniting force of brothers Bernard, Laurent and Alain Lemaire. For the past 50 years, these trailblazers in recovery and recycling and the Cascaders who carry on their legacy have been changing the face of the packaging and paper industry, one small green step at a time.

This year, Cascades is paying tribute to the founding trio and to the thousands of men and women who believed in their desire to do business differently.

Long live Cascades!

50 Cascades

OUR VALUES, OUR FUTURE