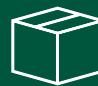
2017
ANNUAL
REPORT

POSITIONED FOR GROWTH

GREEN BY NATURE™

CASCADES AT A GLANCE 2017

CONTAINERBOARD PACKAGING



A Canadian leader
6TH largest producer in North America

TISSUE PAPERS

A Canadian leader
5TH largest producer in North America

CLOSE TO $300 M

invested in property, plant and equipment, business acquisitions and in our management systems

SALES
$4,321 M

Our **MISSION** is to improve the well-being of people, communities and the planet by providing sustainable and innovative solutions that create value.

WE CARE. WE INNOVATE. WE CREATE VALUE.

#1 fibre collector in Canada

Our **VISION** is to be a key contributor to our customers' success by leading the way for sustainable packaging, hygiene and recovery solutions.

OPERATING INCOME
$175 M

ADJUSTED OIBD[2]
$393 M

SPECIALTY PRODUCTS

A North American leader in industrial and food packaging products[1]

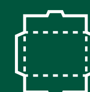
2.9 M | short tons of recycled fibre saved from landfills

OSHA RATE | **2.2**[5]

92[3] | facilities across Canada, the United States and Europe

11,000 | employees in 5 countries

BOXBOARD EUROPE[4]



2ND largest producer of coated recycled boxboard in Europe

1 Through our joint venture Cascades Sonoco.
2 Please refer to the "Forward-looking Statements" and "Supplemental Information on Non-IFRS Measures" sections for more details.
3 Including main associates and joint ventures.
4 Via our 57.8% equity ownership in Reno de Medici S.p.A., a public Italian company traded on the Milan and Madrid stock exchanges.
5 OSHA frequency rate: Number of accidents with lost time or temporary assignments or medical treatments X 200,000 hours/hours worked.

FINANCIAL SNAPSHOT

(In millions of Canadian dollars, unless otherwise noted)	2017	2016	2015
SALES	**4,321**	4,001	3,861
Operating income	**175**	221	153
% of sales	**4.0%**	5.5%	4.0%
Operating income before depreciation and amortization (OIBD)[1]	**390**	413	343
% of sales	**9.0%**	10.3%	8.9%
Net earnings (net loss)	**507**	135	(65)
per common share	**$5.35**	$1.42	$(0.69)
Dividend per share	**$0.16**	$0.16	$0.16
ADJUSTED[1]			
Operating income	**178**	211	236
% of sales	**4.1%**	5.3%	6.1%
Operating income before depreciation and amortization (OIBD)[1]	**393**	403	426
% of sales	**9.1%**	10.1%	11.0%
Net earnings	**68**	114	112
per common share	**$0.72**	$1.21	$1.18
Return on assets[1, 2]	**9.2%**	10.8%	11.3%
Return on capital employed[1, 3]	**3.7%**	5.2%	5.7%
FINANCIAL POSITION (AS AT DECEMBER 31)			
Total assets	**4,382**	3,813	3,848
Capital employed[3]	**3,646**	3,142	3,170
Net debt[1]	**1,522**	1,532	1,721
Net debt/adjusted OIBD[1, 4]	**3.6x**	3.8x	4.0x
Equity attributable to shareholders	**1,455**	984	867
per common share	**$15.32**	$10.41	$9.09
Working capital as a % of sales[7]	**10.1%**	10.6%	10.9%
KEY INDICATORS			
Total shipments (in thousands of short tons (s.t.))[5]	**3,114**	2,812	2,823
Manufacturing capacity utilization rate[6]	**93%**	92%	92%
US$/CAN$ - Average exchange rate	**$0.77**	$0.75	$0.78

1 See "Forward-looking statements" and "Supplemental information on non-IFRS measures" sections for more details.

2 Return on assets is a non-IFRS measure defined as the last twelve months' ("LTM") adjusted OIBD/LTM quarterly average of total assets less cash and cash equivalents. Not adjusted for discontinued operations. Starting in Q2 2017, including Greenpac on a consolidated basis.

3 Return on capital employed is a non-IFRS measure and is defined as the after-tax (30%) amount of the LTM adjusted operating income, including our share of core associates and joint ventures, divided by the LTM quarterly average of capital employed. Capital employed is defined as the quarterly average of total assets less trade and other payables and cash and cash equivalents. Not adjusted for discontinued operations. Including Greenpac as an associate up to Q1 2017 and on a consolidated basis starting in Q2 2017.

4 Adjusted ratio including discontinued operations. For 2017, including business combinations on a pro-forma basis.

5 Shipments do not take into account the elimination of business sector inter-segment shipments. Starting in Q2 2017, including Greenpac. Shipments from our Specialty Products segment are not presented as they use different units of measure.

6 Defined as: Manufacturing internal and external shipments/practical capacity. Excluding discontinued operations and Specialty Products segment manufacturing activities. Starting in Q2 2017, including Greenpac.

7 % of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Not adjusted for discontinued operations. Starting in Q2 2017, including Greenpac.

FINANCIAL HIGHLIGHTS

SYMBOL: CAS – TSX

(ON THE TORONTO STOCK EXCHANGE)

S&P / TSX INDICES

- COMPOSITE
- SMALL CAP
- DIVIDEND
- CLEAN TECHNOLOGY
- COMPOSITE CANADA REVENUE EXPOSURE

BMO INDICES

- SMALL CAP
- SMALL CAP QUÉBEC

95 MILLION
COMMON SHARES OUTSTANDING
as at December 31, 2017

97 MILLION
TOTAL NUMBER OF COMMON SHARES TRADED
in 2017

$0.04
QUARTERLY DIVIDEND PER SHARE
in 2017

1.2%
ANNUAL DIVIDEND YIELD
as at December 31, 2017

$18.20
INTRADAY HIGH
in 2017

$11.43
INTRADAY LOW
in 2017

$1,294 MILLION
MARKET CAPITALIZATION
as at December 31, 2017

MOODY'S: Ba2 (STABLE)
S&P: BB- (STABLE)
CORPORATE CREDIT RATINGS
as at December 31, 2017

CASCADES' SHARE PRICE PERFORMANCE IN 2017

TABLE OF CONTENTS

4 MESSAGE FROM THE EXECUTIVE CHAIRMAN OF THE BOARD: ALAIN LEMAIRE
A STRONG FOUNDATION,
A POSITIVE OUTLOOK

6 MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER: MARIO PLOURDE
WELL POSITIONED TO GENERATE GROWTH

10 FOUR BUSINESS SEGMENTS
CONTRIBUTING TO OUR
CUSTOMERS' SUCCESS

20 INVESTMENT AND GROWTH
INVESTING IN OUR AMBITIONS

22 INNOVATION
AT CASCADES: A SUCCESSFUL APPROACH!

24 SUSTAINABLE DEVELOPMENT AND SOCIAL COMMITMENT
A LEADING POSITION,
A SUSTAINABLE OUTLOOK

26 FINANCIAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS,
MANAGEMENT'S REPORT, INDEPENDENT
AUDITOR'S REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS

142 RECYCLABLE MATERIALS, RECYCLED PRODUCTS AND MARKET DISTRIBUTION OF OUR OPERATIONS

144 CASCADES WORLDWIDE

Cover page: the 51,000 square foot warehouse at the Cascades Inopak plant, in Drummondville, Québec, specializing in the manufacturing of innovative food packaging. In 2017, this plant benefited from a $15-million investment, used to expand the existing building and to install a high-performance manufacturing line, unique in Canada, which includes a built-in, cutting-edge decontamination unit. This made it possible to significantly increase the production capacity of Integral™ packaging, which is recyclable and allows food in certain markets—such as fresh protein—to be kept for twice the amount of time, thus reducing food waste.

The annual general shareholders' meeting will be held on Thursday, May 10, 2018, at 11 am, at the Alexandra Pier, Cruise Terminal 1 (Entrance - Door 15), located at 200 de la Commune Street West, Montréal (Québec) (in front of the Pointe-à-Callière Museum).

Cascades Inc.'s 2017 Annual Information Form will be available, upon request, from the Corporation's head office as of **March 30, 2018**.

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

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EXECUTIVE CHAIRMAN
OF THE BOARD
ALAIN LEMAIRE

A STRONG FOUNDATION,
A POSITIVE OUTLOOK

Dear fellow shareholders,

We are very proud of Cascades' 53-year legacy. The Company has built a solid foundation by taking advantage of opportunities, expanding into new markets, adopting an innovative approach, and successfully adjusting to new economic and competitive realities. These successes, along with an ingrained entrepreneurial spirit and an unwavering belief in sustainable development, are attributes that we celebrate at Cascades, and ones we will champion as we continue to build long-term value for our stakeholders.

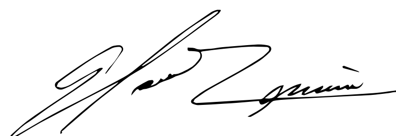
Certainly, the company has faced some obstacles along the way – all companies do. Cascades' resilience and ability to successfully respond and adapt to challenges stems from its most important asset – our employees. Their collective ingenuity, dedication, focus and energy have been the driving force behind our long-term successes, and have transformed the company into an important multinational packaging, tissue and recovery business.

As Cascades moves forward in 2018 and beyond, the Board of Directors will continue to question, challenge and support management. We are charged with supplying oversight, guidance, objective counsel and counterbalancing perspectives based on our business, governance, operational and financial experiences. Within this framework, we provide input as needed and support management as they endeavour to generate the sustainable economic value that is fundamental to the interests of all of Cascades' stakeholders. A key element of Board stewardship involves risk management, be it industry-wide, company-specific or risks related to environmental and sustainability practices. In this regard, the collective experience of the Board members brings additional perspective to the external factors that could impact the company, and the optimal path forward when navigating both opportunities and challenges.

As a multinational company with over a half century of operational history, Cascades recognizes the importance and need for good corporate governance and a long-term perspective. Implementing best-in-class governance practices is an ongoing process however, not a one-time event, and one whose value grows with time. The Board of Directors is committed to reinforcing the sustainability of Cascades' business model and its operations, weighing both external factors and internal business protocols that could impact daily activities, all within the context of quality governance oversight. By providing a framework that supports early identification of future strategic needs, untapped opportunities and potential risks, Cascades' Board of Directors strives to further strengthen the alignment between the company's strategy, governance practices and the interests of all our shareholders.

On behalf of myself and the members of the Board of Directors, thank you for your continued interest, trust and support.

Alain Lemaire
Executive Chairman of the Board of Directors of Cascades



PRESIDENT AND CHIEF
EXECUTIVE OFFICER
MARIO PLOURDE

WELL POSITIONED
TO GENERATE GROWTH

Dear fellow shareholders,

Six years ago, we embarked on an important strategic realignment of our operations to position ourselves within business segments where we could drive future growth. In doing so, we refocused our activities on markets with favourable long-term growth prospects, namely packaging, hygiene and recovery solutions, and exited several sectors that we felt offered less opportunity for sustainable growth. Over the same timeframe, we invested extensively in modern equipment and optimized our capital allocation processes, including our annual working capital needs. Because of these efforts, Cascades is more focused and well-balanced in its diversification, and is equipped with an operational base that is stronger and better positioned to generate future growth opportunities.

We continued to improve our operations and processes in 2017. In addition to increasing our ownership in our Greenpac Mill and consolidating its results, we sold our equity interest in Boralex under favourable terms, announced the construction of a new world class containerboard converting facility in New Jersey, successfully rebranded many of our tissue products and inaugurated a new state-of-the-art tissue converting facility in Oregon, and strengthened our containerboard platform with an acquisition of converting assets in Ontario. Additionally, we continued to deliver on our commitment to lower our debt, culminating with the repurchase of US$200 million of our fixed rate US-denominated debt, and I am pleased to note that our leverage ratio stood at 3.6x[1] as of the end of 2017. Finally, our European operations, via our subsidiary Reno de Medici, saw operational momentum improve throughout 2017 amid encouraging market fundamentals.

On the administrative side, we made excellent progress in the implementation of our ERP system and the realignment of our business processes. These initiatives, which we will continue to optimize over the coming months, are improving the way we operate and the way we serve our customers, providing greater operational clarity, responsiveness and flexibility. The deployment of these systems will help drive our future growth by equipping us with strong alignment tools to help our team focus on what's important, act and react efficiently, and identify key performance indicators to improve operational performance.

Successfully executing a strategy while also delivering results can be a challenge and a delicate balance. I am pleased with how Cascades has navigated these extensive internal changes within the context of 2017's challenging market conditions and volatile raw material prices, and I am proud of our team's dedication to achieving our ambitious goals. The Cascades story over the past 6 years has been one of restructuring and realignment of our business focus and processes. Going forward, our story will be one of positioning for long-term sustainable growth, driven by our 2017-2022 strategic plan.

1 Please refer to the "Forward looking Statements and Supplemental Information on Non-IFRS Measures" section for more details. The leverage ratio is defined as net debt/adjusted OIBD on a pro-forma basis (operating income before depreciation).

POSITIONING OUR BUSINESS PLATFORMS FOR THE FUTURE

A central pillar of this plan is upgrading and modernizing our operations, to position our platforms to be more relevant and competitive. This will involve accelerating the modernization of our operational base via organic growth and replacing older equipment. In parallel with this, we are focused on increasing our integration rate[1] to 85%, by adding new conversion capacity both organically and through targeted strategic acquisitions, thereby reducing our exposure to risks inherent in primary markets. While our objective to equip our operations with state-of-the-art machinery and technologies encompasses our entire platform, the core of our investments will target the optimization of our operational presence and geographic footprint in the US. To this end, we intend to invest $250 to $300 million, which will include strategic projects in 2018, and are planning additional investments in tissue over the next several years that will modernize the retail and away-from-home business platforms, and equip this segment with an asset base that is competitively positioned for long-term growth.

CREATING SUSTAINABLE VALUE

Our second strategic priority is value creation, the foundation of which lies on building and maintaining profitable and sustainable long-term growth for our stakeholders. To achieve this, we will focus on initiatives aimed at increasing profitability across all business sectors, employing a very disciplined capital allocation strategy, while continuing to reduce debt. Improved profitability will be driven by future investments, potential acquisitions, operational and financial improvements stemming from our recent restructuring and ongoing business realignment, and benefits generated by our extensive internal business process transformations and gradual elimination of the associated implementation costs. On the capital allocation side, our investments will focus on long-term market leadership and return, exceeding our cost of capital. Finally, we will continue to be vigilant in our debt reduction initiatives and are now targeting a longer-term leverage ratio of 2.5x[2].

FOCUSING ON INNOVATION AND THE FUTURE NEEDS OF OUR CUSTOMERS

The third and final pillar of our 2017-2022 strategic plan is intensifying innovation and customer focus. Cascades has a long history of creating and delivering solutions that provide our customers with innovative, sustainable and competitive market alternatives. We have set an aggressive target of generating 20% of our sales from new innovative products in 2020, products which reinforce preferred partner relationships with our customers and can drive long-term differentiation and profitability. We are cultivating a customer-centric culture, and have established mixed teams in each of our business segments made up of specialists in marketing, innovation, sales and production, with a clear mandate to develop pioneering, competitive, industry-leading and sustainable quality solutions for our customers.

Looking to 2018 and beyond, we will continue to invest in our people, our platform, our products and our processes. We are focused on growth, and long-term differentiation and profitability. I am convinced that this vision, along with our diversified portfolio and our passion for sustainability and innovation, is the key to our success. Our path forward will involve building on our past while positioning for the future, and we will do so by continuing to marry the strengths of our 50-year entrepreneurial culture with the expanded capabilities and resources inherent in the multinational Cascades of today. We look to the future with both great confidence and sincere determination. We see promising perspectives in each of our business segments, and we are steadfastly determined to take full advantage of them.

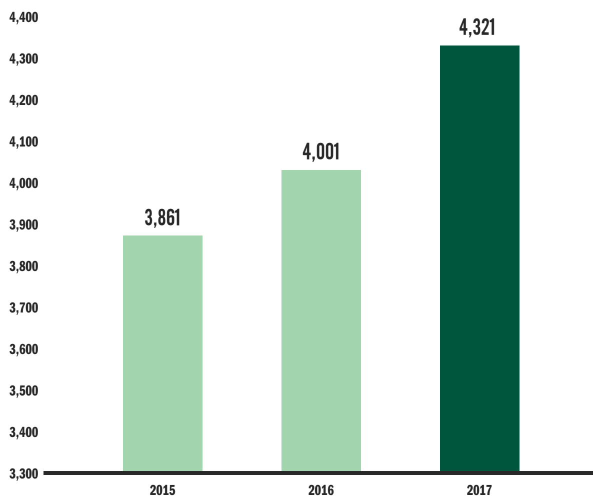
On behalf of myself and the entire Cascades team, I would like to thank you, our shareholders, for your ongoing support as we continue this great adventure.

Mario Plourde
President and Chief Executive Officer

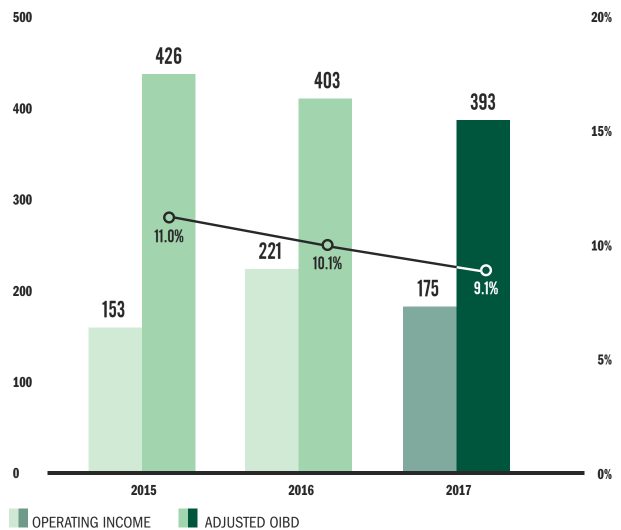
1 Integration rate is defined as the percentage of manufacturing shipments transferred to our converting operations

2 Please refer to the "Forward looking Statements" and "Supplemental Information on Non-IFRS Measures" sections for more details. The leverage ratio is defined as net debt/adjusted OIBD (operating income before depreciation).

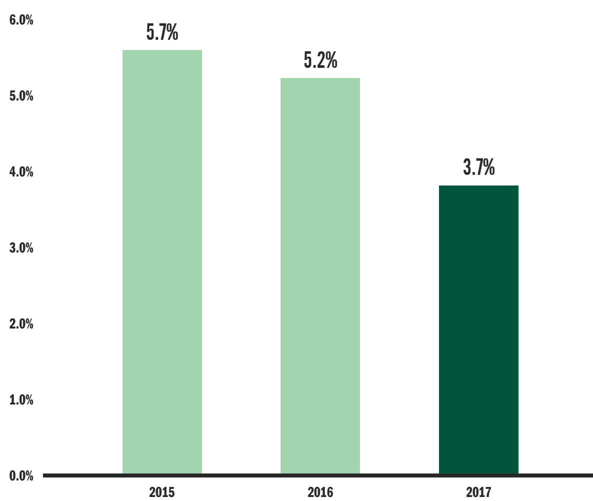
SALES ($M)



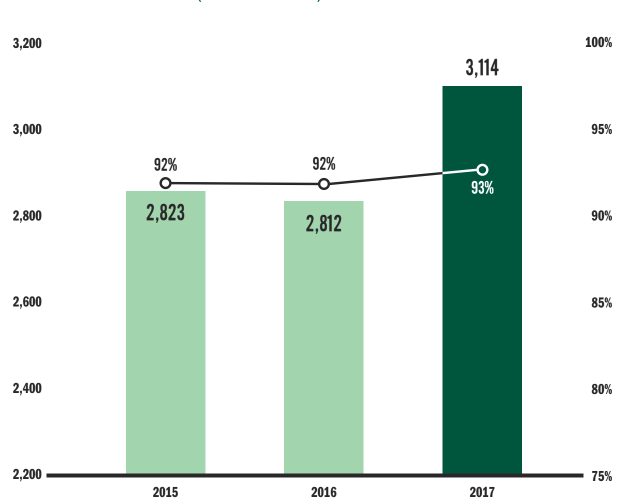
OPERATING INCOME AND ADJUSTED OIBD[1] ($M)
ADJUSTED OIBD MARGIN[1] (%)



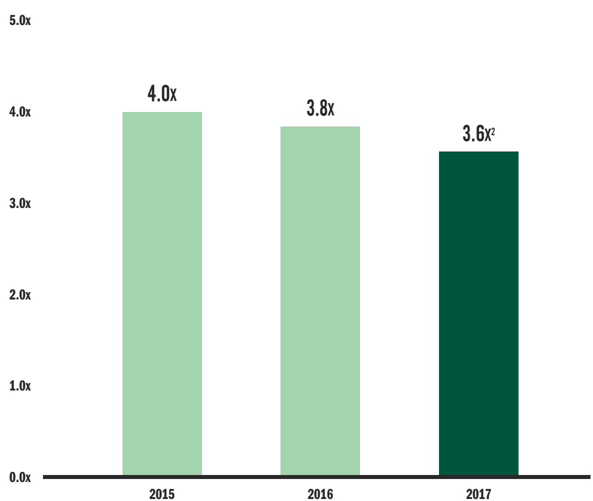
RETURN ON CAPITAL EMPLOYED[1]



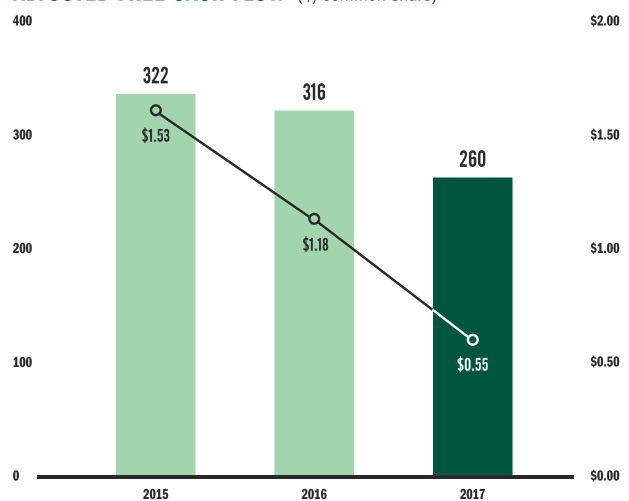
TOTAL SHIPMENTS AND MANUFACTURING CAPACITY UTILIZATION RATE ('000 s.t. and %)



NET DEBT / ADJUSTED OIBD[1]



CASH FLOW FROM OPERATING ACTIVITIES ($M)
ADJUSTED FREE CASH FLOW[1] ($/common share)



1 Please refer to the "Forward-looking Statements" and "Supplemental Information on Non-IFRS Measures" sections for more details.
2 Pro-forma basis to include 2017 business combinations on a LTM basis.

FOUR BUSINESS SEGMENTS

CONTRIBUTING TO OUR CUSTOMERS' SUCCESS

CONTAINERBOARD
PACKAGING

TISSUE
PAPERS

BOXBOARD
EUROPE

SPECIALTY
PRODUCTS

CONTAINERBOARD PACKAGING

E-COMMERCE GENERATES A STRONG DEMAND FOR INNOVATIVE PACKAGING SOLUTIONS. THE FUTURE IS PROMISING.

Cascades' Containerboard Packaging segment is the largest corrugated box producer in Canada, and a leading North American player. This segment produces containerboard (linerboard and corrugated medium), 66%[1] of which is then transformed into a variety of products by the company's converting facilities and sold to our clients. The remaining 34% of the parent roll production tonnage is sold to external customers for conversion. 65% of this segment's sales are generated in Canada, and the remaining 35% are generated in the U.S.

CHARLES MALO
PRESIDENT AND CHIEF OPERATING OFFICER
27 years with Cascades

OUR OPERATIONS

3,980 employees in Canada and the U.S.

6 manufacturing facilities: 4 in Canada and 2 in U.S. – 1.53 million s.t. annual capacity

21 converting facilities: 17 in Canada and 4 in U.S. – 13.4 billion of square feet[2] of annual production

OUR FOCUS

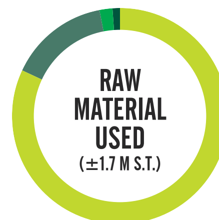
EXECUTE: increase profitability via ongoing cost management and improved efficiency

INTEGRATE: increase integration rate to 85% through targeted investments

INNOVATE: focus on value-added products offering sustainability, performance and competitive positioning

OPTIMIZE: continued focus on reducing waste, optimizing production capacity and efficiency of operations

SAFETY: provide our employees with a safe and attractive working environment



- Brown recycled fibre – 82%
- Wood – 15%
- Recycled groundwood fibre – 2%
- Pulp – 1%

- Converted products – 70% (78% CAN / 22% U.S.)
- Recycled linerboard – 17%
- Semi-chemical medium – 7%
- Recycled medium – 6%

1 Including associates and joint ventures.
2 Including business acquisitions on a LTM basis.

BOXBOARD
EUROPE
OUR LARGE PRODUCT PORTFOLIO
SATISFIES OUR CUSTOMERS'
REQUIREMENTS AND CONTRIBUTES
TO THEIR SUCCESS.

Cascades owns a 57.8% equity stake in the publicly traded Italian company Reno de Medici (RDM Group), which is listed on the Milan and Madrid stock exchanges. RDM Group is the 2nd largest coated recycled boxboard producer in Europe.

MICHELE BIANCHI
PRESIDENT AND CHIEF EXECUTIVE OFFICER
19 years of industry experience

OUR OPERATIONS

1,520[1] employees in Italy, France and Germany

6 manufacturing facilities: 3 in Italy, 2 in France and 1 in Germany

Annual capacity of 1,050,000 metric tonnes (m.t.):
5 recycled cardboard mills (885,000 m.t.),
1 virgin cardboard mill (165,000 m.t.)

2 sheeting centers in Italy with an annual processing capacity of 120,000 m.t.

OUR FOCUS

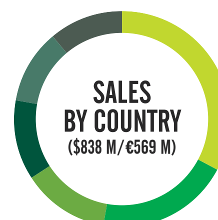
BECOME THE PARTNER OF CHOICE by offering superb products and services, optimizing costs and maximizing stakeholders satisfaction

PROMOTE THE "ONE COMPANY" CULTURE: this mindset targets continuous improvements within RDM Group, with the aim of maximizing the satisfaction of all stakeholders

TRANSLATE OPERATIONAL PROGRESS INTO HEALTHY FINANCIALS: Information technology investments allow for supply chain optimization and more effective execution of orders

MINIMIZE THE ENVIRONMENTAL IMPACT OF CARTONBOARD PRODUCTION: RDM Group is committed to reducing carbon emissions, recycling resources and increasing operational efficiency

- Coated recycled boxboard – 80%
- Coated virgin boxboard – 20%



- Italy – 33%
- France – 20%
- Eastern Europe – 13%
- Rest of western Europe – 12%
- Germany, Austria and Switzerland – 11%
- Overseas – 11%

1 Including interim employees.

SPECIALTY PRODUCTS

DEEPLY COMMITTED
TO PROVIDING INNOVATIVE,
VALUE-ADDED SOLUTIONS
FOR OUR CUSTOMERS.

Cascades' Specialty Products segment produces specialized industrial and food packaging in manufacturing facilities in Canada, the U.S. and Europe. In addition, it operates the company's recovery and recycling operations, which are the largest fibre collectors in Canada. This segment generates 56% of its annual sales in Canada, while 35% are generated in the U.S., and the remaining 9% are generated in other countries, primarily in Europe.

LUC LANGEVIN
PRESIDENT AND CHIEF OPERATING OFFICER
22 years with Cascades

OUR OPERATIONS[1]

2,340 employees in Canada, the U.S. and Europe

6 consumer products manufacturing facilities: 4 in Canada and 2 in the U.S.

13 industrial packaging manufacturing facilities: 7 in Canada, 4 in the U.S. and 2 in Europe

19 recovery facilities: 16 in Canada and 3 in the U.S.

OUR FOCUS

GROW OUR MARKET PRESENCE by focusing investment and resources on strategic arenas

INCREASE OUR SHARE IN SPECIFIC AND HIGHER MARGIN MARKETS where value-added proposition is heightened

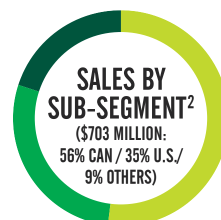
LEVERAGE CASCADES' POSITION with strategic customers

CONTINUE TO DEVELOP new innovative and sustainable products

BUILD ON OUR CIRCULAR COMPANY APPROACH

ENSURE TARGETED AND STRATEGIC ORGANIC AND M&A GROWTH

- Brown recycled fibre – 48%
- Recycled groundwood fibre – 33%
- Resin– 17%
- Pulp– 2%



- Recovery & Recycling – 52%
- Industrial Packaging – 28%
- Consumer Product Packaging – 20%

1 Including Cascades Sonoco US Inc. and Cascades Sonoco inc.
2 Excluding Cascades Sonoco US Inc. and Cascades Sonoco inc.

TISSUE PAPERS

OUR WIDE VARIETY
OF TISSUE PRODUCTS
HAVE BEEN MADE FOR YOU
AND FOR NATURE.

Cascades' Tissue Papers segment is the 5th largest tissue manufacturer in North America. It produces, converts and markets branded and private label tissue products for both the consumer retail segment and the away-from-home industrial market. 74% of this segment's sales are generated in the U.S., and 26% are generated in Canada.

JEAN JOBIN
PRESIDENT AND CHIEF OPERATING OFFICER
25 years with Cascades

OUR OPERATIONS[1]

2,225 employees in Canada and the U.S.

7 manufacturing facilities: 2 in Canada and 5 in U.S. – 380,000 s.t. annual capacity

10 converting facilities: 2 in Canada and 8 in U.S.

4 manufacturing/converting facilities: 3 in Canada and 1 in U.S. – 270,000 s.t. annual capacity

OUR FOCUS

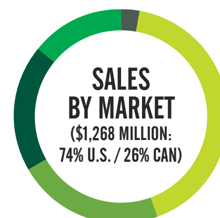
INTEGRATE: Increase integration rate to 85% through targeted investments

MODERNIZE: Continue to modernize our operational base to increase efficiency

OPTIMIZE: Enhance productivity of new facilities and optimize geographic footprint of our platform

INNOVATE: Focus on value-added segments, under-served markets, and quality of products

- White recycled fibre – 62%
- Pulp – 21%
- Brown recycled fibre – 17%



- Retail / Branded – 3%
- Retail / private label – 41%
- Away-from-home / Branded – 22%
- Away-from-home / Private label – 19%
- Parent rolls – 15%

(Retail – 67% U.S. / 33% CAN)
(Away-from-home – 73% U.S. / 27% CAN)

1 Including joint ventures.

INVESTING
IN OUR AMBITIONS

JANUARY 9, 2017

INVESTMENTS AT OUR ST. MARYS PLANT

Cascades Containerboard Packaging announces major investments totalling $13.5 million in St. Marys, Ontario. The project expands the plant and includes new, state-of-the-art equipment, including a new press.

FEBRUARY 10, 2017

ENERGY EFFICIENCY PROJECTS

Cascades, supported by the Québec government, announces an $11 million investment in two energy efficiency projects at its Témiscouata-sur-le-Lac, Québec, containerboard mill.

MARCH 14, 2017

LAUNCH OF FLUFF™ AND TUFF™

Cascades launches a brand-new consumer line of toilet paper and paper towels: Cascades Fluff™ and Cascades Tuff™. Among the softest and strongest on the market, they maintain all of the eco-friendly properties our products are famous for. Cascades' team worked for over two years reviewing each step in the manufacturing process to deliver the superior quality of Fluff™ and Tuff™ products.

APRIL 5, 2017

INCREASING OF OWNERSHIP IN GREENPAC

Cascades increases its ownership stake in the Greenpac mill from 59.7% to 62.5% following the acquisition of a minority stake in Containerboard Partners, one of Greenpac's shareholders, for US$12 million.

PHOTO CREDIT: HEATHER BELLINI PHOTOGRAPHY

INAUGURATION OF A NEW PLANT IN OREGON

Cascades inaugurates its new state-of-the-art tissue paper converting plant in Scappoose, Oregon. The plant is equipped with best-in-class converting lines, high-speed rewinders and folders, and one of the fastest bath tissue lines in the world. This new US$64 million facility extends the breadth of our national coverage, and will enable us to better serve our customers in the southern and western United States.

JULY 18, 2017

AUGUST 3, 2017

NEW PLANT IN PISCATAWAY

Cascades announces an investment of US$80 million for the construction of a new containerboard packaging plant in Piscataway, New Jersey.

INVESTMENTS IN FOOD PACKAGING

Cascades invests $21 million to increase its production of innovative and environmentally friendly packaging for fresh foods in its Cascades Inopak plant in Drummondville and Plastiques Cascades plant in Kingsey Falls.

OCTOBER 30, 2017

DECEMBER 4, 2017

ACQUISITION OF THREE PLANTS IN ONTARIO

Cascades announces the acquisition of three plants in Ontario to strengthen its position in the containerboard packaging sector, and the purchase of an ownership position in Tencorr Holdings Corporation. The company also announces an increase from 62.5% to 66.1% in its equity holding of the Greenpac mill. The total cost of the transaction amounts to $49 million.

INNOVATION AT CASCADES:

A SUCCESSFUL APPROACH!

Cascades has been an innovative company since the beginning. Indeed, an outside-the-box mindset has existed since the company's creation, when a great deal of ingenuity and innovation was needed by the Lemaire family to support its recovery and recycling operations well before sustainable development became anchored in our collective thoughts and actions. This mindset was also a driving factor behind the company's forward-thinking human resources management and profit-sharing approaches.

Over the past three years, Cascades has focused on transforming and optimizing its business practices to be more competitive and to better serve its target markets. In doing so, the company emphasizes innovation to accelerate profitable growth, stand out in a fiercely competitive marketplace and create value for its customers and shareholders. An ambitious goal has been set for 2020, by when 20%[1] of Cascades' sales will come from new products launched over the previous five years. To meet this target, we rely on teams dedicated to innovation, technology support provided by the Cascades Research and Development Centre and rigorous processes in line with best industry practices. The development of our innovative solutions is driven by our willingness to go beyond the needs of our customers to help them succeed.

Already, several projects resulting from innovation efforts have proved successful. A good example of this is the launch of Cascades Fluff™ & Tuff™ brand, which was favourably received by consumers and by our customers, resulting in a strong increase in demand and in our market share. The work done by our teams has also been recognized in Canada and internationally, winning among other things the prestigious Pulp & Paper International (PPI) Award in the Tissue – Innovation category.

Another innovation in 2017 was northbox™: a great example of our ability to seize an opportunity in an emerging market segment. The northbox™—a unique and innovative concept, combining elements of many Cascades units—reflects our ability to offer an innovative, durable product. Its success has been recognized via the Food Innovation Award from the Conseil de la transformation alimentaire du Québec (CTAQ) (food processing council of Québec) in the Packaging category.

Many other promising projects are under development and are due to be completed in 2018 and 2019. Cascades can already look forward to more successes!

1 Based on 20% of North American consolidated packaging products sales and tissue papers converted products sales.

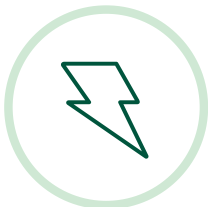
MC
TM

A LEADING POSITION, A SUSTAINABLE OUTLOOK

A true pioneer of recovery, recycling and the circular economy, Cascades continues to work tirelessly to improve its footprint, 53 years after its creation. To maintain its leadership position and pursue its environmental, social and economic development, Cascades has been setting specific objectives since 2010 as part of its sustainable development plan. The current plan, covering the 2016-2020 period, comprises 10 priorities established after consultations with our stakeholders. The results are posted in the Sustainable Development section of our website, and they reflect our company's ongoing efforts to improve its performance.

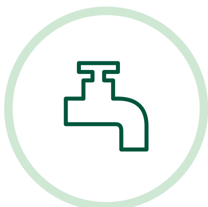
GREENHOUSE GAS EMISSIONS

-50% SINCE 1990



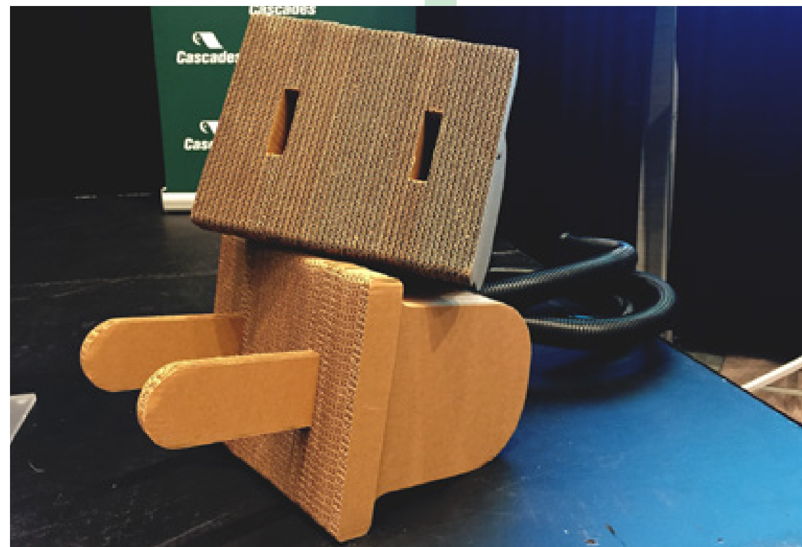
ENERGY CONSUMPTION

-15% SINCE 2010



WATER CONSUMPTION

-20% SINCE 2010



Concerned with providing comprehensive and transparent information regarding environmental, social and governance (ESG) matters, Cascades now makes additional data available to investors and the public on a larger number of indicators recognized by independent groups, such as the Sustainability Accounting Standards Board (SASB).

To find out more, go to cascades.com.

Alain Lemaire and Mario Plourde, with André Fortin, Minister of Transport, Sustainable Mobility and Transport Electrification, Isabelle Melançon, Minister of Sustainable Development, the Environment and the Fight Against Climate Change, Daniel Breton, energy and transportation electrification consultant, organizer of the Salon du véhicule électrique de Saint-Hyacinthe trade show, at the announcement of the new Cascades transportation electrification program on November 24, 2017.

FOCUS ON ELECTRIFICATION

In 2017, Cascades launched an innovative pilot project targeting 1,400 employees at its Kingsey Falls campus. This program aims to encourage employees to purchase an electric car by providing financial incentives of up to $2,000 per employee and by deploying a network of charging stations. This project, which will help reduce employee greenhouse gas emissions, was introduced by Mario Plourde, Cascades President and Chief Executive Officer, as part of the Salon du véhicule électrique de Saint-Hyacinthe trade show. The company will report the program's results after the first full year, and it plans to extend the initiative to all its units across North America!

Alain Lemaire and Mario Plourde standing beside the fast charging station installed at the Cascades head office in Kingsey Falls, and made available to the community free of charge.

FOCUS ON FOOD

Concerned with food waste and the decline of pollinating insect populations that play a key role in the food chain, Cascades, in collaboration with partners such as Food Banks of Québec, the David Suzuki Foundation and Alvéole, has supported initiatives aimed at recovering supermarket surpluses, redistributing food items and protecting and promoting pollinating insects.

A beekeeper from Alvéole harvesting and extracting honey from our hives at our Brossard, Québec offices.

FINANCIAL
INFORMATION

28 MANAGEMENT'S DISCUSSION AND ANALYSIS

79 MANAGEMENT'S REPORT TO THE SHAREHOLDERS OF CASCADES INC.

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

81 CONSOLIDATED FINANCIAL STATEMENTS

86 SEGMENTED INFORMATION

89 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

139 BOARD OF DIRECTORS

140 HISTORICAL FINANCIAL INFORMATION — 10 YEARS

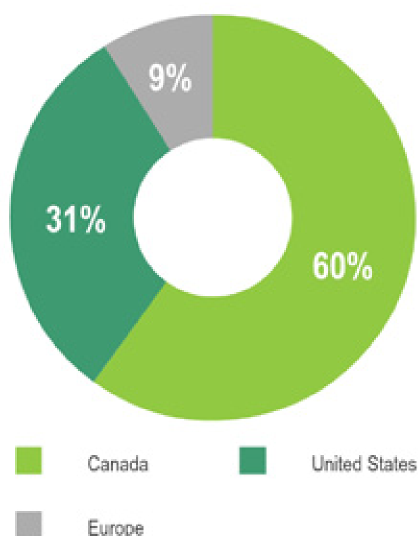
OUR BUSINESS

Cascades Inc. is a paper and packaging company that produces, converts and sells packaging and tissue products composed primarily of recycled fibres. Established in 1964 in Kingsey Falls, Québec, the Corporation was founded by the Lemaire brothers, who saw the economic and social potential of building a company focused primarily on the sustainable development principles of reusing, recovering and recycling. More than 50 years later, Cascades is a multinational business with more than 90 operating facilities[1] and nearly 11,000 employees across Canada, the United States and Europe. The Corporation currently operates four business segments:

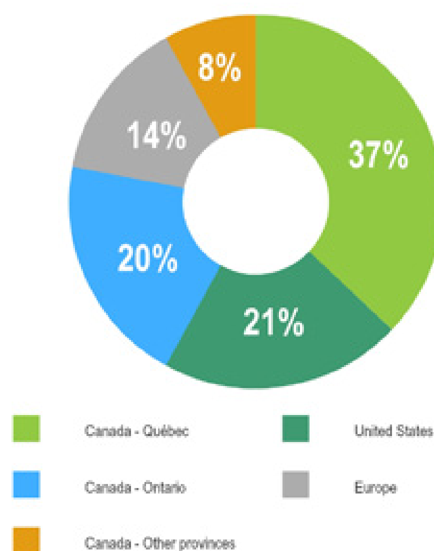
(Business segments)	Number of Facilities[1]	2017 Sales[2] (in M$)	2017 Operating income[2] (in M$)	2017 Adjusted OIBD[2,5] (in M$)	2017 Adjusted OIBD Margin (%)
PACKAGING PRODUCTS					
Containerboard	27	1,652	164	247	15%
Boxboard Europe[3]	6	838	34	68	8%
Specialty Products	38	703	46	67	10%
TISSUE PAPERS	21	1,268	28	94	7%

The location of our plants and employees around the world are as follows:

Production units and sorting facilities (in %)[4]



Count of employees worldwide (in %)



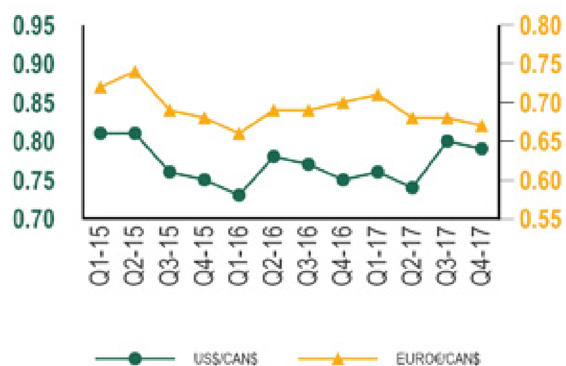
1 Including associates and joint ventures.
2 Excluding associates and joint ventures not included in consolidated results. Refer to Note 8 of the 2017 audited consolidated financial statements for more information on associates and joint ventures.
3 Via our 57.8% equity ownership in Reno de Medici S.p.A., a public company traded on the Milan and Madrid stock exchanges.
4 Excluding sales offices, distribution and transportation hubs and corporate offices. Including main associates and joint ventures.
5 Please refer to the “Supplemental Information on Non-IFRS Measures” section for a complete reconciliation.

BUSINESS DRIVERS

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

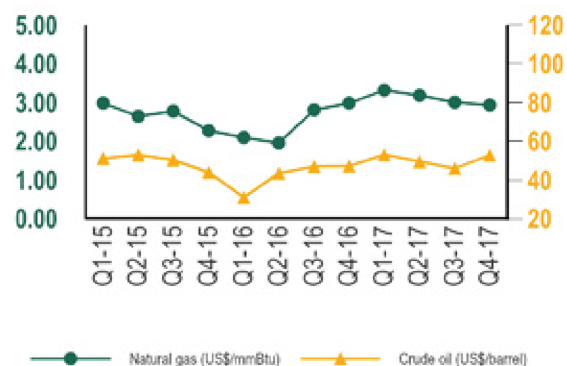
EXCHANGE RATES

On a year-over-year basis, the average value of the Canadian dollar increased by 2% when compared to the US dollar and remained stable compared to the euro in 2017.



ENERGY COSTS

The average price of natural gas increased 26% in 2017 compared to the previous year. In the case of crude oil, the average price was 19% higher in 2017 than in 2016.



	2015				2016					2017
	TOTAL	Q1	Q2	Q3	Q4	TOTAL	**Q1**	**Q2**	**Q3**	**Q4**	**TOTAL**
US$/CAN$ - Average rate	$ 0.78	$ 0.73	$ 0.78	$ 0.77	$ 0.75	$ 0.75	**$ 0.76**	**$ 0.74**	**$ 0.80**	**$ 0.79**	**$ 0.77**
US$/CAN$ End of period rate	$ 0.72	$ 0.77	$ 0.77	$ 0.76	$ 0.74	$ 0.74	**$ 0.75**	**$ 0.77**	**$ 0.80**	**$ 0.80**	**$ 0.80**
EURO€/CAN$ - Average rate	$ 0.71	$ 0.66	$ 0.69	$ 0.69	$ 0.70	$ 0.68	**$ 0.71**	**$ 0.68**	**$ 0.68**	**$ 0.67**	**$ 0.68**
EURO€/CAN$ End of period rate	$ 0.67	$ 0.68	$ 0.70	$ 0.68	$ 0.71	$ 0.71	**$ 0.70**	**$ 0.68**	**$ 0.68**	**$ 0.66**	**$ 0.66**
Natural Gas Henry Hub - US$/mmBtu	$ 2.67	$ 2.09	$ 1.95	$ 2.81	$ 2.98	$ 2.46	**$ 3.32**	**$ 3.18**	**$ 3.00**	**$ 2.93**	**$ 3.11**

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIAL

These indices should only be used as trend indicators; they may differ from our actual selling prices and purchasing costs.	2015 Year	2016 Q1	Q2	Q3	Q4	2016 Year	2017 Q1	Q2	Q3	Q4	2017 Year	2017 vs. 2016 Change	%
Selling prices (average)													
PACKAGING PRODUCTS													
Containerboard (US$/short ton)													
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	630	615	615	615	655	625	**655**	**705**	**705**	**705**	**693**	**68**	**11 %**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	557	518	515	505	540	520	**540**	**590**	**617**	**620**	**592**	**72**	**14 %**
Boxboard Europe (euro/metric ton)													
Recycled white-lined chipboard (WLC) index[1]	667	664	659	652	649	656	**649**	**680**	**680**	**680**	**672**	**16**	**2 %**
Virgin coated duplex boxboard (FBB) index[2]	1,061	1,049	1,044	1,043	1,043	1,045	**1,031**	**1,031**	**1,031**	**1,031**	**1,031**	**(14)**	**(1)%**
Specialty Products (US$/short ton)													
Uncoated recycled boxboard - 20-pt. bending chip (serie B)	589	615	605	605	595	605	**622**	**660**	**660**	**640**	**645**	**40**	**7 %**
TISSUE PAPERS (US$/short ton)													
Parent rolls, recycled fibres (transaction)	985	1,016	1,012	1,017	1,008	1,013	**1,023**	**1,040**	**1,053**	**1,057**	**1,043**	**30**	**3 %**
Parent rolls, virgin fibres (transaction)	1,252	1,273	1,273	1,287	1,287	1,280	**1,297**	**1,320**	**1,334**	**1,339**	**1,323**	**43**	**3 %**
Raw material prices (average)													
RECYCLED PAPER													
North America (US$/short ton)													
Sorted residential papers, No. 56 (SRP - Northeast average)	58	58	63	76	78	69	**92**	**76**	**86**	**63**	**79**	**10**	**14 %**
Old corrugated containers, No. 11 (OCC - Northeast average)	83	83	88	101	102	93	**142**	**148**	**162**	**99**	**138**	**45**	**48 %**
Sorted office papers, No. 37 (SOP - Northeast average)	150	138	142	153	168	150	**173**	**172**	**170**	**160**	**169**	**19**	**13 %**
Europe (euro/metric ton)													
Recovered paper index[3]	115	115	124	135	134	127	**147**	**138**	**147**	**135**	**142**	**15**	**12 %**
VIRGIN PULP (US$/metric ton)													
Northern bleached softwood kraft, Canada	972	943	980	998	992	978	**1,033**	**1,093**	**1,110**	**1,183**	**1,105**	**127**	**13 %**
Bleached hardwood kraft, mixed, Canada/US	869	873	847	842	825	847	**853**	**942**	**985**	**1,052**	**958**	**111**	**13 %**

Source: RISI and Cascades.

1 The Cascades Recycled White-Lined Chipboard Selling Price Index is based on published indices and represents an approximation of Cascades' recycled-grade selling prices in Europe. It is weighted by country and has been rebalanced as at January 1, 2017.

2 The Cascades Virgin Coated Duplex Boxboard Selling Price Index is based on published indices and represents an approximation of Cascades' virgin-grade selling prices in Europe. It is weighted by country and has been rebalanced as at January 1, 2017.

3 The Cascades Recovered Paper Index is based on published indices and represents an approximation of Cascades' recovered paper purchase prices in Europe. It is weighted by country, based on the recycled fibre supply mix and has been rebalanced as at January 1, 2017.

SENSITIVITY TABLE[1]

The following table provides a quantitative estimate of the impact that potential changes in the prices of our main products, the costs of certain raw material, energy and the exchange rates may have on Cascades' annual OIBD, assuming, for each price change, that all other variables remain constant. Estimates are based on Cascades' 2017 manufacturing and converting external shipments and consumption quantities. It is important to note that this table does not consider the Corporations' use of hedging instruments for risk management. These hedging policies and portfolios (see the "Risk Factors" section) should also be considered in order to fully analyze the Corporation's sensitivity to the highlighted factors.

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

	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	1,490	US$25/s.t.	**47**
Tissue Papers	590	US$25/s.t.	**19**
	2,080		**66**
Europe			
Boxboard	1,120	€25/s.t.	**42**
	3,200		**108**
RAW MATERIAL[2]			
Recycled Papers			
North America			
Brown grades (OCC and others)	1,560	US$15/s.t.	**(29)**
Groundwood grades (SRP and others)	90	US$15/s.t.	**(2)**
White grades (SOP and others)	480	US$15/s.t.	**(9)**
	2,130		**(40)**
Europe			
Brown grades (OCC and others)	780	€15/s.t.	**(18)**
Groundwood grades (SRP and others)	170	€15/s.t.	**(4)**
White grades (SOP and others)	80	€15/s.t.	**(2)**
	1,030		**(24)**
	3,160		**(64)**
Virgin pulp			
North America	150	US$30/s.t.	**(6)**
Europe	80	€30/s.t.	**(4)**
	230		**(10)**
Natural gas			
North America	8,600	US1.00/mmBtu	**(11)**
Europe	4,600	€1.00/mmBtu	**(7)**
	13,200		**(18)**
Exchange rate[3]			
Sales less purchases in US$ from Canadian operations		CAN$/US$ 0.01 change	**2**
U.S. subsidiaries translation		CAN$/US$ 0.01 change	**1**
European subsidiaries translation		CAN$/€ 0.02 change	**1**

1 Sensitivity calculated according to 2017 volumes or consumption with year-end closing exchange rate of CAN$/US$ 1.26 and CAN$/€ 1.51, excluding hedging programs and the impact of related expenses such as discounts, commissions on sales and profit-sharing.

2 Based on 2017 external manufacturing and converting shipments, as well as fibre and pulp consumption. Including purchases from our subsidiary Cascades Recovery. Including shipments and consumption of Greenpac for the last twelve months.

3 As an example, from CAN$/US$ 1.26 to CAN$/US$ 1.27 and from CAN$/€ 1.51 to CAN$/€ 1.53.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

SPECIFIC ITEMS

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

They include, but are not limited to, charges for (reversals of) impairment of assets, restructuring gains or costs, loss on refinancing and repurchase of long-term debt, some deferred tax asset provisions or reversals, premiums paid on long-term debt refinancing, 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, specific items of discontinued operations and other significant items of an unusual, non-cash or non-recurring nature.

SPECIFIC ITEMS INCLUDED IN OPERATING INCOME AND NET EARNINGS

The Corporation incurred the following specific items in 2017 and 2016:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2017
In the second quarter, the Containerboard Packaging segment sold a piece of land in Ontario, Canada, and recorded a gain of $7 million.

In the second quarter, the Corporate Activities realized a $1 million gain from the sale of some assets.

2016
The Specialty Products segment recorded a $3 million gain on the sale of pieces of land of its former fine paper plant located in St-Jérôme, Québec. This segment also recorded a $3 million environmental provision related to plants in Québec closed in previous years. Finally, the segment recorded a $4 million gain on the sale of assets following the closure of its de-inked pulp mill located in Auburn, Maine.

INVENTORY ADJUSTMENT RESULTING FROM A BUSINESS COMBINATION

2017
In the second quarter, operating results of the Containerboard Packaging segment were negatively impacted by $2 million relating to the inventory acquired at the time of the Greenpac consolidation, which was recognized at fair value and no profit was recorded on its subsequent sale.

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

2017
In the fourth quarter, the Corporate Activities recorded a $2 million reversal of impairment following the collection of a note receivable that had been written off in previous years. As well, the Corporate Activities recorded a severance cost of $1 million following the closure of a sales division.

In the third quarter, the Tissue Papers segment incurred a $2 million impairment charge from the re-evaluation of some unused assets.

In the third quarter, the Containerboard Packaging segment announced the forthcoming closure of its New York converting plant and recorded severance expenses totaling $2 million (please refer to the “Significant Facts and Developments” section for more details).

In the second quarter, the Containerboard Packaging segment recorded an impairment charge of $11 million on deferred revenues related to the Greenpac management agreement that has been in place since the beginning of the mill's construction and recorded in “Other assets.” Following the acquisition and consolidation of Greenpac described in Note 5 of the 2017 audited consolidated financial statements, expected future cash flows related to this asset will not materialize on a consolidated basis.

In the second quarter, the Tissue Papers segment incurred $2 million of restructuring costs following the review of provisions related to the transfer of the converting operations of the Toronto plant to other Tissue segment sites announced in 2016.

In the first quarter, the Boxboard Europe segment recorded severances costs of $1 million following the restructuring of its sales activities.

2016

The Containerboard Packaging segment recorded a $1 million gain on the reversal of a provision for an onerous lease contract in relation to the restructuring of its Ontario converting activities in 2012. As well, the segment recorded a $2 million impairment charge on assets of our converting plant in Connecticut which were not part of the disposal in relation to the Rand-Whitney - Newtown plant acquisition.

The Boxboard Europe segment recorded restructuring costs of $2 million in relation to the reorganization of its activities following the transfer of the virgin fibre boxboard mill located in La Rochette, France, to our Reno de Medici subsidiary (please refer to the “Significant Facts and Developments” section for more details).

The Specialty Products segment recorded restructuring costs of $1 million following the closure of its de-inked pulp mill located in Auburn, Maine. The building of the mill was subsequently sold and a $2 million reversal of impairment was recorded. The segment also sold a piece of land related to another closed plant and recorded a $1 million reversal of impairment.

The Tissue Papers segment recorded a $3 million provision for an onerous lease as a consequence of the closure of its Toronto converting plant. This segment also incurred $4 million of severance costs and recorded an impairment charge of $4 million.

DERIVATIVE FINANCIAL INSTRUMENTS

In 2017, the Corporation recorded an unrealized gain of $8 million, compared to an unrealized gain of $18 million in 2016, on certain derivative financial instruments not designated for hedge accounting. Both the 2017 and 2016 unrealized gains reflect the appreciation of the Canadian dollar during their respective periods. The 2016 unrealized gain also reflects the reversal of the previous year's unrealized loss, which was realized and included in recurring results.

LOSS ON REPURCHASE OF LONG TERM DEBT

The Corporation purchased US$200 million of its unsecured senior notes and recorded early repurchase premiums of $11 million and wrote off $3 million of unamortized financing costs related to these notes.

INTEREST RATE SWAPS

In 2017 and 2016, the Corporation recorded an unrealized gain of $2 million in 2017, compared to an unrealized gain of $1 million in 2016 on interest rate swaps, and are included in financing expense.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2017, the Corporation recorded a gain of $23 million on its US$-denominated debt and related financial instruments, compared to a gain of $22 million during 2016. This is composed of a gain of $11 million in 2017, compared to a gain of $13 million in 2016, on our US$-denominated long-term debt, net of our net investment hedges in the U.S. and Europe and forward exchange contracts designated as hedging instruments, if any. It also includes a gain of $12 million during the year, compared to a gain of $9 million in 2016, on foreign exchange forward contracts not designated for hedge accounting.

FAIR VALUE REVALUATION GAIN ON INVESTMENTS AND SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

2017

Containerboard

On April 4, 2017, Cascades and its partners in Greenpac Holding LLC (Greenpac) agreed to modify the equity holders' agreement. These modifications enable Cascades to direct decisions about relevant activities. Therefore, from an accounting standpoint, Cascades now has control over Greenpac, which triggers its deemed acquisition and thus fully consolidates Greenpac starting April 4, 2017. The Corporation recorded a revaluation gain on previously held interest of $156 million in the second quarter. As a consequence of the acquisition, accumulated other comprehensive loss components of Greenpac totaling $4 million and included in our consolidated balance sheet prior to the acquisition were reclassified to net earnings. These two items are presented in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings.

The Corporation also recorded its share of $3 million on an unrealized gain on certain derivative financial instruments not designated for hedge accounting prior to the acquisition of Greenpac.

Boralex

On January 18, 2017, Boralex issued common shares to partly finance the acquisition of the interest of Enercon Canada Inc. in the Niagara Region Wind Farm. As a result, the Corporations' participation in Boralex decreased to 17.37%, which resulted in a dilution gain of $15 million that is included in line item “Share of results of associates and joint ventures” in the consolidated statement of earnings.

On March 10, 2017, Boralex announced the appointment of a new Chairman of the Board. This change in Board composition combined with the decrease of our participation discussed above triggered the loss of significant influence of the Corporation over Boralex. Therefore, our investment in Boralex was no longer classified as an associate and considered an available-for-sale financial asset, which is classified in “Other assets”. Consequently, our investment in Boralex was re-evaluated at fair value on March 10, 2017, and we recorded a gain of $155 million. At the same time, accumulated other comprehensive loss components of Boralex totaling $10 million and included in our consolidated balance sheet were released to net earnings. These two items are presented in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings. Subsequent fair value revaluation of this investment was recorded in accumulated other comprehensive income until the investment disposal.

On July 27, 2017, Cascades announced the sale of all of its shares in Boralex to the Caisse de Dépôt et Placement du Québec for an amount of $288 million. The increase in fair value of $18 million from March 10 to July 27, 2017, recorded in accumulated other comprehensive income materialized and the Corporation recorded a gain of $18 million in the third quarter in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings.

2016

On May 6, 2016, the Corporation announced that its then associate company Greenpac, located in Niagara Falls, NY, successfully refinanced its debt. The Corporations' share of the cost related to this debt refinancing amounted to $7 million.

PROVISION FOR INCOME TAXES

2017

Following the US tax reform adopted in December 2017, the Corporation revalued the net deferred tax liability of its entities in the USA and recorded a gain of $57 million.

The income tax provision on Boralex revaluation gain was calculated at the rate of capital gains. Also, consequently with the sale of its participation in Boralex in July 2017, the Corporation has reassessed the probability of recovering unrealized capital losses on long-term debt due to foreign exchange fluctuations. As a result, $6 million of tax assets was derecognized and recorded in the statement of earnings.

In conjunction with the acquisition of Greenpac, the Corporation recorded an income tax recovery of $70 million representing deferred income taxes on its investment prior to the acquisition on April 4, 2017. Also, there was no income tax provision recorded on the gain of $156 million generated by the business combination of Greenpac, since it is included in the fair value of assets and liabilities acquired as described in Note 5 of the 2017 audited consolidated financial statements.

2016

The Corporation recorded a $2 million income tax provision adjustment related to the sale of one of its businesses over the past years.

RECONCILIATION OF NON-IFRS MEASURES

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

- Operating income before depreciation and amortization (OIBD): Used to assess operating performance and contribution of each segment when excluding depreciation & amortization. OIBD is widely used by investors as a measure of a corporation's ability to incur and service debt and as an evaluation metric.
- Adjusted OIBD: Used to assess operating performance and contribution of each segment on a comparable basis.
- Adjusted operating income: Used to assess operating performance of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Adjusted free cash flow: Used to assess the Corporation's capacity to generate cash flows to meet financial obligation and/or discretionary items such as share repurchase, dividend increase and strategic investments.
- Net debt to adjusted OIBD ratio: Used to measure the Corporation's credit performance and evaluate the financial leverage.
- Net debt to adjusted OIBD ratio on a pro-forma basis: Used to measure the Corporation's credit performance and evaluate the financial leverage on a comparable basis including significant business acquisitions and excluding significant business disposals, if any.

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

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

						2017
(in millions of Canadian dollars)	**Containerboard**	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income	**164**	**34**	**46**	**28**	**(97)**	**175**
Depreciation and amortization	**74**	**33**	**21**	**62**	**25**	**215**
Operating income (loss) before depreciation and amortization	**238**	**67**	**67**	**90**	**(72)**	**390**
Specific items:						
Gain on acquisitions, disposals and others	**(7)**	**—**	**—**	**—**	**(1)**	**(8)**
Inventory adjustment resulting from business acquisition	**2**	**—**	**—**	**—**	**—**	**2**
Impairment charges (reversals)	**11**	**—**	**—**	**2**	**(2)**	**11**
Restructuring costs	**2**	**1**	**—**	**2**	**1**	**6**
Unrealized loss (gain) on financial instruments	**1**	**—**	**—**	**—**	**(9)**	**(8)**
	9	**1**	**—**	**4**	**(11)**	**3**
Adjusted operating income (loss) before depreciation and amortization	**247**	**68**	**67**	**94**	**(83)**	**393**
Adjusted operating income (loss)	**173**	**35**	**46**	**32**	**(108)**	**178**

						2016
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income	158	19	51	75	(82)	221
Depreciation and amortization	56	32	20	64	20	192
Operating income (loss) before depreciation and amortization	214	51	71	139	(62)	413
Specific items:						
Gain on acquisitions, disposals and others	—	—	(4)	—	—	(4)
Impairment charges (reversals)	2	—	(3)	4	—	3
Restructuring costs (gains)	(1)	2	1	7	—	9
Unrealized loss (gain) on financial instruments	1	—	—	—	(19)	(18)
	2	2	(6)	11	(19)	(10)
Adjusted operating income (loss) before depreciation and amortization	216	53	65	150	(81)	403
Adjusted operating income (loss)	160	21	45	86	(101)	211

Net earnings, as per IFRS, is reconciled below with operating income, adjusted operating income and adjusted operating income before depreciation and amortization:

(in millions of Canadian dollars)	2017	2016
Net earnings attributable to Shareholders for the year	**507**	135
Net earnings attributable to non-controlling interests	**15**	2
Provision for (recovery of) income taxes	**(81)**	45
Fair value revaluation gain on investments	**(315)**	—
Share of results of associates and joint ventures	**(39)**	(32)
Foreign exchange gain on long-term debt and financial instruments	**(23)**	(22)
Financing expense, interest expense on employee future benefits and loss on repurchase of long-term debt	**111**	93
Operating income	**175**	221
Specific items:		
Gain on acquisitions, disposals and others	**(8)**	(4)
Inventory adjustment resulting from business acquisition	**2**	—
Impairment charges	**11**	3
Restructuring costs	**6**	9
Unrealized gain on derivative financial instruments	**(8)**	(18)
	3	(10)
Adjusted operating income	**178**	211
Depreciation and amortization	**215**	192
Adjusted operating income before depreciation and amortization	**393**	403

The following table reconciles net earnings and net earnings per common share, as per IFRS, with adjusted net earnings and adjusted net earnings per common share:

	NET EARNINGS		NET EARNINGS PER COMMON SHARE[1]	
(in millions of Canadian dollars, except amount per common share)	2017	2016	2017	2016
As per IFRS	**507**	135	**$ 5.35**	$ 1.42
Specific items:				
Gain on acquisitions, disposals and others	**(8)**	(4)	**$ (0.06)**	$ (0.03)
Inventory adjustment resulting from business acquisition	**2**	—	**$ 0.01**	—
Impairment charges	**11**	3	**$ 0.08**	$ 0.03
Restructuring costs	**6**	9	**$ 0.05**	$ 0.06
Unrealized gain on derivative financial instruments	**(8)**	(18)	**$ (0.07)**	$ (0.14)
Loss on repurchase of long-term debt	**14**	—	**$ 0.10**	—
Unrealized gain on interest rate swaps	**(2)**	(1)	**$ (0.01)**	$ (0.01)
Foreign exchange gain on long-term debt and financial instruments	**(23)**	(22)	**$ (0.21)**	$ (0.19)
Fair value revaluation gain on investments	**(315)**	—	**$ (3.85)**	—
Share of results of associates and joint ventures	**(18)**	7	**$ (0.15)**	$ 0.05
Tax effect on specific items, other tax adjustments and attributable to non-controlling interest[1]	**(98)**	5	**$ (0.52)**	$ 0.02
	(439)	(21)	**$ (4.63)**	$ (0.21)
Adjusted	**68**	114	**$ 0.72**	$ 1.21

1 Specific amounts per common share are calculated on an after-tax basis and are net of the portion attributable to non-controlling interests. Per common share amounts in line item "Tax effect on specific items, other tax adjustments and attributable to non-controlling interests" only include the effect of tax adjustments. Please refer to "Provision for income taxes" prior in this section for more details.

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

(in millions of Canadian dollars)	2017	2016
Cash flow from operating activities	**173**	372
Changes in non-cash working capital components	**87**	(56)
Depreciation and amortization	**(215)**	(192)
Net income taxes paid (received)	**10**	(10)
Net financing expense paid	**99**	89
Premium paid on long-term debt repurchase	**11**	—
Gain on acquisitions, disposals and others	**8**	4
Impairment charges and restructuring costs	**(11)**	(4)
Unrealized gain on derivative financial instruments	**8**	18
Dividend received, employee future benefits and others	**5**	—
Operating income	**175**	221
Depreciation and amortization	**215**	192
Operating income before depreciation and amortization	**390**	413

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

(in millions of Canadian dollars, except amount per share or otherwise mentioned)	2017	2016
Cash flow from operating activities	**173**	372
Changes in non-cash working capital components	**87**	(56)
Cash flow from operating activities (excluding changes in non-cash working capital components)	**260**	316
Specific items, net of current income taxes if applicable:		
Restructuring costs	**6**	8
Premium paid on long-term debt repurchase	**11**	—
Adjusted cash flow from operating activities	**277**	324
Capital expenditures, other assets[1] and capital lease payments, net of disposals	**(205)**	(196)
Dividends paid to the Corporation's shareholders and to non-controlling interests	**(20)**	(16)
Adjusted free cash flow	**52**	112
Adjusted free cash flow per common share	**$ 0.55**	$ 1.18
Weighted average basic number of common shares outstanding	**94,680,598**	94,709,048

1 Excluding increase in investments

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

(in millions of Canadian dollars)	December 31, 2017	December 31, 2016
Long-term debt	**1,517**	1,530
Current portion of long-term debt	**59**	36
Bank loans and advances	**35**	28
Total debt	**1,611**	1,594
Less: Cash and cash equivalents	**89**	62
Net debt	**1,522**	1,532
Adjusted OIBD (last twelve months)	**393**	403
Net debt / Adjusted OIBD ratio	**3.9**	3.8
Net debt / Adjusted OIBD ratio on a pro forma basis[1]	**3.6**	N/A

1 Pro forma to include adjusted OIBD of Greenpac and other business combinations on a Last Twelve Month basis.

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - 2016

The Corporation's 2016 financial results reflected sales and operating results growth in the Tissue and the Specialty Products segments, in addition to increased sales in the Containerboard Packaging segment. This was offset by higher corporate costs related to the implementation of our ERP system and other business process optimization initiatives, lower contribution from the Boxboard Europe segment due to the persistent challenging market environment in 2016, and reduced contribution from the Containerboard Packaging segment attributable to higher production and raw material costs.

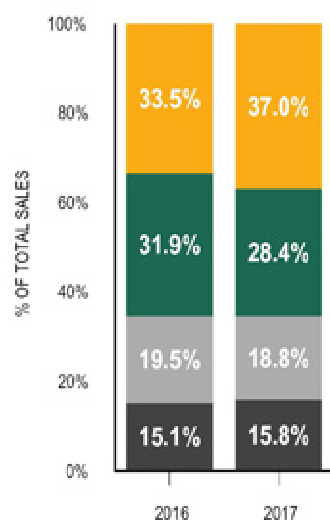
FINANCIAL OVERVIEW - 2017

Results for the year reflect strong sales driven by year-over-year increases in shipments for the Boxboard Europe segment and higher average selling prices from all three packaging segments on a same plant basis. Beginning in the second quarter, the consolidation of Greenpac benefited both sales and operating income levels. However, a sharp increase in raw material costs impacted the performance of all our segments, the effects of which were partially offset by the corresponding stronger results generated by our recovery and recycling activities. Results from our Tissue segment include costs related to the start-up of the new converting plant on the West Coast of the US, as well as additional costs related to new branding and repositioning efforts of its product lines. Increased capacity in the Tissue market also had a negative impact on shipments. Finally, ERP implementation and business process optimization initiatives at the corporate level also required a higher level of resources during 2017 compared to 2016, but will decrease in 2018.

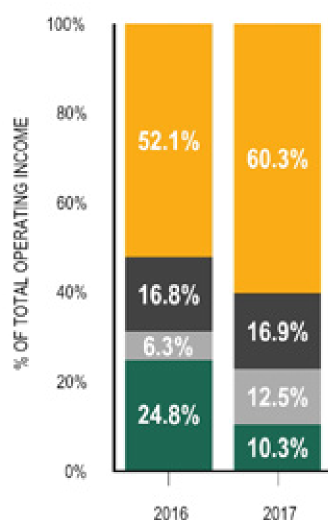
Sales increased by $320 million to reach $4,321 million in 2017, compared to $4,001 million in 2016. The increase was mainly driven by the acquisition of Greenpac, higher selling prices in all segments and additional contribution from our recovery and recycling activities. On the other hand, the 2% appreciation of the Canadian dollar against the American dollar had a negative impact on North American segments.

The following graphics show the breakdown of sales, before inter-segment eliminations, and adjusted operating income before depreciation and amortization by business segment:

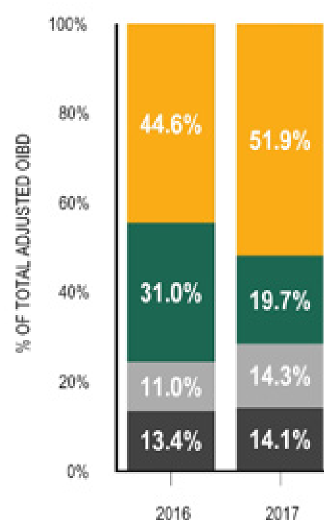
SALES BREAKDOWN[1]



OPERATING INCOME BREAKDOWN[2]



ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION BREAKDOWN[2,3]



Containerboard Packaging | Tissue papers | Boxboard Europe | Specialty Products

1 Excluding inter-segment sales and Corporate activities.
2 Excluding Corporate activities.
3 Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

For 2017, the Corporation posted net earnings of $507 million, or $5.35 per common share, compared to net earnings of $135 million, or $1.42 per common share in 2016. On an adjusted basis, discussed in detail in the "Supplemental Information on Non-IFRS Measures" section, the Corporation generated net earnings of $68 million during 2017, or $0.72 per common share, compared to net earnings of $114 million or $1.21 per common share in 2016. The Corporation recorded an operating income of $175 million during the year, compared to $221 million in 2016. On an adjusted basis, operating income stood at $178 million during the year, compared to $211 million in 2016 (see the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these amounts).

The $3.93 increase in our net earnings per share in 2017 compared to 2016, can be explained by the following factors:

(in Canadian dollars)		
Change in specific items (see reconciliation in the "Supplemental Information on Non-IFRS Measures" section)	$	4.41
Change in net earnings from operating activities normalized at a 30% income tax rate	$	(0.28)
Change in tax provision - Other items (see the analysis on the "Other Items Analysis" section)	$	0.06
Change in share of results of associates and joint ventures - net of income taxes - and change in non-controlling interests	$	(0.26)
Increase in net earnings per share	**$**	**3.93**

FORWARD-LOOKING STATEMENTS

The following document is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the operating results and financial position of Cascades Inc. ("Cascades" or "the Corporation"), and should be read in conjunction with the Corporation's consolidated financial statements and accompanying notes for the years ended December 31, 2017 and 2016. Information contained herein includes any significant developments as at February 28, 2018, 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.

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 specified. Unless otherwise specified or if required by context, the terms "we", "our" and "us" refer to Cascades Inc. and all of its subsidiaries, joint ventures and associates.

This MD&A is intended to provide readers with information that Management believes is necessary for an understanding of Cascades' current results and to assess the Corporation's future prospects. Consequently, certain statements herein, including statements regarding future results and performance, are forward-looking statements within the meaning of securities legislation, based on current expectations. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, decreases in demand for the Corporation's products, prices and availability of raw material, changes in relative values of certain currencies, fluctuations in selling prices and adverse changes in general market and industry conditions. Cascades disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities regulations. This MD&A also includes price indices, as well as variance and sensitivity analysis that are intended to provide the reader with a better understanding of the trends with respect to our business activities. These items are based on the best estimates available to the Corporation.

KEY PERFORMANCE INDICATORS

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

	2015					2016					2017
	TOTAL	Q1	Q2	Q3	Q4	TOTAL	**Q1**	**Q2**	**Q3**	**Q4**	**TOTAL**
OPERATIONAL											
Total shipments (in '000 s.t.)[1]											
Packaging Products											
Containerboard	1,114	277	284	294	283	1,138	**285**	**375**	**369**	**372**	**1,401**
Boxboard Europe	1,111	278	267	258	263	1,066	**296**	**283**	**271**	**270**	**1,120**
	2,225	555	551	552	546	2,204	**581**	**658**	**640**	**642**	**2,521**
Tissue Papers	598	143	158	163	144	608	**139**	**151**	**157**	**146**	**593**
Total	2,823	698	709	715	690	2,812	**720**	**809**	**797**	**788**	**3,114**
Integration rate[2]											
Containerboard	51%	52%	53%	54%	51%	53%	**51%**	**51%**	**55%**	**52%**	**53%**
Tissue Papers	67%	70%	65%	65%	72%	68%	**71%**	**69%**	**67%**	**66%**	**68%**
Manufacturing capacity utilization rate[3]											
Packaging Products											
Containerboard	92%	93%	93%	96%	91%	93%	**96%**	**94%**	**91%**	**92%**	**93%**
Boxboard Europe	94%	97%	92%	89%	91%	92%	**102%**	**98%**	**94%**	**93%**	**97%**
Tissue Papers	89%	87%	89%	93%	83%	88%	**86%**	**89%**	**90%**	**84%**	**87%**
Consolidated total	92%	93%	91%	93%	89%	92%	**96%**	**95%**	**92%**	**91%**	**93%**
FINANCIAL											
Return on assets[4]											
Packaging Products											
Containerboard	19%	19%	19%	18%	17%	17%	**16%**	**14%**	**13%**	**14%**	**14%**
Boxboard Europe	10%	10%	10%	10%	10%	10%	**10%**	**10%**	**11%**	**12%**	**12%**
Specialty Products	17%	18%	19%	20%	20%	20%	**20%**	**21%**	**19%**	**18%**	**18%**
Tissue Papers	13%	15%	17%	17%	16%	16%	**15%**	**14%**	**12%**	**10%**	**10%**
Consolidated return on assets	11.3%	11.8%	12.0%	11.3%	10.8%	10.8%	**9.8%**	**9.1%**	**8.9%**	**9.2%**	**9.2%**
Return on capital employed[5]	5.7%	6.0%	6.2%	5.5%	5.2%	5.2%	**4.5%**	**3.9%**	**3.7%**	**3.7%**	**3.7%**
Working capital[6]											
In millions of $, at end of period	389	439	458	443	309	309	**385**	**429**	**474**	**442**	**442**
As a % of sales[7]	10.9%	10.9%	10.9%	10.9%	10.6%	10.6%	**10.2%**	**9.9%**	**9.9%**	**10.1%**	**10.1%**

1 *Shipments do not take into account the elimination of business sector inter-segment shipments. Starting in Q2 2017, including Greenpac. Shipments from our Specialty Products segment are not presented as they use different units of measure.*

2 *Defined as: Percentage of manufacturing shipments transferred to our converting operations. Starting in Q2 2017, including Greenpac.*

3 *Defined as: Manufacturing internal and external shipments/practical capacity. Excluding discontinued operations and Specialty Products segment manufacturing activities. Starting in Q2 2017, including Greenpac.*

4 *Return on assets is a non-IFRS measure defined as the last twelve months' ("LTM") adjusted OIBD/LTM quarterly average of total assets less cash and cash equivalents. Not adjusted for discontinued operations. Including Greenpac on a consolidated basis starting in Q2 2017.*

5 *Return on capital employed is a non-IFRS measure and is defined as the after-tax (30%) amount of the LTM adjusted operating income, including our share of core associates and joint ventures, divided by the LTM quarterly average of capital employed. Capital employed is defined as the quarterly total average assets less trade and other payables and cash and cash equivalents. Not adjusted for discontinued operations. Including Greenpac as an associate up to Q1 2017 and on a consolidated basis starting in Q2 2017.*

6 *Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables. Not adjusted for discontinued operations. Starting in Q2 2017, including Greenpac.*

7 *% of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals. Not adjusted for discontinued operations. Starting in Q2 2017, including Greenpac.*

HISTORICAL FINANCIAL INFORMATION

(in millions of Canadian dollars, unless otherwise noted)	2015 TOTAL	2016 Q1	Q2	Q3	Q4	2016 TOTAL	2017 Q1	Q2[2]	Q3	Q4	2017 TOTAL
Sales											
Packaging Products											
Containerboard	1,301	336	342	356	336	1,370	**346**	**428**	**438**	**440**	**1,652**
Boxboard Europe	825	219	197	189	191	796	**211**	**213**	**202**	**212**	**838**
Specialty Products	579	149	157	158	156	620	**173**	**188**	**181**	**161**	**703**
Inter-segment sales	(55)	(15)	(14)	(16)	(16)	(61)	**(22)**	**(27)**	**(32)**	**(24)**	**(105)**
	2,650	689	682	687	667	2,725	**708**	**802**	**789**	**789**	**3,088**
Tissue Papers	1,236	320	324	342	319	1,305	**306**	**338**	**323**	**301**	**1,268**
Inter-segment sales and Corporate activities	(25)	(6)	(8)	(8)	(7)	(29)	**(8)**	**(10)**	**(9)**	**(8)**	**(35)**
Total	3,861	1,003	998	1,021	979	4,001	**1,006**	**1,130**	**1,103**	**1,082**	**4,321**
Operating income (loss)											
Packaging Products											
Containerboard	170	40	46	44	28	158	**33**	**30**	**50**	**51**	**164**
Boxboard Europe	(28)	8	7	1	3	19	**5**	**13**	**5**	**11**	**34**
Specialty Products	31	9	16	12	14	51	**13**	**14**	**10**	**9**	**46**
	173	57	69	57	45	228	**51**	**57**	**65**	**71**	**244**
Tissue Papers	64	19	18	26	12	75	**8**	**17**	**9**	**(6)**	**28**
Corporate activities	(84)	(3)	(22)	(33)	(24)	(82)	**(28)**	**(26)**	**(23)**	**(20)**	**(97)**
Total	153	73	65	50	33	221	**31**	**48**	**51**	**45**	**175**
Adjusted OIBD[1]											
Packaging Products											
Containerboard	231	55	60	58	43	216	**45**	**56**	**72**	**74**	**247**
Boxboard Europe	63	16	17	9	11	53	**14**	**21**	**14**	**19**	**68**
Specialty Products	58	14	16	18	17	65	**18**	**20**	**15**	**14**	**67**
	352	85	93	85	71	334	**77**	**97**	**101**	**107**	**382**
Tissue Papers	119	34	39	47	30	150	**23**	**35**	**24**	**12**	**94**
Corporate activities	(45)	(13)	(20)	(29)	(19)	(81)	**(25)**	**(25)**	**(19)**	**(14)**	**(83)**
Total	426	106	112	103	82	403	**75**	**107**	**106**	**105**	**393**
Net earnings (loss)	(65)	75	36	20	4	135	**161**	**256**	**33**	**57**	**507**
Adjusted[1]	112	34	35	30	15	114	**12**	**24**	**19**	**13**	**68**
Net earnings (loss) per common share (in dollars)											
Basic	$ (0.69)	$ 0.79	$ 0.38	$ 0.21	$ 0.04	$ 1.42	**$ 1.70**	**$ 2.70**	**$ 0.35**	**$ 0.60**	**$ 5.35**
Basic, adjusted[1]	$ 1.18	$ 0.35	$ 0.38	$ 0.32	$ 0.16	$ 1.21	**$ 0.13**	**$ 0.25**	**$ 0.20**	**$ 0.14**	**$ 0.72**
Net earnings (loss) from continuing operations per common share (in dollars)	$ (0.70)	$ 0.79	$ 0.38	$ 0.21	$ 0.04	$ 1.42	**$ 1.70**	**$ 2.70**	**$ 0.35**	**$ 0.60**	**$ 5.35**
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	322	56	107	68	85	316	**33**	**89**	**61**	**77**	**260**
Net debt[1]	1,721	1,684	1,664	1,625	1,532	1,532	**1,617**	**1,780**	**1,469**	**1,522**	**1,522**

Sources: Bloomberg and Cascades.

1 Please refer to the “Supplemental Information on Non-IFRS Measures” section for reconciliation of these figures.

2 Including Greenpac on a consolidated basis starting in Q2 2017. The purchase price allocation of Greenpac was finalized during the third quarter of 2017. The preliminary estimated deemed consideration of $371 million was revised to $304 million. This change impacted the calculation of the gain on the deemed disposal of the previously held interest and goodwill allocated in the purchase price determination for an amount of $67 million. Adjustments to the preliminary purchase price allocation were recorded retrospectively to the acquisition date as required by IFRS 3. Net earnings per common share disclosed in the second quarter were consequently adjusted to $2.70 per common share from $3.41 per common share.

BUSINESS HIGHLIGHTS

From time to time, the Corporation enters into transactions to optimize its asset base and streamline its cost structure. The following transactions should be taken into consideration when reviewing the overall and segmented analysis of the Corporation's 2017 and 2016 results.

BUSINESS ACQUISITION, DISPOSAL AND CLOSURE

CONTAINERBOARD PACKAGING

- On December 4, 2017, the Corporation announced that it had acquired three converting plants from the Coyle Group in Ontario, Canada, to strengthen its position in the containerboard packaging sector.

- On April 5, 2017, the Corporation announced that results from the Greenpac Mill LLC (Greenpac) would be consolidated with those of the Corporation following changes to the Greenpac equity holders agreement. As a result, the Corporation began consolidating Greenpac results on April 4, 2017. The agreement did not involve any cash consideration.

- On June 1, 2016, the Corporation announced the completion of a transaction with US-based company Rand-Whitney Container LLC for the acquisition of its plant in Newtown, Connecticut. In return, Cascades transferred equipment and the customer list from its Thompson plant, located in Connecticut, and paid US$12 million ($15 million) to Rand-Whitney.

SPECIALTY PRODUCTS

- On June 22, 2016, the Corporation announced the closure of its de-inked pulp mill located in Auburn, Maine. The plant closed on July 15, 2016.

TISSUE

- During the first quarter of 2017, the Corporation successfully began production at its new tissue converting facility in Scappoose, Oregon, which houses three new state-of-the-art converting lines. The plant manufactures virgin and recycled bathroom tissue products and paper hand towels for the Cascades Pro brand (Away-from-Home market). The plant is supplied by the Corporation's tissue paper plant located 12 kilometers away in St. Helens.

- On May 13, 2016, the Corporation decided to close the tissue paper converting operations in its Toronto, Ontario plant in order to optimize its supply chain and maximize its profitability. The Corporation transferred some of the assets to other facilities.

SIGNIFICANT FACTS AND DEVELOPMENTS

- On January 1, 2018, the Corporation, through its 57.8% equity ownership in Reno de Medici S.p.A., acquired 66.67% of PAC Service S.p.A., a boxboard converter for the packaging, publishing, cosmetics and food industries. The Corporation already had a 33.33% equity participation before the transaction.

- On December 12, 2017, the Corporation announced the results of tender offers and proceeded with the purchase of US$150 million of its 5.500% unsecured senior notes due 2022 and US$50 million of its 5.75% unsecured senior notes due 2023.

- On March 21, 2017, the Corporation acquired 23% of Containerboard Partners (Ontario) Inc. for a consideration of US$12 million ($16 million). This company is a member of Greenpac Holding LLC, of which it owns 12.1%. On November 30, 2017, the Corporation acquired an additional 30% of Containerboard Partners (Ontario) Inc. for a consideration of $19 million. These transactions add an indirect participation of 6.4% in Greenpac Holding LLC bringing total ownership to 66.1%.

- On August 3, 2017, as part of its modernization and optimization efforts in the Northeastern United States, the Corporation announced an investment of US$80 million for the construction of a new containerboard packaging plant in Piscataway, New Jersey. This new plant will manufacture corrugated packaging products. The operation is planned to start in the second quarter of 2018. In addition, the Corporation announced on August 10, 2017, that it will close its containerboard converting plant in Maspeth, New York. On January 31, 2018, the Corporation completed the sale of the building and land of its Maspeth plant, NY, for US$72 million ($90 million) of which US$68 million ($85 million) was received at closing and US$4 million ($5 million) is held in escrow. Release of the escrow is contingent upon certain conditions being met over the next three years. The Corporation will continue to use the facility until December 31, 2018, the date the plant is scheduled to close. The volumes will be progressively redeployed to other Cascades units over the course of the year.

- On July 27, 2017, the Corporation announced the sale of its 17.3% equity holding in Boralex to the Caisse de Dépôt et Placement du Québec for $288 million.

- On June 30, 2016, the Corporation completed the transfer of its virgin fibre boxboard mill located in La Rochette, France, to its 57.8%-owned subsidiary Reno de Medici, for a consideration of €19 million ($27 million). The transaction combined the Corporation's virgin and recycled boxboard activities in Europe. Apart from higher non-controlling interests after the closing, no impact was recorded on the Corporation's financial statements, as both entities had been fully consolidated prior to the transaction.

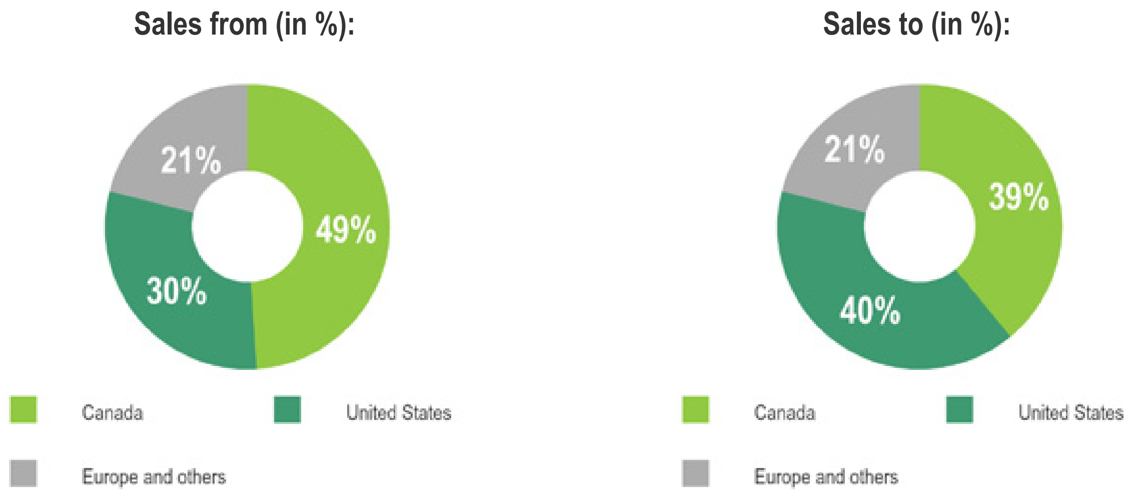
- On June 1, 2017, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million credit facility. The amendment extends the term of the facility to July 2021. The financial conditions remain essentially unchanged.

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2017, COMPARED TO THE YEAR ENDED DECEMBER 31, 2016

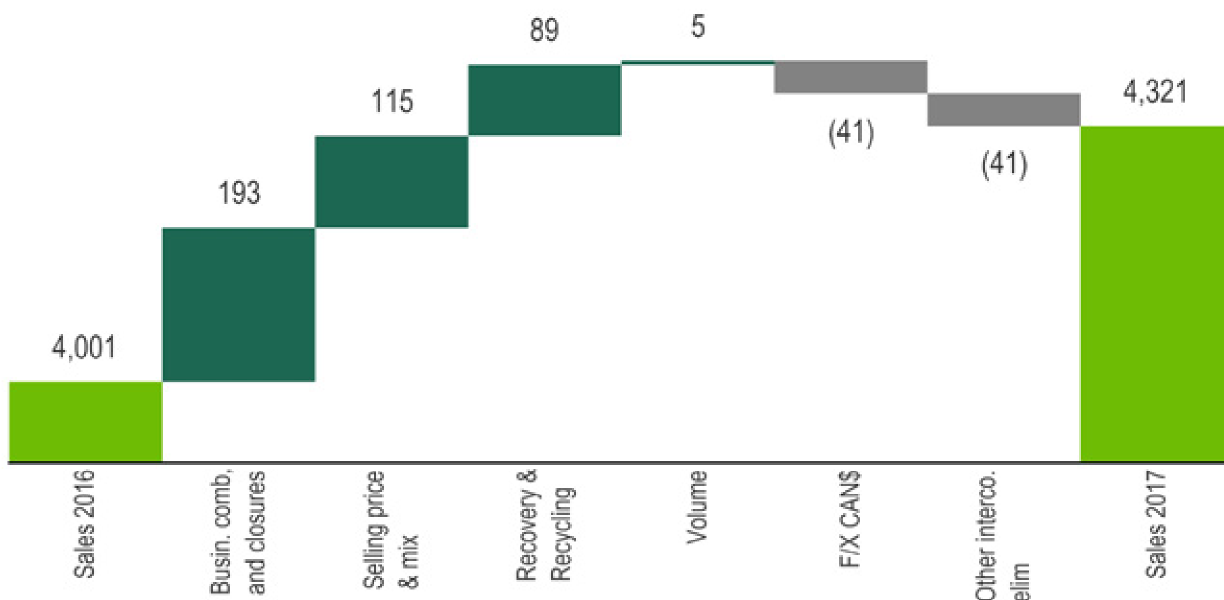
SALES

Sales increased by $320 million, or 8%, to reach $4,321 million in 2017, compared to $4,001 million in 2016. Sales in the Containerboard business increased by 21% compared to the prior year, driven by the inclusion of results from the Greenpac Mill and the implementation of higher average selling price during the year. Sales levels increased 5% in the Boxboard Europe segment as a result of improvements in volumes. The Specialty Products segment generated a 13% sales increase, reflecting higher average selling prices and additional sales from recovery and recycling activities due to the higher recycled fibre pricing in 2017. Finally, in the Tissue Papers segment, sales decreased by 3%, driven by lower volume, particularly in the parent roll market. These negative impacts were partly offset by a favourable sales mix and higher selling prices. The 2% appreciation of the Canadian dollar against the American dollar had a negative impact on North American segments.

Sales by geographic segment are as follows:



The main variances in sales in 2017, compared to 2016, are shown below (in $M):

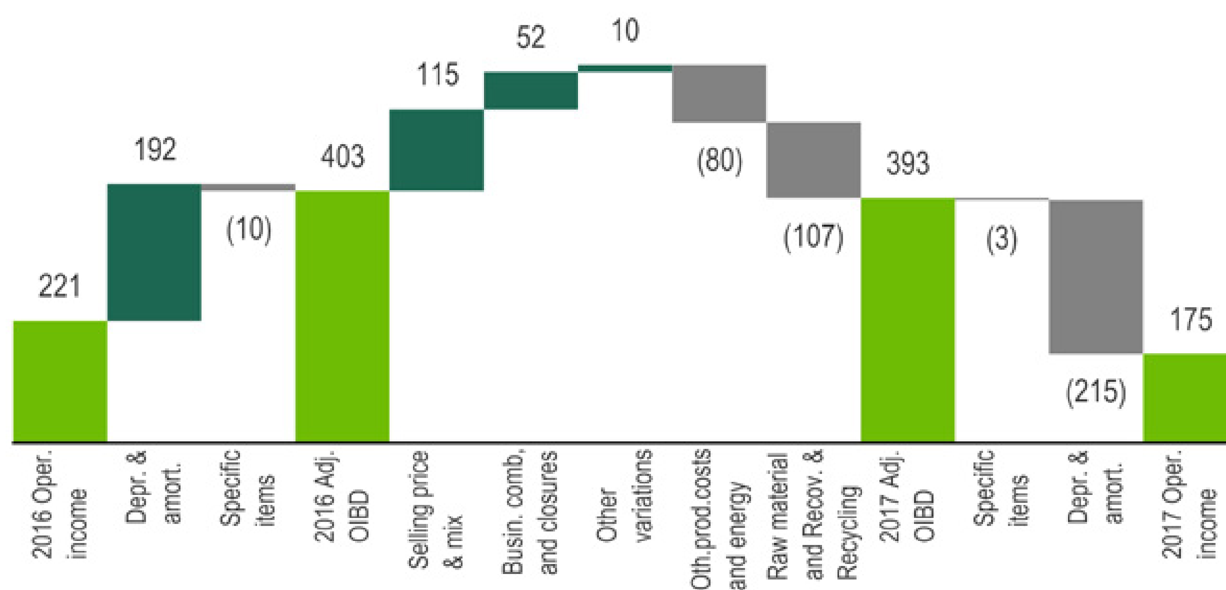


OPERATING INCOME FROM OPERATIONS

The Corporation generated operating income of $175 million in 2017, compared to $221 million reported in 2016. Variance of specific items recorded in both periods (please refer to the "Supplemental Information on Non-IFRS Measures" section for more details) decreased operating income by $13 million. The decrease, despite the $320 million increase is sales described above, reflects higher raw material costs that negatively impacted contribution levels from all four segments, higher production costs from all three North American segments as well as higher corporate costs related to the continuing ERP platform and business process review implementations. Our Boxboard Europe segment benefited from lower energy and production costs. On the other hand, the Tissue Papers segment's results were negatively impacted by the start-up of the new plant on the West Coast. The depreciation and amortization expense increased by $23 million, mainly due to Greenpac and to the implementation our ERP system now in most of our facilities.

Adjusted operating income[1] was $178 million in 2017, compared to $211 million in 2016.

The main variances in operating income in 2017, compared to 2016, are shown below (in $M):



Adjusted OIBD (Operating income)	*Please refer to "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.*
Raw Material (Operating income)	*The impacts of these estimated costs are based on production costs per unit shipped externally or inter-segment, which are affected by yield, product mix changes, 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 material such as plastic and wood chips.*
F/X CAN$ (Operating income)	*The estimated impact of the exchange rate is based on the Corporation's Canadian export sales less purchases, denominated in US$, that are impacted by exchange rate fluctuations and by the translation of our non-Canadian subsidiaries OIBD into CAN$. It also includes the impact of exchange rate fluctuations on the Corporation's Canadian units in currency other than the CAN$ working capital items and cash positions, as well as our hedging transactions. It excludes indirect sensitivity (please refer to "Sensitivity Table" section for further details).*
Other production costs (Operating income)	*These costs include the impact of variable and fixed costs based on production costs per unit shipped externally, which are affected by downtimes, efficiency and product mix changes.*
Recovery and Recycling activities (Sales and Operating income)	*While this segment is integrated within the other segments of the Corporation, any variation in the results of Recovery and Recycling activities are presented separately and on a global basis in the charts.*

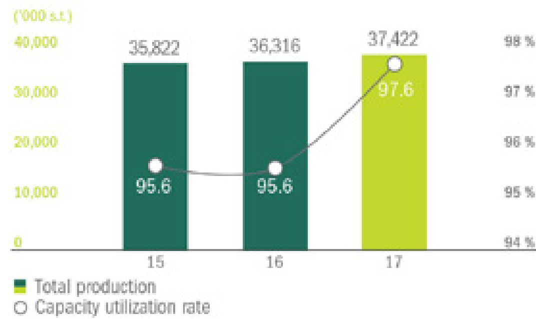
The analysis of variances in segment operating income appear within each business segment review (please refer to the section "Business Segment Review" for more details).

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

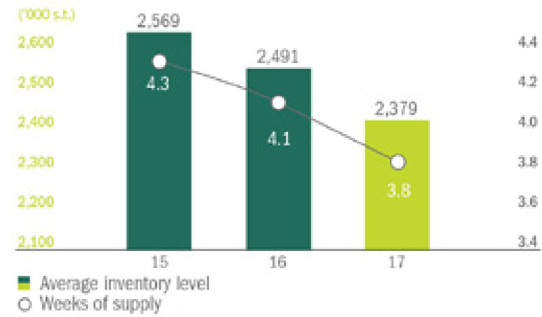
U.S. containerboard industry production and capacity utilization rate [1]

Total U.S. containerboard production increased by 3% in 2017 due to favourable market conditions in part driven by e-commerce. The industry's capacity utilization rate rose to 97.8% in 2017 from 95.6% in 2016.



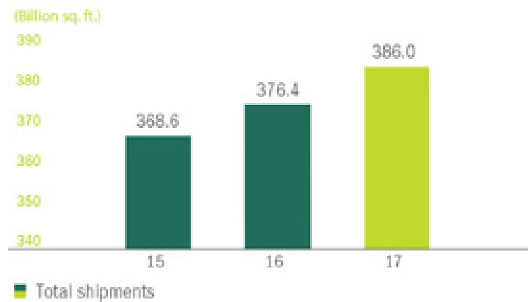
U.S. containerboard inventories at box plants and mills [2]

The average inventory level decreased by 4% in 2017 due to strong demand levels for corrugated boxes. The number of weeks of supply in inventory averaged 3.8 for the year.



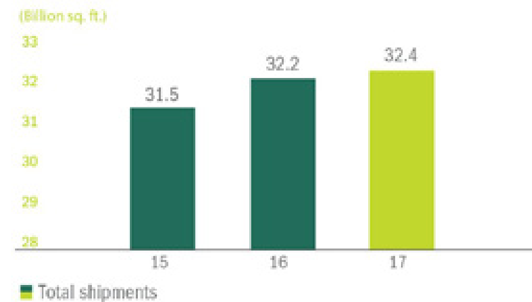
U.S corrugated box industry shipments [2]

Total U.S. corrugated box shipments increased by 3% in 2017 due to the strong economic environment coupled with the growing importance of e-commerce.



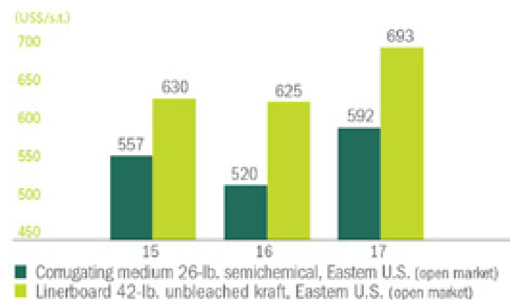
Canadian corrugated box industry shipments [3]

Canadian corrugated box shipments increased for a fourth consecutive year. Favourable market conditions explain the 1% year-over-year increase in 2017.



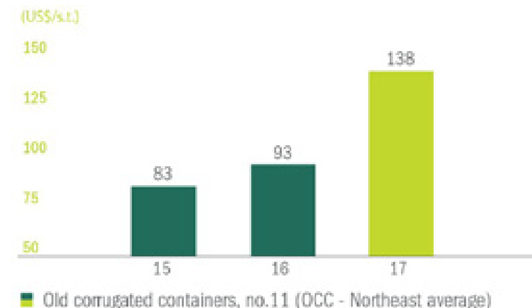
Reference prices - containerboard [1]

After a price increase implemented in October 2016, producers of containerboard were able to implement a US$50 per short ton linerboard and corrugating medium price increase last April due to strong supply and demand fundamentals, partially driven by e-commerce. It was followed by a US$30 per short ton corrugating medium price increase later in the year. As a results, the 2017 reference prices for linerboard and corrugating medium increased by 11% and 14%, respectively, compared to 2016.



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

The average reference price of old corrugated containers no.11 ("OCC") increased by 48% in 2017. OCC index prices were particularly volatile during the year. In the first quarter of 2017, index prices surged due to strong domestic and foreign demand. This was followed by a sharp decrease in index prices in October following China's restriction on recovered paper import permits, which resulted in an increase in domestic supply.

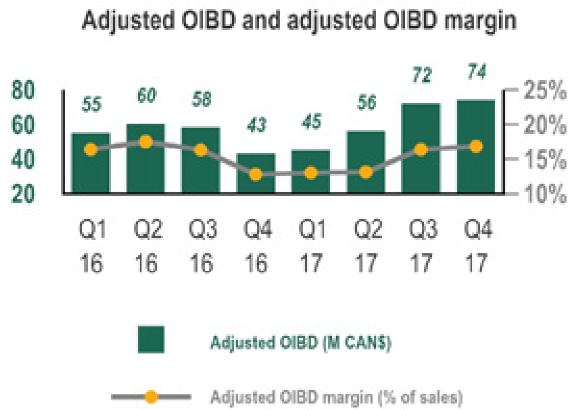


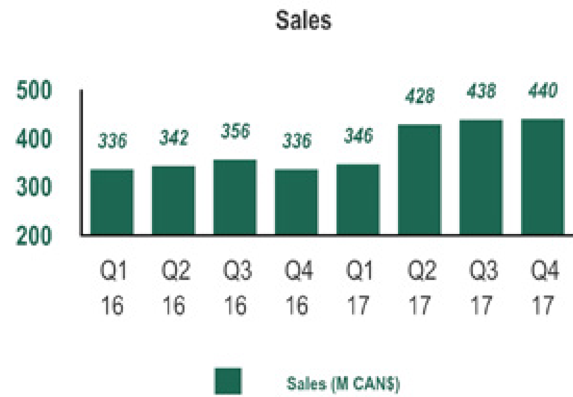
1 *Source: RISI*

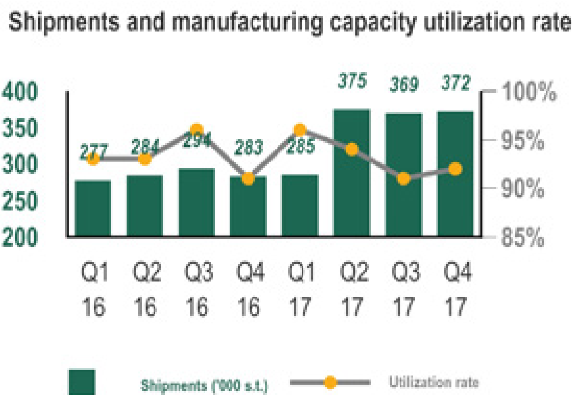
2 *Source: Fibre Box Association*

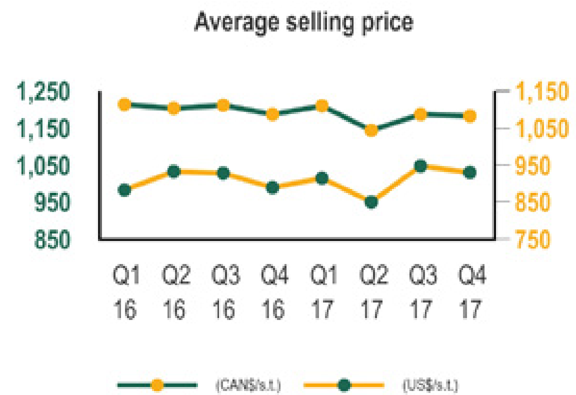
3 *Source: Canadian Corrugated and Containerboard Association*

Our Performance



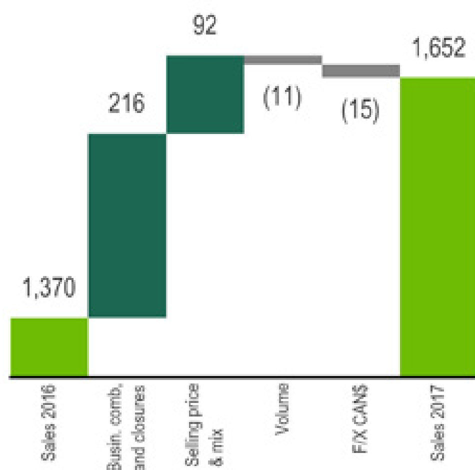




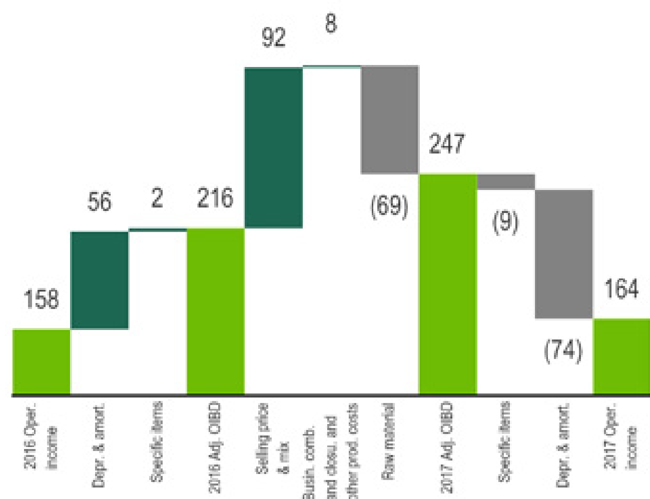


The main variances in sales and operating income for the Containerboard Packaging segment in 2017, compared to 2016, are shown below:

Sales ($M)[1]



Operating income ($M)[1]



1 For definitions of certain sales and operating income variations categories, please refer to the section "Financial results for the year ended December 31, 2017, compared to the year ended December 31, 2016" for more details.

The Corporation incurred certain specific items in 2017 and 2016 that adversely or positively affected its operating results. Please refer to section "Supplemental Information for Non-IFRS Measures" for reconciliations and details.

2016	2017	Change in %
Shipments[2] ('000 s.t.)		
1,138	1,401	23%
Average Selling Price (CAN$/unit)		
1,204	1,179	-2%
Sales ($M)		
1,370	1,652	21%
Operating income ($M) (as reported)		
158	164	4%
(adjusted)[1]		
160	173	8%
OIBD[1] ($M)		
214	238	11%
% of sales		
16%	14%	
(adjusted)[1]		
216	247	14%
% of sales		
16%	15%	

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.

2 Shipments do not take into account the elimination of business sector inter-company shipments. Including 12.5 billion square feet in 2017 compared to 12.2 billion square feet in 2016.

3 Up to Q1 2017, the Corporation's interest in Greenpac was recorded under the equity method. All transactions were therefore accounted for as external.

4 Starting in Q2 2017, including sales to other partners in Greenpac.

Shipments increased by 263,000 s.t., or 23%, in 2017. This reflects the 258,000 s.t., or 59%, increase in year-to-date external shipments from containerboard mills, which is primarily attributable to the addition of Greenpac (please refer to the "Business Highlights" section for more details). The mill integration rate also remained stable at 53% in 2017 compared to last year. Including sales to associates, the 2017 integration rate[4] was 66% compared to 67% in 2016. On the converting side, shipments increased by 5,000 s.t., compared to last year. Excluding the shipments arising from the transaction completed with US-based company Rand-Whitney in 2016 and the acquisition of three facilities in Ontario in 2017, converting activities shipments increased by 1% in MSF (thousand square feet).

The lower average selling price reflects a less favourable product mix compared to the same period last year. More specifically, the inclusion of Greenpac increased by 11% the proportion of sales of parent rolls which are sold at a lower price than our converted products. However, the average selling price denominated in Canadian dollars increased by $80 per s.t., or 12%, for our primary products, and by $75 per s.t. or 5%, in our converting sector.

Sales increased by $282 million, or 21%, year-over-year, with the 2017 and 2016 business acquisitions contributing $216 million to this increase. Excluding the impact of these transactions on sales mix, the higher average selling price denominated in Canadian dollars added $92 million to sales. The average 2% appreciation of the Canadian dollar and the lower volume on a same plant basis, negatively impacted sales by $15 million and $11 million, respectively.

Operating income increased by $6 million, or 4%, compared to last year. This increase is mainly explained by higher average selling prices on a same plant basis which added $92 million year-over-year. However, higher average raw material costs subtracted $69 million from operating income while other production costs subtracted a further $43 million. These increased costs are attributable to freight, energy, subcontracting and repair & maintenance. The segment also incurred a one-time litigation settlement charge with a client. Moreover, higher labour, training and warehousing costs related to ERP and business process optimization had a negative impact on operating income. Business acquisitions increased depreciation and amortization expense and contributed positively to operating income. Also, the average 2% appreciation of the Canadian dollar and the lower volume on a same plant basis both reduced operating income by $3 million respectively.

The segment incurred some specific items[1] in 2017 and 2016 that adversely or positively affected its operating income. Adjusted operating income[1] reached $173 million in 2017, compared to $160 million in 2016.

Finally, the Corporation's results for 2017 include its share of results of its associate Greenpac[3] Mill (59.7%) prior to the consolidation announced on April 5, 2017. In the first quarter of 2017, contribution stood at $7 million. In 2016, Greenpac contributed $15 million, including our $7 million share of fees related to the debt refinancing completed in the second quarter of 2016.

PACKAGING PRODUCTS - BOXBOARD EUROPE

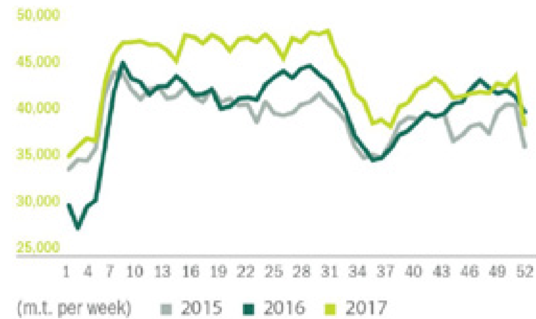
Our Industry

European industry order inflow of coated boxboard [1]

In Europe, order inflows of white-lined chipboard increased by 8% in 2017 compared to 2016, reflecting a strong demand throughout the year. As a result, the industry experienced its best year of the last ten years with orders of approximately 3.2 million tonnes. The folding boxboard industry also experienced a strong year as order inflows reached more than 2.2 million tonnes, representing an increase of 11% in 2017 over 2016.

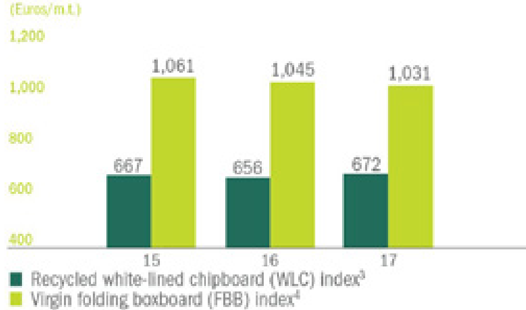
Coated recycled boxboard industry's order inflow from Europe
(White-lined chipboard (WLC) - 5-week weekly moving average)

Coated virgin boxboard industry's order inflow from Europe
(Folding boxboard (FBB) - 5-week weekly moving average)



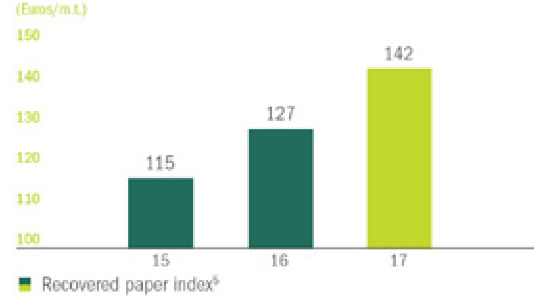
Reference prices - boxboard in Europe [2]

White-lined chipboard prices increased for the first time in three years in Western European countries. Strong demand for recycled boxboard resulted in a 2% increase in the 2017 average reference price compared to 2016. Folding boxboard prices remained stable throughout the year, suggesting that new market capacity was counterbalanced by the 11% growth in order inflow levels. However, the average reference price for folding boxboard was 1% lower in 2017 than in 2016.



Reference prices - recovered papers in Europe [2]

Recovered paper prices continued to be under pressure in 2017 due to strong demand. As a result, our recovered paper reference index in Europe was 12% higher in 2017 than in 2016, reflecting important increases in brown and white grades.



1 Source: CEPI Cartonboard

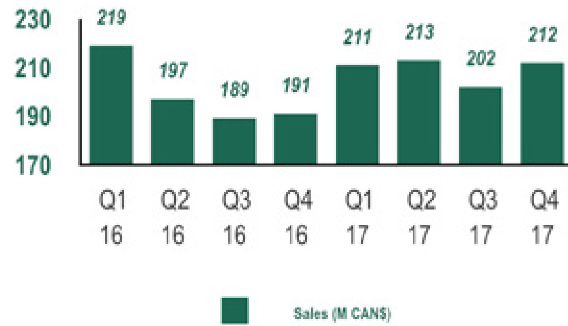
2 Source: RISI

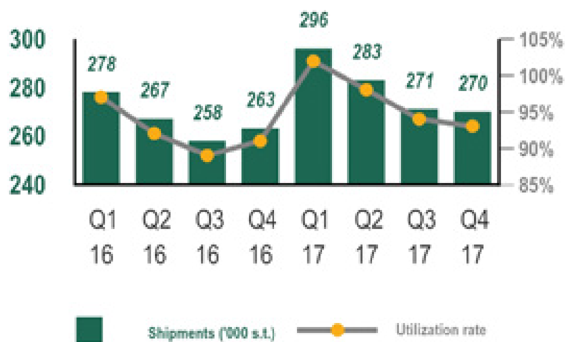
3 The Cascades recycled white-lined chipboard selling prices index represents an approximation of Cascades' recycled grade selling prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for white-lined chipboard.

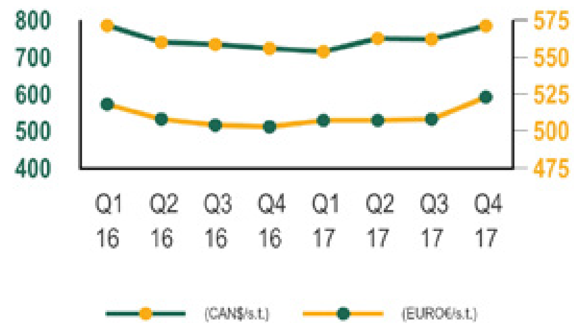
4 The Cascades virgin coated duplex boxboard selling prices index represents an approximation of Cascades' virgin grade selling prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for coated duplex boxboard.

5 The recovered paper 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 prices for recovered papers. This index should only be used as a trend indicator and may differ from our actual purchasing costs and our purchase mix.

Our Performance

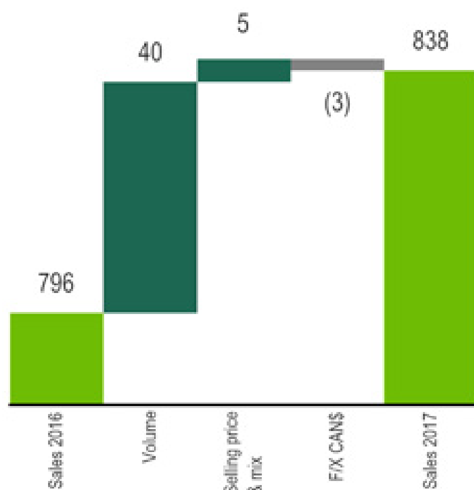




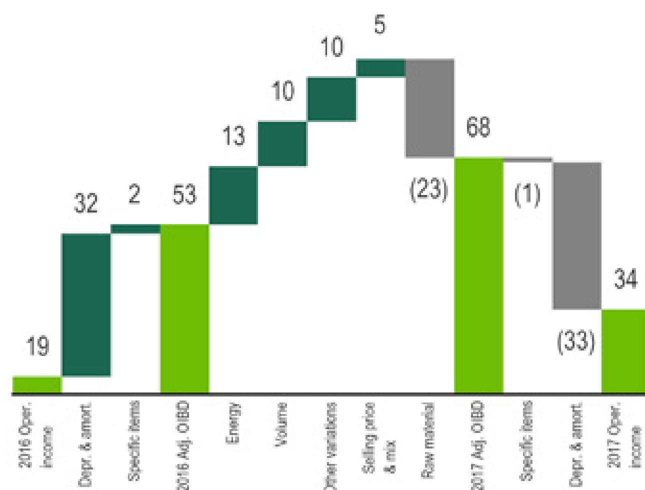


The main variances in sales and operating income for the Boxboard Europe segment in 2017, compared to 2016, are shown below:

Sales ($M)[1]



Operating income ($M)[1]



1 For definitions of certain sales and operating income variations categories, please refer to the section "Financial results for the year ended December 31, 2017, compared to the year ended December 31, 2016" for more details.

	2016	2017	Change in %
Shipments[2] ('000 s.t.)	1,066	1,120	5%
Average Selling Price[3] (CAN$/unit)	746	748	—
(Euro€/unit)	509	511	—
Sales ($M)	796	838	5%
Operating income ($M) (as reported)	19	34	79%
(adjusted)[1]	21	35	67%
OIBD[1] ($M)	51	67	31%
% of sales	6%	8%	
(adjusted)[1]	53	68	28%
% of sales	7%	8%	

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.

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

3 Average selling price is a weighted average of virgin and recycled boxboard shipments.

Recycled boxboard shipments increased by 55,000 s.t., or 6%, to 959,000 s.t. in 2017, from 904,000 in 2016, while shipments of virgin boxboard remained stable year-over-year at 161,000 s.t. The increase in shipments is mainly attributable to the stronger economic environment in Europe.

The 2017 average selling price increased slightly in both euros and Canadian dollars compared to 2016. This reflects the slight average year-over-year appreciation of the Canadian dollar compared to the euro, in addition to some increases in selling prices that were implemented for our products. When compared to 2016, the average 2017 selling price in recycled boxboard activities increased by €8, or 2%, while the average 2017 selling price in virgin boxboard activities decreased by €13, or 2%.

The increase in sales reflects the higher volumes coming from the recycled boxboard activities, in addition to the slightly higher average selling price during the year.

Operating income increased by $15 million, or 79%, in 2017, largely due to lower energy costs. The higher volumes, lower repair and maintenance costs due to shorter seasonal downtime, also positively contributed to operating income. These benefits were partially offset by higher raw material prices.

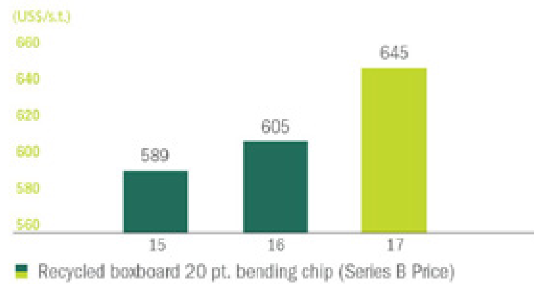
The segment incurred some specific items[1] in 2017 and 2016 that adversely or positively affected its operating income. Adjusted operating income[1] was $35 million in 2017, compared to $21 million in 2016.

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Industry

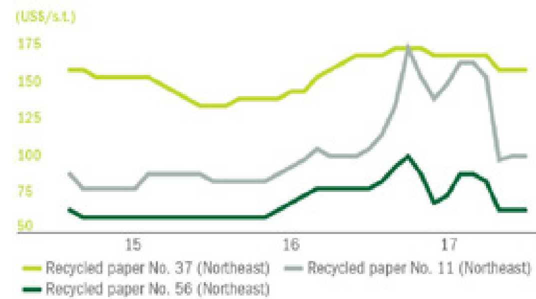
Reference prices - uncoated recycled boxboard [1]

The reference price for uncoated recycled boxboard increased by 7% in 2017 compared to 2016 due to better market conditions, which resulted in a series of price increases at the beginning of 2017.



Reference prices - fibre costs in North America [1]

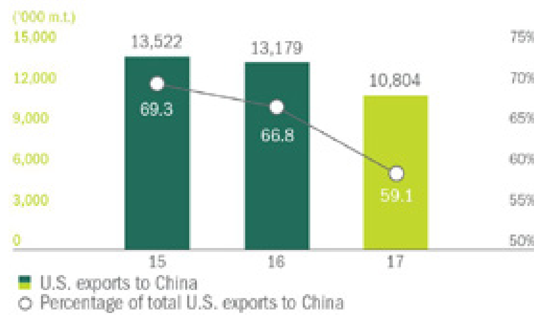
The white grade recycled paper No. 37 (sorted office papers), the brown grade recycled paper No. 11 (old corrugated containers) and the recycled paper No. 56 (sorted residential papers) annual index prices increased by 13%, 48% and 14%, respectively, in 2017 compared to 2016. Old corrugated containers index prices were particularly volatile last year. In the first quarter of 2017, index prices surged to US$175 per short ton due to strong domestic and foreign demand. It was followed by a sharp drop in October to US$100 per short ton as China banned recovered paper import permits.



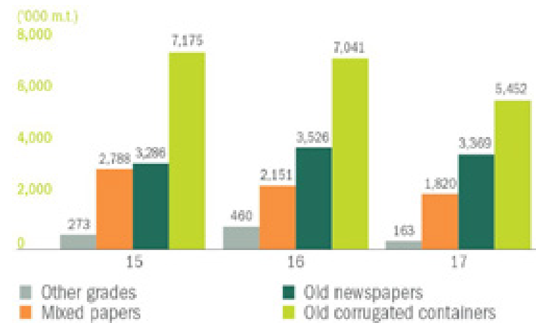
U.S. recycled fibres exports to China [1]

The relationship between recovered paper supply and demand, particularly from Asia, plays an important role in pricing dynamics. U.S. exports of recycled fibres to China decreased by 7% in 2017 due to the ban on recovered paper import permits by the Chinese government in the last quarter of 2017. As a result, old corrugated container, old newspaper, mixed paper and other exports decreased by 23%, 4%, 15% and 65% respectively, compared to 2016. The percentage of total U.S exports to China fell to 59% in 2017, from 67% in 2016.

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



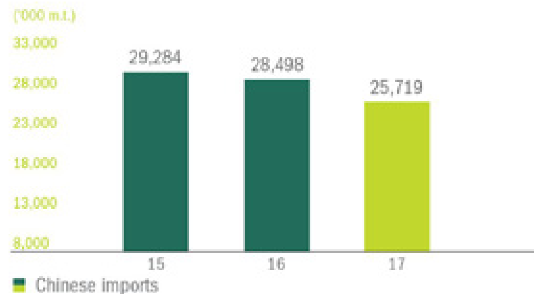
Major grades exported by the U.S.



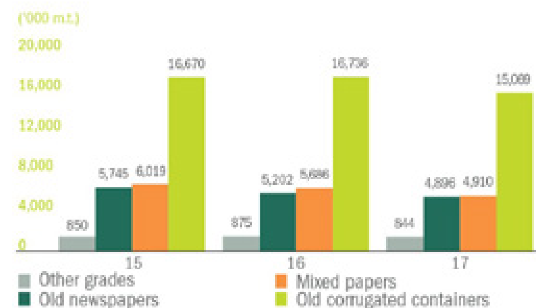
Chinese imports of recycled fibre [1]

Total Chinese imports fell by 10% in 2017 compared to 2016 as explained above. On a more detailed basis, old corrugated container and mixed paper imports were the most impacted, registering decreases of 10% and 14%, respectively, while old newspaper imports decreased by 6% and imports of other grades fell by 4%.

Total Chinese imports of recycled papers - all grades

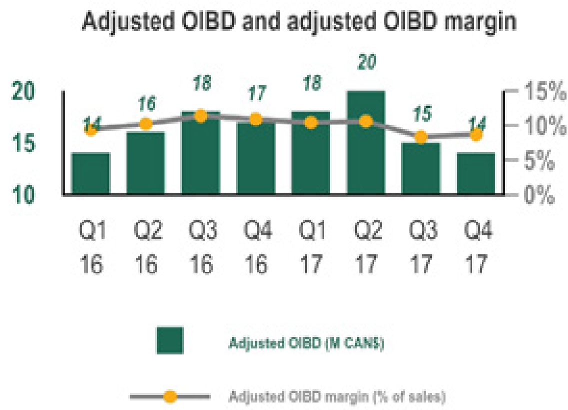


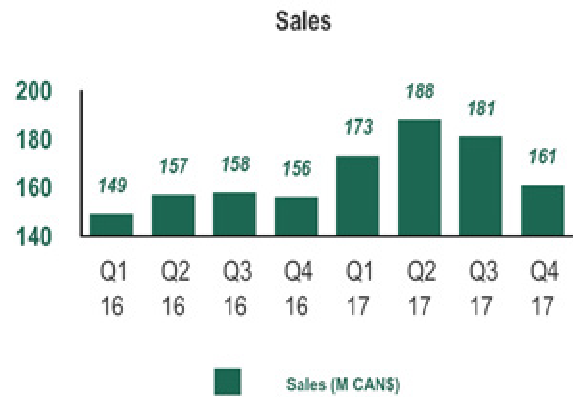
Major grades imported by China



1 Source: RISI

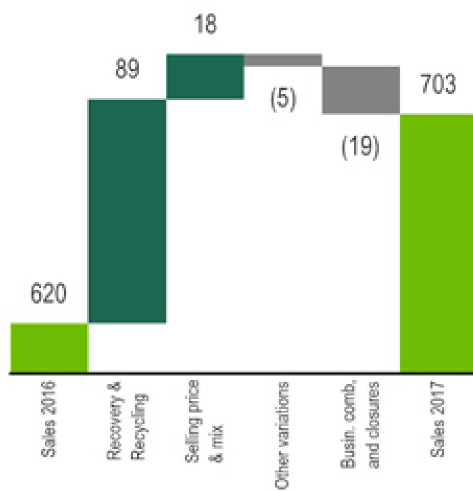
Our Performance



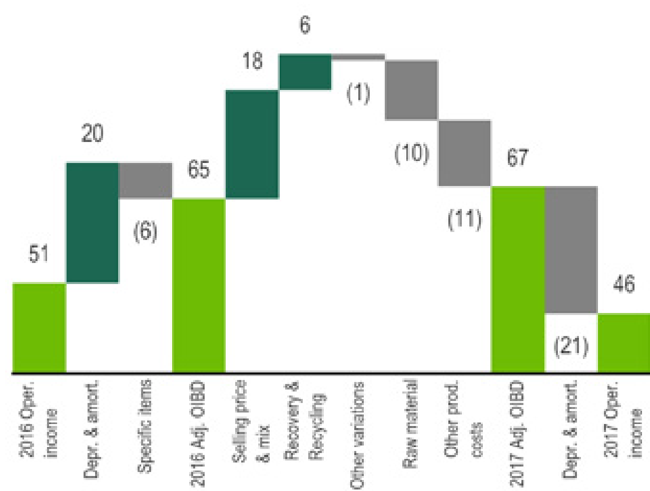


The main variances in sales and operating income for the Specialty Products segment in 2017, compared to 2016, are shown below:

Sales ($M)[1]



Operating income ($M)[1]



1 For definitions of certain sales and operating income variations categories, please refer to the section "Financial results for the year ended December 31, 2017, compared to the year ended December 31, 2016" for more details.

The Corporation incurred certain specific items in 2017 and 2016 that adversely or positively affected its operating results. Please refer to section "Supplemental Information for Non-IFRS Measures" for reconciliations and details.

2016	2017	Change in %
Sales ($M)		
620	703	13%
Operating income ($M) (as reported)		
51	46	-10%
(adjusted)[1]		
45	46	2%
OIBD[1] ($M) (as reported)		
71	67	-6%
% of sales		
11%	10%	
(adjusted)[1]		
65	67	3%
% of sales		
10%	10%	

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.

2 Recovery and Recycling activities: Given the level of integration of this segment within the other segments of the Corporation, variances in results are presented excluding the impact of this segment. The variations of this segment are presented separately on a global basis.

Shipments in the Specialty Products segment increased in most sub-sectors, including Recovery and Recycling.[2] More specifically, shipments in the Industrial Packaging sector increased by 17% in 2017. This strong performance reflects improving market dynamics and the strengthening of our European paper mill packaging facility.

In addition to higher volumes, higher selling prices in our Recovery and Recycling activities[2] contributed $89 million to the increase in sales. Higher selling prices, mostly in our Industrial and Consumer Products packaging sectors, also added $18 million to sales. These positive factors were partly offset by the $19 million reduction in sales following the closure of our pulp plant in Auburn, Maine, at the end of the second quarter in 2016.

Operating income decreased by $5 million in 2017. Higher realized spreads (between average selling prices and raw material costs) resulted in a $6 million positive impact in our Recovery and Recycling activities[2] and $8 million for the other businesses of the specialty products segment. These were offset by lower volume in our Consumer Product segment, and higher operating costs, labour, freight, and selling and administrative costs that were mainly related to lower productivity in our packaging activities.

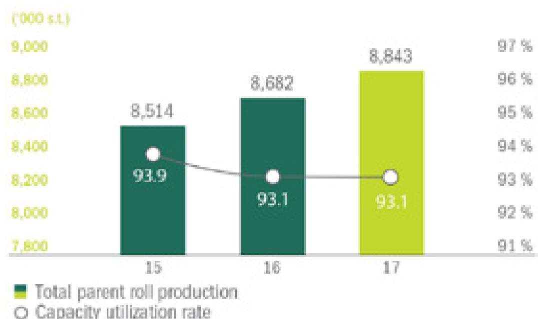
The segment incurred some specific items[1] in 2016 that adversely or positively affected its operating income. Adjusted operating income[1] was $46 million in 2017, compared to $45 million in 2016.

TISSUE PAPERS

Our Industry

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

Total parent roll production increased by 2% for a third consecutive year in 2017. The average capacity utilization rate remained stable at 93% in 2017 compared to 2016. New capacity additions in the market are the main factor for these metrics.

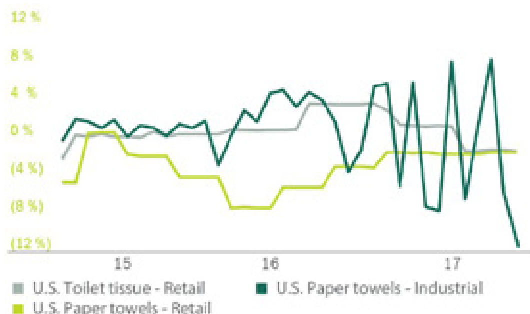


U.S. tissue paper industry converted product shipments [1]

In 2017, shipments for the retail and the away-from-home markets increased by 1% and 3%, respectively, compared to 2016.

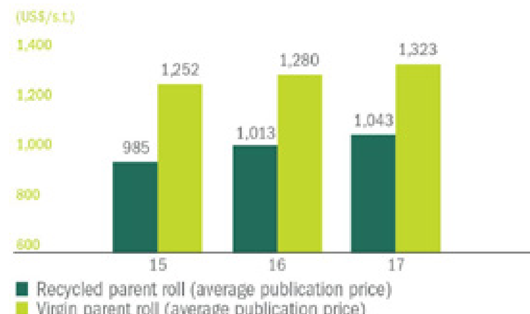
U.S. producer price index - annual changes in converted tissue prices [2]

In the U.S., prices for retail toilet tissue followed a downward trend in 2017. Prices for retail paper towels remained relatively stable throughout the year. Prices for industrial paper towels were very volatile in 2017, suggesting aggressive marketing and pricing strategies.



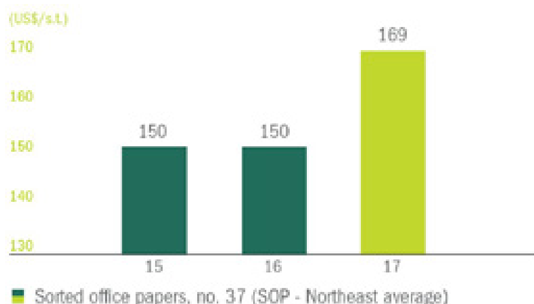
Reference prices - parent rolls [1]

In 2017, the reference price for both recycled and virgin parent rolls increased by 3% compared to 2016, partially due to rising input costs.



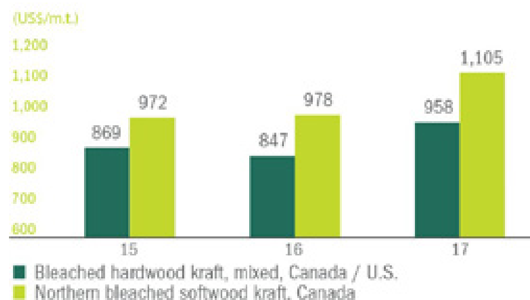
Reference prices - recovered papers (white grade) [1]

The reference price of Sorted office papers no.37 ("SOP") remained relatively stable in 2017, fluctuating between US$160 and US$175. The average price stood at US$169 in 2017, a 13% increase compared to 2016.



Reference prices - market pulp [1]

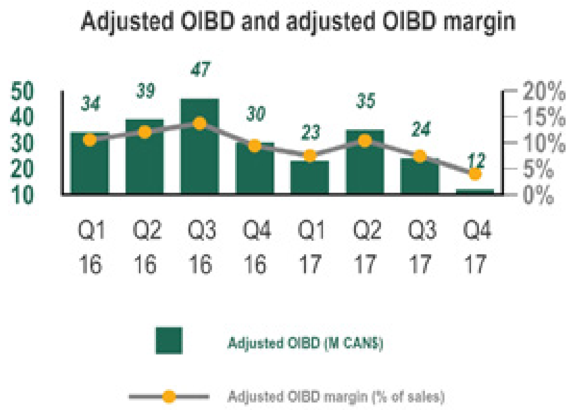
In 2017, the reference price for NBSK and NBHK both rose by 13% compared to 2016 due to a solid demand globally.

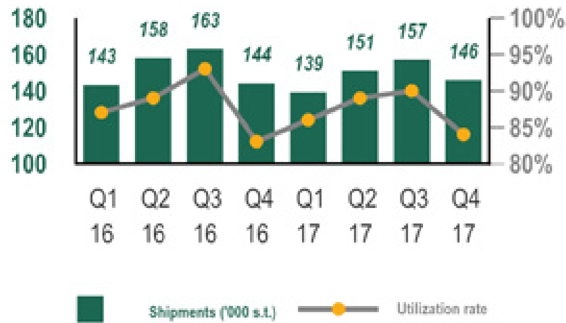


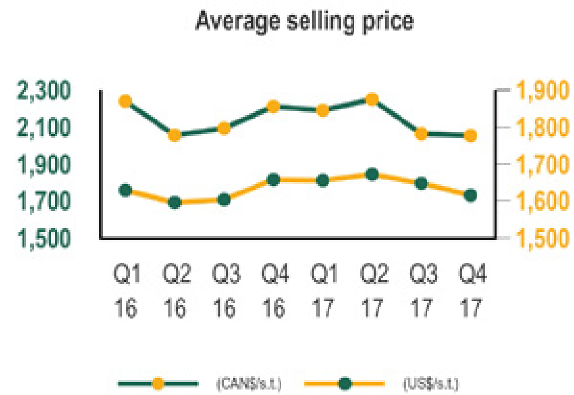
1 Source: RISI

2 Source: U.S. Bureau of Labor Statistics

Our Performance

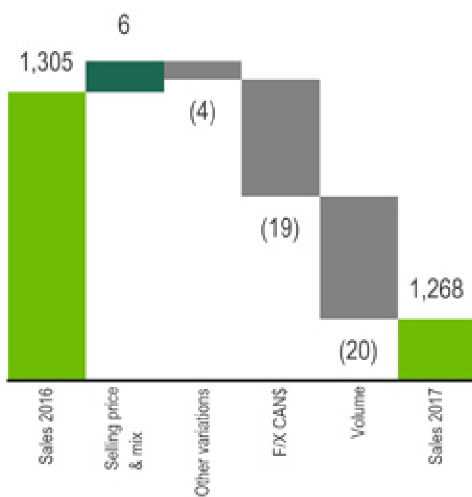




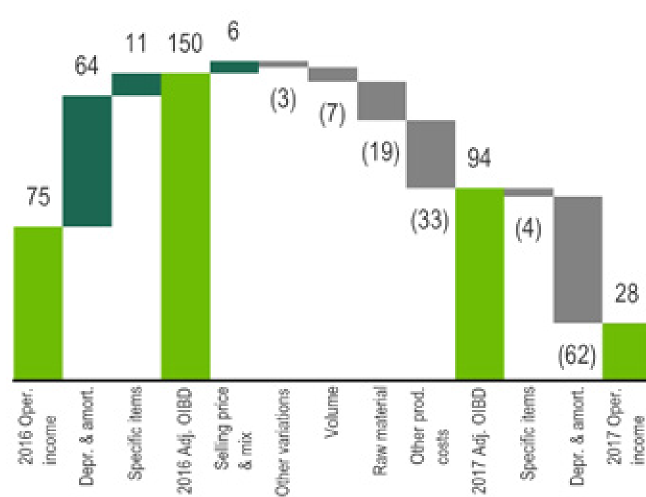


The main variances in sales and operating income for the Tissue Papers segment in 2017, compared to 2016, are shown below:

Sales ($M)[1]



Operating income ($M)[1]



1 For definitions of certain sales and operating income variations categories, please refer to the section "Financial results for the year ended December 31, 2017, compared to the year ended December 31, 2016" for more details.

The Corporation incurred certain specific items in 2017 and 2016 that adversely or positively affected its operating results. Please refer to section "Supplemental Information for Non-IFRS Measures" for reconciliations and details.

	2016	2017	Change in %
Shipments[2] ('000 s.t.)	608	593	-2%
Average Selling Price (CAN$/unit)	2,146	2,138	—
Sales ($M)	1,305	1,268	-3%
Operating income ($M) (as reported)	75	28	-63%
(adjusted)[1]	86	32	-63%
OIBD[1] ($M)	139	90	-35%
% of sales	11%	7%	
(adjusted)[1]	150	94	-37%
% of sales	11%	7%	

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.

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

External manufacturing shipments decreased by 14,000 s.t., or 8%, year-over-year in 2017. This was due to difficult overall market conditions, most notably in hand towels, and upgrades completed at the St-Helens, Oregon, manufacturing facility to align production parameters with market demand and the requirements of the new converting plant in Scappoose, Oregon. The integration rate remained stable year-over-year at 68%.

The slight decrease in the average Canadian dollar selling price was largely due to the 2% average appreciation of the Canadian dollar compared to the U.S. dollar. This was partially offset by a more favourable sales mix as a higher proportion of converted products were sold in 2017 compared to 2016.

Sales for 2017 decreased by 3% compared to the prior year. This reflects a $20 million negative impact related to lower volumes and a $19 million unfavourable foreign exchange impact. On the other hand the favourable mix of product sold generated an additional $6 million of sales compared to last year.

The decrease in operating income is mainly attributable to lower overall volumes, a significant increase in recycled and virgin fibre costs, and an increase in virgin pulp usage. Benefits realized from improved operational efficiencies in 2017 were offset by higher transportation costs, increased marketing expenses related to brand repositioning in both Consumer Products and AFH, and higher outsourcing costs due to variations in our customer mix.

The start-up costs for the new Oregon converting plant negatively impacted 2017 profitability levels compared to last year. While start-up of the facility was successful and is now behind us, new market penetration has been more challenging than anticipated due to current market conditions in this area and the timing of customer bid processes. These start-up costs combined with the lower production at the St-Helens mill as discussed above, impacted operating income by $7 million (including $1 million in depreciation) during 2017.

The segment incurred some specific items[1] in 2017 and 2016 that adversely or positively affected its operating income. Adjusted operating income[1] was $32 million in 2017, compared to $86 million in 2016.

CORPORATE ACTIVITIES

Operating income in 2017 includes an unrealized gain of $9 million on financial instruments. This compares to an unrealized gain of $19 million in 2016 following the fluctuation of the Canadian dollar in both years. Corporate activities realized a foreign exchange gain of $6 million in 2017 compared to a loss of $6 million in 2016.

In 2017, a gain of $1 million on sale of assets is also included in operating income during the second quarter. We also recorded a reversal of impairment of $2 million following the collection of a note receivable that was written off in prior years and $1 million of restructuring costs following the closure of a sales division.

Activities related to our ERP system and business process optimization increased our costs by $10 million in 2017 compared to 2016. These higher costs reflect the accelerated implementation of our ERP platform since the second half of 2016, and additional costs associated with the optimization of internal processes such as planning, logistics and procurement. The implementation phase of these initiatives is complete, and costs are expected to be lower in 2018 as efforts are focused on stabilization and optimization.

STOCK-BASED COMPENSATION EXPENSE

Share-based compensation expense recognized in the Corporate Activities results amounted to $5 million in 2017 compared to $4 million in 2016. For more details on stock-based compensation, please refer to Note 19 of the 2017 audited consolidated financial statements.

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased by $23 million to $215 million in 2017, compared to $192 million in 2016. The increase is mainly attributable to the Greenpac acquisition and to our ERP system which is now implemented in most of our plants.

FINANCING EXPENSE AND INTEREST ON EMPLOYEE FUTURE BENEFITS

The financing expense and interest on employee future benefits amounted to $111 million in 2017, compared to $93 million in 2016. The Corporation recorded $11 million of premiums and wrote off $3 million of capitalized financing fees following the purchase of US$200 million of unsecured senior notes. The addition of Greenpac also increased interest expense during the year while a dividend revenue of $2 million from our participation in Boralex was recorded in 2017, as the investment was reclassified as an available-for-sale financial asset at the end of the first quarter of 2017 up to its subsequent disposal in the third quarter.

RECOVERY OF INCOME TAXES

In 2017, the Corporation recorded an income tax recovery of $81 million. This compares to an income tax provision of $45 million in the same period of 2016.

(in millions of Canadian dollars)	**2017**	2016
Provision for income taxes based on the combined basic Canadian and provincial income tax rate	**117**	48
Adjustment for income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	**10**	2
Prior years reassessment	**3**	1
Reversal of deferred income tax liabilities related to our previously held investment in Greenpac	**(70)**	—
Permanent difference on revaluation of previously held equity interest - Greenpac associate	**(57)**	—
Non-taxable portion of capital gain on revaluation of previously held equity interest - Boralex associate	**(24)**	—
Change in future income taxes resulting from enacted tax rate change	**(57)**	2
Unrealized capital gain on long-term debt	**(3)**	—
Permanent differences	**(6)**	(5)
Change in deferred income tax assets relating to capital tax loss	**6**	(3)
	(198)	(3)
Provision for (recovery of) income taxes	**(81)**	45

In conjunction with the acquisition of Greenpac, the Corporation recorded an income tax recovery of $70 million representing deferred income taxes on its investment prior to the acquisition on April 4, 2017. Also, there was no income tax provision recorded on the gain of $156 million generated by the business combination of Greenpac, since it is included in the fair value of assets and liabilities acquired as described in Note 5 of the 2017 audited consolidated financial statements.

Following the US tax reform adopted in December 2017, the Corporation revalued the net deferred tax liability of its US entities and recorded a gain of $57 million.

The income tax provision on the Boralex revaluation gain was calculated at the rate of capital gains. Also, consequently with the sale of its participation in Boralex in July 2017, the Corporation has reassessed the probability of recovering unrealized capital losses on long-term debt due to foreign exchange fluctuations. As a result, $6 million of tax assets was unrecognized in the consolidated statement of earnings.

The tax provision or recovery on foreign exchange gains or losses on long-term debt and related financial instruments, in addition to some share of results of Canadian associates and joint ventures are calculated at the rate of capital gains.

The Corporation's share of results for our United States-based joint ventures and associates, which are mostly composed of the Greenpac Mill up to the first quarter of 2017, 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 for tax purposes. As such, income taxes at the United States statutory tax rate are fully integrated into each partners' consolidated income tax provision based on its respective share in the LLC, and no income tax provision is included in Greenpac's net earnings.

The effective tax rate and 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 30%. The weighted-average applicable tax rate was 28.6% in 2017.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Until March 10, 2017, the share of results of associates and joint ventures included our 17.37% interest in Boralex Inc. (“Boralex”), a Canadian public corporation. Boralex is a producer of electricity whose core business is the development and operation of power stations that generate renewable energy, with operations in the Northeastern United States, Canada and France.

On January 18, 2017, Boralex issued common shares to partly finance the acquisition of the interest of Enercon Canada Inc. in the Niagara Region Wind Farm. As a result, the Corporation's participation in Boralex decreased to 17.37%. This resulted in a dilution gain of $15 million, which is included in line item “Share of results of associates and joint ventures” in the consolidated statement of earnings.

On March 10, 2017, Boralex announced the appointment of a new Chairman of the Board. This change in the Board composition combined with the decrease of our participation discussed above triggered the loss of significant influence of the Corporation over Boralex. Therefore, our investment in Boralex was no longer classified as an associate and considered an available-for-sale financial asset, which is classified in “Other assets.” Consequently, our investment in Boralex was re-evaluated at fair value on March 10, 2017, and we recorded a gain of $155 million. At the same time, accumulated other comprehensive loss components of Boralex totaling $10 million and included in our consolidated balance sheet were released to net earnings. These two items are presented in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings.

On July 27, 2017, Cascades announced the sale of all of its shares in Boralex to the Caisse de Dépôt et Placement du Québec for an amount of $288 million. The increase in fair value of $18 million from March 10 to July 27, 2017, recorded in accumulated other comprehensive income materialized and the Corporation recorded a gain of $18 million in the third quarter in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings.

On April 5, 2017, the Corporation announced the acquisition of Greenpac's for accounting purposes. The transaction resulted in a gain of $156 million on the revaluation of previously held interests. As a result of the acquisition, accumulated other comprehensive loss components of Greenpac totaling $4 million and included in our consolidated balance sheet prior to the acquisition were reclassified to net earnings. These two items are presented in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings (please refer to Note 5 of the 2017 audited consolidated financial statements for more details).

Prior to the announcement, the Corporation recorded its 62.5% share of the Greenpac Mill results as an associate. As such, in the first quarter of 2017, contribution stood at $7 million. For the year 2016, Greenpac had a contribution of $15 million, including our $7 million share of costs related to the debt refinancing completed in the second quarter of 2016. No provision for income taxes was included in our Greenpac share of results, as it is a disregarded entity for tax purposes (see the “Provision for income taxes” section above for more details).

For more information on specific items, please refer to the “Supplemental Information on Non-IFRS Measures” section.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities generated $173 million of liquidity in 2017, compared to $372 million generated in 2016. Changes in non-cash working capital components used $87 million of liquidity in 2017, versus $56 million generated in 2016. In 2017, higher inventory levels in our Containerboard and Tissue segments in addition to higher accounts receivable due to higher sales following business combinations in Containerboard and to lower trade and other payables are the main factors leading to the use of liquidity. As at December 31, 2017, working capital as a percentage of LTM sales stood at 10.1%, compared to 10.6% as at December 31, 2016.

Cash flow from operating activities, excluding changes in non-cash working capital components, stood at $260 million in 2017, compared to $316 million in 2016. In 2017, we paid $11 million in premiums related to the repurchase of unsecured senior notes. This cash flow measurement is relevant to the Corporation's ability to pursue its capital expenditure program and reduce its indebtedness.

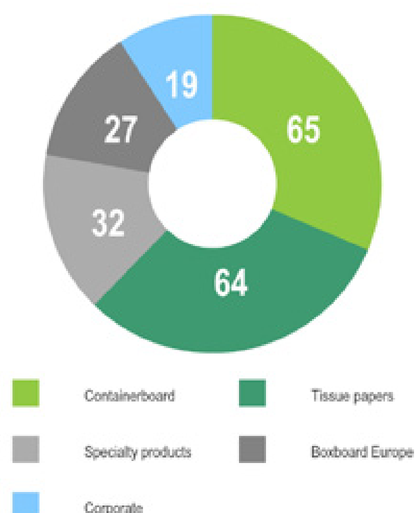
INVESTING ACTIVITIES

Investment activities generated $70 million in 2017, compared to $185 million used in 2016. Payments for property, plant and equipment totaled $193 million in 2017, compared to $182 million in 2016. Proceeds from disposals of property, plant and equipment stood at $15 million compared to $5 million in 2016. Investments in associates & joint ventures and change in intangible and other assets generated $239 million including the proceeds from the disposal of our investment in Boralex for $288 million, compared to $8 million generated last year. Business combinations added $9 million through cash acquired, net of consideration paid. Refer to the “Supplemental Information on Non-IFRS Measures” section for more details.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

Payments for property, plant and equipment in 2017 were $193 million, compared to $182 million in 2016. However, new capital expenditure projects amounted to $207 million , compared to $206 million in 2016. The variance in the amounts is related to purchases of property, plant and equipment included in “Trade and Other Payables” and to capital-lease acquisitions.

New capital expenditure projects by segment in 2017 were as follows (in $M):



The major capital projects that were initiated, are in progress or were completed in 2017 are as follows:

CONTAINERBOARD PACKAGING

- Investment for the construction of a new containerboard packaging plant in Piscataway, New Jersey, United States (please refer to the “Significant Facts and Developments” section for more details).

BOXBOARD EUROPE

- Installation of new shoe press equipment at the Blendecques, France, recycled boxboard mill.

SPECIALTY PRODUCTS

- Plant extension and a new extruder at the rigid plastic packaging facility located in Drummondville, Québec.

TISSUE

- Investments associated with the new tissue converting plant in Scappoose, Oregon. Please refer to the “Business Highlights” section for more details.

INVESTMENTS IN ASSOCIATES & JOINT VENTURES AND CHANGE IN INTANGIBLE AND OTHER ASSETS

The main items were as follows:

In 2017, we sold our investment in Boralex for an amount of $288 million (please refer to the “Significant Facts and Developments” section for more details).

At the end of the first quarter of 2017, the Corporation announced the acquisition of a minority stake in Containerboard Partners, which owns 12.1% of Greenpac, for a consideration of US$12 million ($16 million). This transaction increased the Corporation's total participation in Greenpac by 2.8% to 62.5%.

Also in 2017, the Corporation invested in its ERP information technology system and additional software needed to support our business process optimization for $23 million.

Effective January 1, 2018, the Corporation, through its 57.8% equity ownership in Reno de Medici S.p.A., acquired 66.67% of PAC Service S.p.A., a boxboard converter for the packaging, publishing, cosmetics and food industries. The Corporation already had a 33.33% equity participation. The consideration for the acquisition of the remaining 66.67% shares consisted of cash totaling €10 million ($15 million) and was deposited on December 19, 2017 and recorded in other assets at year-end.

In 2016, we received amounts from Greenpac that were related to a bridge loan from the Corporation, and management fees that were due. In addition, we collected an amount that was no longer required to be held in trust, and also received payments for property, plant and equipment sold in prior years. The amounts received were partly offset by the investments made in our ERP information technology system, for software needed to support our business process re-engineering efforts, and by minor investments made in our associates companies.

FINANCING ACTIVITIES

Financing activities, including $15 million of dividend payments to Shareholders, debt repayment and the change in our revolving facility, used $218 million in liquidity in 2017, compared to $182 million used in 2016. We issued 461 442 common shares at an average price of $6.41 as a result of the exercise of stock options in 2017, representing an aggregate amount of $4 million received. In 2017, the Corporation also paid $12 million for the settlement of its 2017 derivative financial instruments on long-term debt. Dividends paid to non-controlling interests amounted to $5 million in 2017 compared to $1 million in 2016. These payments are the results of dividends paid to the non-controlling shareholders of Greenpac and Reno de Medici.

On December 4, 2017, the Corporation announced the acquisition of an additional 30% interest in Containerboard Partners (Ontario) Inc., for a consideration of US$15 million ($19 million). This transaction increased the Corporation's total participation in Greenpac by 3.6% to 66.1%. Containerboard Partners is now fully consolidated in our financial statements.

On December 12, 2017, the Corporation repurchased US$150 million of its 5.50% unsecured senior notes due in 2022 for an amount of $193 million and US$50 million of its 5.75% unsecured senior notes due in 2023 for an amount of $64 million.

CONSOLIDATED FINANCIAL POSITION

AS AT DECEMBER 31, 2017, 2016 AND 2015

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

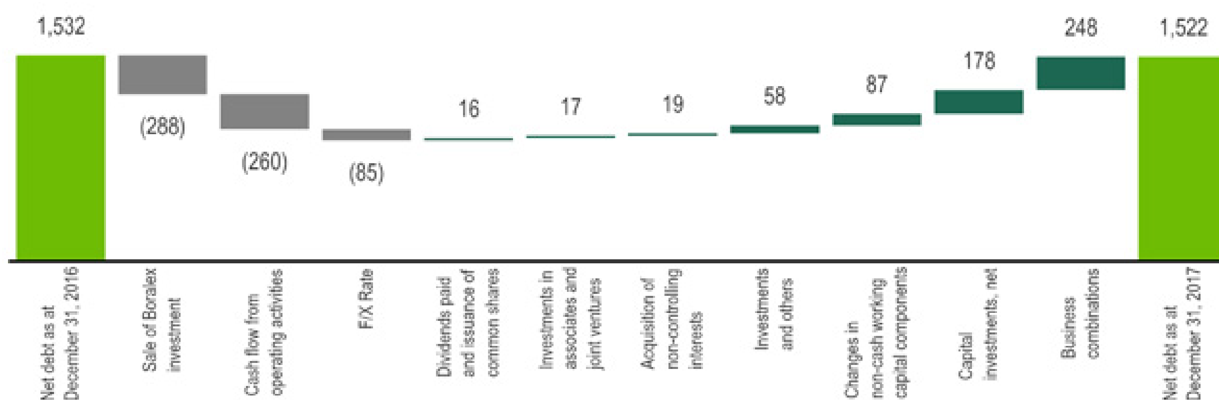
(in millions of Canadian dollars, unless otherwise noted)	**December 31, 2017**	December 31, 2016	December 31, 2015
Cash and cash equivalents	**89**	62	60
Working capital[1]	**442**	309	389
As a % of sales[2]	**10.1%**	10.6%	10.9%
Bank loans and advances	**35**	28	37
Current portion of long-term debt	**59**	36	34
Long-term debt	**1,517**	1,530	1,710
Total debt	**1,611**	1,594	1,781
Net debt (total debt less cash and cash equivalents)	**1,522**	1,532	1,721
Equity attributable to Shareholders	**1,455**	984	867
Non-controlling interests	**146**	90	96
Total equity	**1,601**	1,074	963
Total equity and net debt	**3,123**	2,606	2,684
Ratio of net debt/(total equity and net debt)	**48.7%**	58.8%	64.1%
Shareholders' equity per common share (in dollars)	**$ 15.32**	$ 10.41	$ 9.09

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. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months. Not adjusted for discontinued operations.

NET DEBT[1] RECONCILIATION

The variances in the net debt (total debt less cash and cash equivalents) in 2017 are shown below (in millions of dollars), with the applicable financial ratios included.



403	Adjusted OIBD[1,2] (last twelve months)	**393**
3.8	Net debt/Adjusted OIBD[1,2]	**3.6**

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 our financial obligations and to fulfill our capital expenditure program for at least the next twelve months. Net capital expenditures are expected to be in a range of $250-$300 million in 2018. This amount is subject to change, depending on the Corporation’s operating results and on general economic conditions. As at December 31, 2017, the Corporation had $541 million (net of letters of credit in the amount of $14 million) available through its $750 million credit facility (excluding our subsidiaries Greenpac and Reno de Medici's credit facilities). Cash and cash equivalent as at December 31, 2017, is composed as follow: $2 million in the Parent Company, $67 million in Greenpac and Reno de Medici and $20 million in other subsidiaries.

1 Please refer to the “Supplemental Information on Non-IFRS Measures” section for reconciliation of these figures.

2 2017 Adjusted OIBD including the first quarter of 2017 of Greenpac and other business combinations of 2017 on a pro forma basis.

EMPLOYEE FUTURE BENEFITS

The Corporation's employee future benefits assets and liabilities amounted to $472 million and $609 million respectively as at December 31, 2017, including an amount of $101 million for post-retirement benefits other than pension plans. The pension plans include an amount of $65 million, which does not require any funding by the Corporation until it is paid to the employees. This amount is not expected to increase, as the Corporation has reviewed its benefits program to phase out some of them for future retirees.

With regard to pension plans, the Corporation's risk is limited, since all defined benefit pension plans are closed to new employees and less than 10% of its active employees are subject to those pension plans, while the remaining employees are part of the Corporation's defined-contribution plans, such as group RRSPs or 401(k). Based on their balances as at December 31, 2017, 87% of the Corporation pension plans have been evaluated on December 31, 2016 (18% in 2015). Where applicable, we 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 $36 million as at December 31, 2017, compared to $22 million in 2016. The 2017 pension plan expense was $7 million and the cash outflow was $8 million. Due to the investment returns in 2017 and the change in the assumptions, the expected expense for these pension plans is $8 million in 2018. As for the cash flow requirements, these pension plans are expected to require a net contribution of approximately $9 million in 2018. Finally, on a consolidated basis, the solvency ratio of the Corporation's pension plans has remained stable at around 100%.

COMMENTS ON THE FOURTH QUARTER OF 2017

Sales of $1,082 million increased by $103 million or 11% compared to the same period last year. This was driven by the consolidation of results from the Greenpac Mill beginning in the second quarter, improvements realized in pricing and sales mix in all of the Corporation's business segments with the exception of tissue, and improved volumes in the European boxboard and tissue segments. These benefits were partially offset by a less favourable sales and pricing mix in the tissue segment, and less advantageous foreign exchange rates.

Fourth quarter operating income stood at $45 million, a notable improvement from the $33 million generated last year. This increase is largely attributable to the consolidation of Greenpac and a more favourable pricing and sales mix in the containerboard segment. Partially offsetting these benefits were higher raw material costs in all business segments, and higher amortization and depreciation expense as a result of business combinations. On an adjusted basis, fourth quarter operating income stood at $46 million, versus $32 million in the prior year.

On an adjusted basis, fourth quarter 2017 operating income stood at $46 million compared to $32 million in the same period of 2016.

The main specific items, before income taxes, that impacted our fourth quarter 2017 operating income and/or net earnings were:

- $2 million reversal of impairment (operating income and net earnings).
- $1 million restructuring costs associated with the closure of a sales unit (operating income and net earnings).
- $2 million unrealized loss on financial instruments (operating income and net earnings).
- $4 million foreign exchange loss on long-term debt and financial instruments (net earnings).
- $14 million loss related to the early repurchase of long-term debt (net earnings).
- $57 million income tax gain resulting mainly from the U.S. tax reform announced at the end of 2017 (net earnings).

Adjusted net earnings amounted to $13 million, or $0.14 per share, in the fourth quarter of 2017, compared to net earnings of $15 million, or $0.16 per share, for the same period of 2016. As reported, net earnings stood at $57 million, or $0.60 per share in the fourth quarter of 2017, compared to net earnings of $4 million, or $0.04 per share, for the same period of 2016.

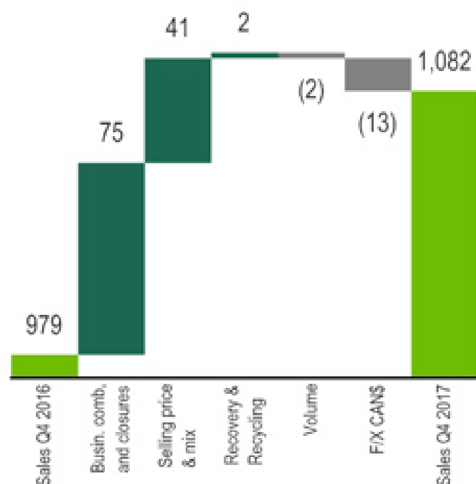
The reconciliation of operating income (loss) to OIBD, to adjusted operating income (loss) and to adjusted OIBD by business segment is as follows:

	For the 3-month period ended December 31, 2017					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income	51	11	9	(6)	(20)	45
Depreciation and amortization	22	8	5	18	6	59
Operating income (loss) before depreciation and amortization	73	19	14	12	(14)	104
Specific items:						
Impairment reversal	—	—	—	—	(2)	(2)
Restructuring costs	—	—	—	—	1	1
Unrealized loss on financial instruments	1	—	—	—	1	2
	1	—	—	—	—	1
Adjusted operating income (loss) before depreciation and amortization	74	19	14	12	(14)	105
Adjusted operating income (loss)	52	11	9	(6)	(20)	46

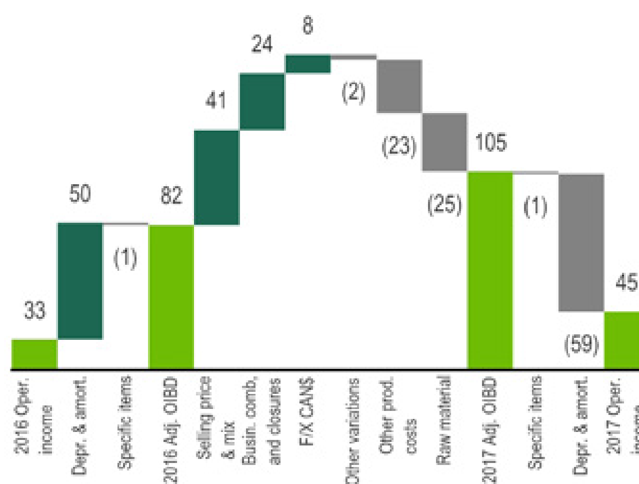
	For the 3-month period ended December 31, 2016					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income	28	3	14	12	(24)	33
Depreciation and amortization	14	8	5	18	5	50
Operating income (loss) before depreciation and amortization	42	11	19	30	(19)	83
Specific items:						
Impairment reversal	—	—	(2)	—	—	(2)
Unrealized loss on financial instruments	1	—	—	—	—	1
	1	—	(2)	—	—	(1)
Adjusted operating income (loss) before depreciation and amortization	43	11	17	30	(19)	82
Adjusted operating income (loss)	29	3	12	12	(24)	32

The main variances in sales and operating income in the fourth quarter of 2017, compared to the same period of 2016, are shown below:

Sales ($M)[1]



Operating income ($M)[1]



1 For definitions of certain sales and operating income variations categories, please refer to the section "Financial results for the year ended December 31, 2017, compared to the year ended December 31, 2016" for more details.

NEAR-TERM OUTLOOK

We expect several external factors to support results in the near term. The first of these is the combined beneficial impact on our operational performance of the current lower average price for OCC, which accounts for a large portion of the raw materials we use across our operations, and the price increases in linerboard, medium and corrugated products announced for March 5, 2018 in our containerboard segment. The second is the recent corporate tax reform in the US, which will reduce our US corporate tax rate to approximately 25% for 2018, from 38% previously. In addition, underlying industry fundamentals remain positive for both the containerboard business in North America and boxboard operations in Europe. Our tissue division, however, continues to face difficult market conditions, new industry capacity additions, and a slower than anticipated ramp-up of the new Oregon converting facility. On this last point, we are pleased to report that our increased sales and marketing efforts on the West Coast are making inroads in this new end market, and we are confident that this facility will evolve into a solid contributor to our tissue division performance.

As we move forward, we will continue to focus on optimizing our new business platform, and harvesting the gains in productivity, efficiency and cost savings generated through our more customer-centric and efficient processes. On a broader scale, we will continue to advance our strategic plan to position Cascades for the long-term. To this end, in the coming year we intend to invest $250 to $300 million, which will include strategic projects focused on increasing integration, improving operational performance through investments in modern equipment, and optimizing our geographic footprint. Furthermore, we are planning additional investments in tissue over the next several years that will modernize the retail and away-from-home business platforms, and equip this segment with an asset base that is competitively positioned for long-term growth. Each and every investment decision will be made with the goal of delivering quality, innovative and competitive products to our customers within a framework focused on optimal capital allocation, long-term market leadership and return while remaining fully committed to our objective of reducing leverage.

CAPITAL STOCK INFORMATION

SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol “CAS”. From January 1, 2017 to December 31, 2017, Cascades' share price fluctuated between $11.43 and $18.20. During the same period, 60.5 million Cascades shares were traded on the Toronto Stock Exchange. On December 31, 2017, Cascades shares closed at $13.62. This compares to a closing price of $12.10 on the same day last year.

COMMON SHARES OUTSTANDING

As at December 31, 2017, the Corporation's issued and outstanding capital stock consisted of 94,987,958 common shares (94,526,516 as at December 31, 2016), and 4,990,120 issued and outstanding stock options (5,216,063 as at December 31, 2016). For the full year of 2017, there were no common shares repurchased by the Corporation, 461 442 stock options were exercised and 5,381 stocks options were forfeited. As at February 28, 2018, issued and outstanding capital stock consisted of 95,050,828 common shares and 4,912,991 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The current normal course issuer bid enables the Corporation to purchase for cancellation up to 946,066 common shares between March 17, 2017 and March 16, 2018. During the period from March 17, 2017 to February 28, 2018, there were no common shares repurchased by the Corporation.

DIVIDEND POLICY

On February 28, 2018, Cascades' Board of Directors declared a quarterly dividend of $0.04 per common share to be paid on March 28, 2018, to shareholders of record at the close of business on March 14, 2018. This $0.04 per common share dividend is in line with the previous quarter and the same quarter last year. On February 28, 2018, dividend yield was 1.0%.

	2015				2016				**2017**
TSX Ticker: CAS	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Common shares outstanding (in millions) [1]	95.3	95.4	94.5	94.4	94.5	94.7	94.7	94.7	**95.0**
Closing price [1]	$ 12.71	$ 8.57	$ 9.15	$ 12.83	$ 12.10	$ 13.71	$ 17.69	$ 14.96	**$ 13.62**
Average daily volume [2]	218,204	291,483	166,510	118,987	118,554	182,011	362,191	214,545	**208,984**
Dividend yield [1]	1.3%	1.9%	1.7%	1.2%	1.3%	1.2%	0.9%	1.1%	**1.2%**

1 On the last day of the quarter.
2 Average daily volume on the Toronto Stock Exchange.

CASCADES' SHARE PRICE FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

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, 2017:

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	1,908	123	116	1,372	297
Operating leases	70	28	14	23	5
Pension plans and other post-employment benefits[1]	1,042	34	37	113	858
Total contractual obligations	**3,020**	**185**	**167**	**1,508**	**1,160**

[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, 2017.

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 Corporation 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, 2017, the off-balance sheet impact of the factoring of receivables amounted to $39 million (€26 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.

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 material, 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 $268 million and $244 million for 2017 and 2016 respectively. Aggregate sales to the Corporation from its joint-venture partners and other affiliates came to $106 million and $181 million for 2017 and 2016 respectively.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

A) NEW IFRS ADOPTED

IAS 7 *STATEMENT OF CASH FLOWS*

In January 2016, the IASB published amendments to IAS 7 *Statement of Cash Flows*. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017. To comply with the new requirements, a reconciliation of total liabilities arising from financing activities has been added to Note 25.

B) RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

IFRS 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 *Revenue, and related interpretations*. such as IFRIC 13 *Customer Loyalty Programs*. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective for annual periods beginning on or after January 1, 2018. The standard will not have a significant impact on the timing of the Corporation's revenues since there is typically only one performance obligation per customer contract. The adoption of the standard will, however, have an impact on the contract liabilities classification. which can no longer be presented against accounts receivable. As well, IFRS 15 will require further disclosure, such as a disaggregation of revenues from contracts with customers in categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors. To comply with this requirement, the Corporation will segregate its four segments' sales by country on a quarterly basis. The Corporation will apply the new standard retrospectively. Apart from the balance sheet reclassification discussed above, this standard has no material impact on the Corporation's consolidated financial statements.

IFRS 9 *FINANCIAL INSTRUMENTS*

In July 2014, the IASB released the final version of IFRS 9 *Financial Instruments*. 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 carry 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. It also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The new standard will have no material impact on the Corporation's consolidated financial statements.

IFRS 16 *LEASES*

In January 2016, the IASB released IFRS 16 *Leases*, which supersedes IAS 17 *Leases*, and the related interpretations on leases: IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for companies that also apply IFRS 15 *Revenue from Contracts with Customers*. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the balance sheet, except with respect to lease contracts that meet limited exception criteria, such as when the underlying asset is of low value or the maturity of the lease is short term. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements. As at December 31, 2017, operating lease commitments would have translated into an estimated additional lease liability of $70 million.

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 cash generating unit (CGU), the Corporation uses several key assumptions, based on external information on the industry when available, and including estimated production levels, selling prices, volume, raw material costs, foreign exchange rates, growth rates, discounting rates and capital spending.

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

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Note 24 of consolidated financial statements)

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 considers past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

DISCOUNT RATES

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

FOREIGN EXCHANGE RATES

When estimating the fair value less cost of disposal, foreign exchange rates are determined using the financial institution's average forecast for the first two years of forecasting. For the following three years, the Corporation uses the last five years' historical average of the foreign exchange rate. Terminal rate is based on historical data of the last 20 years and adjusted to reflect management's best estimate.

SHIPMENTS

The assumptions used are based on the Corporation's internal budget for the next year and are usually held constant for the forecast period. In arriving at its budgeted shipments, the Corporation considers past experience, economic trends as well as industry and market trends.

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

B. INCOME TAXES

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

C. EMPLOYEE BENEFITS

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

The cost of pensions and other retirement benefits earned by employees is 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 health care costs. The accrued benefit obligation is evaluated using the market interest rate at the evaluation date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed annually.

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. In 2016, the Corporation had a 59.7% interest in an associate (Greenpac). Greenpac's Shareholders agreement required a majority of 80% for all decision making related to relevant activities. Consequently, the Corporation did not have power over relevant activities of Greenpac and its participation was accounted for as an associate. On April 4, 2017, Cascades and its partners in Greenpac Holding LLC (Greenpac) agreed to modify the equity holders' agreement. These modifications enable Cascades to direct decisions about relevant activities. Therefore, from an accounting standpoint, Cascades now has control over Greenpac, which triggered its deemed acquisition and thus fully consolidates Greenpac since April 4, 2017. Please refer to Notes 5 and 8 of the consolidated financial statements for more details.

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 its Vice-President and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures (DC&P), and internal controls over financial reporting (ICFR) as defined in National Instrument 52-109, “Certification of Disclosure in Issuer's Annual and Interim Filings,” in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of 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, 2017, 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 ICFR as at December 31, 2017, based on the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework). Based on this assessment, they have concluded that the Corporation’s ICFR were effective as at December 31, 2017 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, 2017, there were no changes to the Corporation's ICFR that materially affected, or are reasonably likely to materially affect, its ICFR.

RISK FACTORS

As part of its ongoing business operations, the Corporation is exposed to certain market risks, including risks ensuing from changes in selling prices for its principal products, costs of raw material, 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 material and energy costs, may fluctuate significantly, which can adversely affect its business, operating results, profitability and financial position.

The markets for some of the Corporation's products, particularly containerboard and boxboard, are cyclical. As a result, prices for these types of products and for its two principal raw material, 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 unable to do so, its revenues, profitability and cash flows could be adversely affected. In addition, other participants may introduce new capacity or increase capacity utilization rates, which could also adversely affect the Corporation's business, operating results and financial position. Prices for recycled and virgin fibre also fluctuate considerably. The costs of these material 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 weren'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, should energy prices increase, the Corporation's production costs, competitive position and operating results would be adversely affected. A substantial increase in energy costs would adversely affect the Corporation's operating results and could have broader market implications that could further adversely affect the Corporation's business or financial results.

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 electricity and natural gas hedging programs as at December 31, 2017 is set out below:

NORTH AMERICAN ELECTRICITY HEDGING

	UNITED STATES	CANADA
Electricity consumption	47%	53%
Electricity consumption in a regulated market	42%	65%
% of consumption hedged in a de-regulated market (2017)	37%	—
Average prices (2017 - 2018) (in US$, per KWh)	$ 0.03	—
Fair value as at December 31, 2017 (in millions of CAN$)	$ (1)	—

NORTH AMERICAN NATURAL GAS HEDGING

	UNITED STATES	CANADA
Natural gas consumption	45%	55%
% of consumption hedged (2017)	44%	50%
Average prices (2017 - 2021) (in US$, per mmBTU) (in CAN$, per GJ)	$ 3.05	$ 3.72
Fair value as at December 31, 2017 (in millions of CAN$)	$ (1)	$ (5)

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, such as tissue papers, it competes with a small number of other producers. In some businesses, such as the containerboard industry, competition tends to be global. In others, such as the tissue industry, competition tends to be regional. In the Corporation's packaging products segment, it also faces competition from alternative packaging materials, such as 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 efficiency, operating rates and lower manufacturing costs
- the availability, quality and cost of raw material, 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. For example, fully integrated manufacturers, or those whose requirements for pulp or other fibre are met fully from their internal sources, may have some competitive advantages over manufacturers that are not fully integrated, such as Cascades, in periods of relatively high raw material pricing, in that the former are able to ensure a steady source of these raw material at costs that may be lower than prices in the prevailing market. In contrast, competitors that are less integrated than Cascades may have cost advantages in periods of relatively low pulp or fibre prices because they may be able to purchase pulp or fibre at prices lower than the costs the Corporation incurs in the production process. Other competitors may be larger in size or scope than Cascades, which may allow them to achieve greater economies of scale on a global basis or to better withstand periods of declining prices and adverse operating conditions. In addition, there has been an increasing trend among the Corporation's customers towards consolidation. With fewer customers in the market for the Corporation's products, the strength of its negotiating position with these customers could be weakened, which could have an adverse effect on its pricing, margins and profitability.

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 2017, sales outside Canada, in Canadian dollars, represented approximately 61% of the Corporation's consolidated sales, including 40% in the United States. In 2017, 23% 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:

- effective product marketing 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 variation of the Canadian dollar against the U.S. dollar may adversely or positively affect the Corporation's reported operating results and financial condition. This has a direct impact on export prices and also contributes to the impact on Canadian dollar prices in Canada, because several of the Corporation's product lines are priced in U.S. dollars. As well, 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$939 million and €62 million respectively as at December 31, 2017.

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 $US:	2018	2019	2020
Total amount (in millions of US$)	$ 58 to 80	$ 33 to 60	$ 10 to 20
Estimated % of sales, net of expenses from Canadian operations (excluding subsidiaries with non-controlling interests)	35% to 49%	20% to 37%	6%
Average rate (US$/CAN$)	0.75 to 0.76	0.75	0.77
Fair value as at December 31, 2017 (in millions of CAN$)	3	—	—

1 See Note 26 of the audited consolidated financial statements for more details on financial instruments.

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 and some of our Québec plants are also subject to an emissions market, aimed at reducing worldwide CO_2 emissions. Each unit has been allocated emission rights ("CO_2 quota"). On a calendar-year basis, the Corporation must buy the necessary credits to cover its deficit, on the open market, if its emissions are higher than quota.

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

The Corporation may discover currently unknown environmental problems or conditions in relation to its past or present operations, or may face unforeseen environmental liabilities in the future.

These conditions and liabilities may:

- require site remediation or other costs to maintain compliance or correct violations of environmental laws and regulations, or
- result in governmental or private claims for damage to 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. At short or medium term, these transactions would have no significant effect on the financial position of the Corporation and it is not anticipated that this 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. 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, 2017, the Corporation employed approximately 11,000 employees, of which roughly 9,500 were employees of its Canadian and United States operations. Approximately 33% of the Corporation's Canadian and United States workforce is unionized under 30 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 30 collective bargaining agreements in North America, 4 are expired and are currently under negotiation, 7 will expire in 2018 and 8 will expire in 2019.

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

- two 50%-owned joint ventures with Sonoco Products Corporation, of which one is in Canada (two plants) and one in the United States (two plants), that produce specialty paper packaging products such as headers, rolls and wrappers;
- a 57.8%-owned subsidiary, Reno de Medici S.p.A. (RDM), a European manufacturer of recycled boxboard; and
- a 66.1%-owned subsidiary, Greenpac Holding LLC, a North American manufacturer of linerboard (including indirect ownership).

Apart from RDM and Greenpac, 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 these entities or to fully implement its business plan. The incurrence of debt or entrance into other agreements by an entity not under the Corporation's control may result in restrictions or prohibitions on that entity's ability to pay distributions to the Corporation. Even where these entities are not restricted by contract or by law from paying dividends or making distributions to Cascades, the Corporation may not be able to influence the payout or timing of these dividends or distributions. In addition, if any of the other investors in a non-controlled entity 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 stipulate that, in the event that a Shareholder is subject to bankruptcy proceedings or otherwise defaults on any indebtedness, the non-defaulting parties to that agreement are entitled to invoke the "shotgun" provision or sell their shares to a third party. The Corporation's ability to purchase the other Shareholders' interests in these joint ventures if they were to exercise these "shotgun" provisions could be limited by the covenants in the Corporation's credit facility and the indenture. In addition, Cascades may not have sufficient funds to accept the offer or the ability to raise adequate financing should the need arise, which could result in the Corporation having to sell its interests in these entities or otherwise alter its business plan.

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's time and resources.

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

Although Cascades 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 29.7% of the common shares as at December 31, 2017, and there may be situations in which their interests and the interests of other holders of common shares do not align. 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 an interest 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, including its Chief Executive Officer, its Vice-president and Chief Financial Officer, its Chief Legal Officer and Corporate secretary and its Executive Chairman of the Board and co-founder Alain Lemaire, the Corporation's business, financial condition or operating results could be adversely affected.

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

l) 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 at December 31, 2017, it had $1,522 million in outstanding total net debt on a consolidated basis, including capital-lease obligations. The Corporation also had $541 million available under its revolving credit facility. On the same basis, its consolidated ratio of net debt to total equity as of December 31, 2017 was 48.7%. The Corporation's actual financing expense, including interest on employees' future benefits and loss on repurchase of long-term debt, was $111 million. Cascades also has significant obligations under operating leases, as described in its audited consolidated financial statements that are incorporated by reference herein.

On December 12, 2017, the Corporation announced the results of tender offers and proceeded with the purchase of US$150 million of its 5.500% unsecured senior notes due 2022 and US$50 million of its 5.75% unsecured senior notes due 2023.

On June 1, 2017, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million credit facility. The amendment extends the term of the facility to July 2021. The financial conditions remain essentially unchanged.

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)
2014	Baa3/Ba2/Ba3 (stable)	BB/B+/B+ (stable)
2015	Baa3/Ba2/Ba3 (stable)	BB/B+/B+ (stable)
2016	Baa3/Ba2/Ba3 (stable)	BB+/BB-/BB- (stable)
2017	**Baa3/Ba2/Ba3 (stable)**	**BB+/BB-/BB- (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 assets, including 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 interests.

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, associates and minority investments, Cascades may not exercise sufficient control to cause distributions to itself. Although its credit facility and the indenture, respectively, limit the ability of its restricted subsidiaries to enter into consensual restrictions on their ability to pay dividends and make other payments to the Corporation, these limitations do not apply to its joint ventures, associates 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 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) Cyber security

The Corporation relies on information technology to process, transmit and store electronic data in its daily business activities. Any potential information technology security incident as a result of malicious misbehavior or involuntary in nature could have negative repercussions on business activities, intellectual property, operating results and financial position of the Corporation. Cyber security represents a Company-wide challenge and the related risks are part of the corporate risk management program that is presented to the Audit and Finance committee of the Corporation. To limit Corporation exposure to incidents that may affect confidentiality, integrity and availability of information, the Corporation has put in place control measures that are based on industry best practices.

r) Climate change

The Corporation operates plants and delivers products to clients in locations that may be subject to climate stress events such as sea-level rise and increased storm frequency or intensity. Caused by climate change or not, the occurrence of one or more natural disasters, such as hurricanes, fires or floods, could cause considerable damage to our buildings, disrupt operations, increase operating costs such as freight and energy and have a negative impact on sales. Climate changes could require higher remediation and insurance costs for the Corporation.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS OF CASCADES INC.

February 28, 2018

The accompanying consolidated financial statements are the responsibility of the management of Cascades Inc., and have been reviewed by the Audit and Finance Committee, and approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board 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.

Independent auditor and internal auditors have free and independent access to the Audit and Finance Committee, which comprises outside independent directors. The Audit and Finance Committee, which meets regularly throughout the year with members of management and the external and internal auditors, reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, whose report is provided below.

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.

February 28, 2018

We have audited the accompanying consolidated financial statements of Cascades Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and 2016 and the consolidated statement of earnings, comprehensive income, 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 (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, 2017 and 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

Montréal, Canada

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

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)	NOTE	**December 31, 2017**	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	25	**89**	62
Accounts receivable	6 and 14	**563**	524
Current income tax assets		**18**	12
Inventories	7 and 14	**523**	460
Current portion of financial assets	26	**9**	3
Assets held for sale	29	**13**	—
		1,215	1,061
Long-term assets			
Investments in associates and joint ventures	8	**78**	335
Property, plant and equipment	9 and 14	**2,104**	1,635
Intangible assets with finite useful life	10	**212**	171
Financial assets	26	**22**	10
Other assets	11, 26 and 29	**74**	72
Deferred income tax assets	17	**149**	179
Goodwill and other intangible assets with indefinite useful life	10	**528**	350
		4,382	3,813
Liabilities and Equity			
Current liabilities			
Bank loans and advances	25	**35**	28
Trade and other payables	12	**638**	661
Current income tax liabilities		**6**	1
Current portion of long-term debt	14, 25 and 26	**59**	36
Current portion of provisions for contingencies and charges	13	**7**	9
Current portion of financial liabilities and other liabilities	15 and 26	**101**	27
		846	762
Long-term liabilities			
Long-term debt	14, 25 and 26	**1,517**	1,530
Provisions for contingencies and charges	13	**36**	34
Financial liabilities	26	**18**	16
Other liabilities	15	**178**	178
Deferred income tax liabilities	17	**186**	219
		2,781	2,739
Equity attributable to Shareholders			
Capital stock	18	**492**	487
Contributed surplus	19	**16**	16
Retained earnings		**982**	512
Accumulated other comprehensive loss	20	**(35)**	(31)
		1,455	984
Non-controlling interests	8	**146**	90
Total equity		**1,601**	1,074
		4,382	3,813

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

Approved by the Board of Directors

Alain Lemaire

Georges Kobrynsky

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per common share amounts and number of common shares)	NOTE	2017	2016
Sales		**4,321**	4,001
Cost of sales and expenses			
Cost of sales (including depreciation and amortization of $215 million (2016 — $192 million)	21	**3,708**	3,380
Selling and administrative expenses	21	**440**	402
Gain on acquisitions, disposals and others	23	**(8)**	(4)
Impairment charges and restructuring costs	24	**17**	12
Foreign exchange gain		**(5)**	(4)
Gain on derivative financial instruments	26	**(6)**	(6)
		4,146	3,780
Operating income		**175**	221
Financing expense	25	**92**	88
Interest expense on employee future benefits	25	**5**	5
Loss on repurchase of long-term debt	14, 25 and 26	**14**	—
Foreign exchange gain on long-term debt and financial instruments		**(23)**	(22)
Fair value revaluation gain on investments	5 and 8	**(315)**	—
Share of results of associates and joint ventures	8	**(39)**	(32)
Earnings before income taxes		**441**	182
Provision for (recovery of) income taxes	17	**(81)**	45
Net earnings including non-controlling interests for the year		**522**	137
Net earnings attributable to non-controlling interests	8	**15**	2
Net earnings attributable to Shareholders for the year		**507**	135
Net earnings per common share			
Basic		**$ 5.35**	$ 1.42
Diluted		**$ 5.19**	$ 1.39
Weighted average basic number of common shares outstanding		**94,680,598**	94,709,048
Weighted average number of diluted common shares		**97,598,900**	96,933,338

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)	NOTE	2017	2016
Net earnings including non-controlling interests for the year		**522**	137
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Translation adjustments	20		
Change in foreign currency translation of foreign subsidiaries		**(43)**	(33)
Change in foreign currency translation related to net investment hedging activities		**33**	21
Cash flow hedges	20		
Change in fair value of foreign exchange forward contracts		**1**	—
Change in fair value of commodity derivative financial instruments		**1**	10
Available-for-sale financial assets	8	**(1)**	(2)
Share of other comprehensive income of associates	5 and 8	**21**	—
Recovery of income taxes		**(13)**	(6)
		(1)	(10)
Items that are reclassified to retained earnings			
Actuarial gain (loss) on employee future benefits	16	**(13)**	11
Provision for (recovery of) income taxes	17	**3**	(3)
		(10)	8
Other comprehensive loss		**(11)**	(2)
Comprehensive income including non-controlling interests for the year		**511**	135
Comprehensive income (loss) attributable to non-controlling interests for the year		**18**	(4)
Comprehensive income attributable to Shareholders for the year		**493**	139

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

CONSOLIDATED STATEMENTS OF EQUITY

For the year ended December 31, 2017

(in millions of Canadian dollars)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of year		**487**	**16**	**512**	**(31)**	**984**	**90**	**1,074**
Comprehensive income (loss)								
Net earnings		**—**	**—**	**507**	**—**	**507**	**15**	**522**
Other comprehensive income (loss)		**—**	**—**	**(10)**	**(4)**	**(14)**	**3**	**(11)**
		—	**—**	**497**	**(4)**	**493**	**18**	**511**
Business combinations	5	**—**	**—**	**—**	**—**	**—**	**57**	**57**
Dividends		**—**	**—**	**(15)**	**—**	**(15)**	**—**	**(15)**
Stock options expense		**—**	**1**	**—**	**—**	**1**	**—**	**1**
Issuance of common share upon exercise of stock options		**5**	**(1)**	**—**	**—**	**4**	**—**	**4**
Partial disposal of a subsidiary to non-controlling interests		**—**	**—**	**(1)**	**—**	**(1)**	**1**	**—**
Acquisition of non-controlling interests		**—**	**—**	**(11)**	**—**	**(11)**	**(15)**	**(26)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(5)**	**(5)**
Balance - End of year		**492**	**16**	**982**	**(35)**	**1,455**	**146**	**1,601**

For the year ended December 31, 2016

(in millions of Canadian dollars)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of year	490	17	387	(27)	867	96	963
Comprehensive income (loss)							
Net earnings	—	—	135	—	135	2	137
Other comprehensive income (loss)	—	—	8	(4)	4	(6)	(2)
	—	—	143	(4)	139	(4)	135
Dividends	—	—	(15)	—	(15)	—	(15)
Stock options expense	—	1	—	—	1	—	1
Issuance of common share upon exercise of stock options	2	(1)	—	—	1	—	1
Redemption of common shares	(5)	(1)	(3)	—	(9)	—	(9)
Dividends paid to non-controlling interests and acquisition of non-controlling interests	—	—	—	—	—	(2)	(2)
Balance - End of year	487	16	512	(31)	984	90	1,074

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)	NOTE	2017	2016
Operating activities			
Net earnings attributable to Shareholders for the year		**507**	135
Adjustments for:			
Financing expense and interest expense on employee future benefits	25	**97**	93
Loss on repurchase of long-term debt	14, 25 and 26	**14**	—
Depreciation and amortization		**215**	192
Gain on acquisitions, disposals and others	23	**(8)**	(4)
Impairment charges and restructuring costs	24	**11**	4
Unrealized gain on derivative financial instruments		**(8)**	(18)
Foreign exchange gain on long-term debt and financial instruments		**(23)**	(22)
Provision for (recovery of) income taxes	17	**(81)**	45
Fair value revaluation gain on investments	5 and 8	**(315)**	—
Share of results of associates and joint ventures	8	**(39)**	(32)
Net earnings attributable to non-controlling interests	8	**15**	2
Net financing expense paid		**(99)**	(89)
Premium paid on long-term debt repurchase	14	**(11)**	—
Net income taxes received (paid)		**(10)**	10
Dividends received	8	**12**	18
Employee future benefits and others		**(17)**	(18)
		260	316
Changes in non-cash working capital components	25	**(87)**	56
		173	372
Investing activities			
Investments in associates and joint ventures	8	**(17)**	(6)
Payments for property, plant and equipment		**(193)**	(182)
Proceeds from disposals of property, plant and equipment		**15**	5
Change in intangible and other assets	8	**256**	14
Cash acquired in (paid for) a business combinations	5	**9**	(16)
		70	(185)
Financing activities			
Bank loans and advances		**8**	(8)
Change in revolving credit facilities		**114**	(146)
Repurchase of unsecured senior notes	14, 25 and 26	**(257)**	—
Increase in other long-term debt		**11**	40
Payments of other long-term debt		**(47)**	(47)
Settlement of derivative financial instruments		**(12)**	3
Issuance of common shares	18	**4**	1
Redemption of common shares	18	**—**	(9)
Dividends paid to non-controlling interests and acquisition of non-controlling interests	8	**(24)**	(1)
Dividends paid to the Corporation's Shareholders		**(15)**	(15)
		(218)	(182)
Change in cash and cash equivalents during the year		**25**	5
Currency translation on cash and cash equivalents		**2**	(3)
Cash and cash equivalents - Beginning of year		**62**	60
Cash and cash equivalents - End of year		**89**	62

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 Corporation's Packaging Products) and Tissue Papers.

	SALES	
(in millions of Canadian dollars)	**2017**	2016
Packaging Products		
Containerboard	**1,652**	1,370
Boxboard Europe	**838**	796
Specialty Products	**703**	620
Intersegment sales	**(105)**	(61)
	3,088	2,725
Tissue Papers	**1,268**	1,305
Intersegment sales and Corporate Activities	**(35)**	(29)
	4,321	4,001

	OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	
(in millions of Canadian dollars)	**2017**	2016
Packaging Products		
Containerboard	**238**	214
Boxboard Europe	**67**	51
Specialty Products	**67**	71
	372	336
Tissue Papers	**90**	139
Corporate	**(72)**	(62)
Operating income before depreciation and amortization	**390**	413
Depreciation and amortization	**(215)**	(192)
Financing expense and interest expense on employee future benefits	**(97)**	(93)
Loss on repurchase of long-term debt	**(14)**	—
Foreign exchange gain on long-term debt and financial instruments	**23**	22
Fair value revaluation gain on investments	**315**	—
Share of results of associates and joint ventures	**39**	32
Earnings before income taxes	**441**	182

(in millions of Canadian dollars)	PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT 2017	2016
Packaging Products		
Containerboard	**65**	51
Boxboard Europe	**27**	26
Specialty Products	**32**	26
	124	103
Tissue Papers	**64**	77
Corporate	**19**	26
Total acquisitions	**207**	206
Proceeds from disposals of property, plant and equipment	**(15)**	(5)
Capital lease acquisitions	**(11)**	(18)
	181	183
Acquisitions for property, plant and equipment included in “Trade and other payables”		
Beginning of year	**25**	19
End of year	**(28)**	(25)
Payments for property, plant and equipment net of proceeds from disposals	**178**	177

(in millions of Canadian dollars)	TOTAL ASSETS December 31, 2017	December 31, 2016
Packaging Products		
Containerboard	**1,995**	1,285
Boxboard Europe	**609**	567
Specialty Products	**383**	336
	2,987	2,188
Tissue Papers	**919**	922
Corporate	**459**	400
Intersegment eliminations	**(68)**	(37)
	4,297	3,473
Investments in associates and joint ventures	**78**	335
Other investments	**7**	5
	4,382	3,813

Information by geographic segment is as follows:

For the years ended December 31 (in millions of Canadian dollars)	**2017**	2016
Sales		
Operations located in Canada		
Within Canada	**1,629**	1,511
To the United States	**488**	505
Other countries	**11**	14
	2,128	2,030
Operations located in the United States		
Within the United States	**1,217**	1,065
To Canada	**73**	45
Other countries	**1**	2
	1,291	1,112
Operations located in Italy		
Within Italy	**279**	241
Other countries	**138**	140
	417	381
Operations located in other countries		
Within Europe	**411**	399
Other countries	**74**	79
	485	478
	4,321	4,001

(in millions of Canadian dollars)	**December 31, 2017**	December 31, 2016
Property, plant and equipment		
Canada	**840**	840
United States	**967**	512
Italy	**183**	179
Other countries	**114**	104
	2,104	1,635

(in millions of Canadian dollars)	**December 31, 2017**	December 31, 2016
Goodwill, customer relationships and client lists, and other finite and indefinite useful life intangible assets		
Canada	**449**	441
United States	**278**	71
Italy	**13**	9
	740	521

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1
GENERAL INFORMATION

Cascades Inc. and its subsidiaries (together "Cascades" or the "Corporation") produce, convert and market packaging and tissue products composed mainly of recycled fibres. Cascades Inc. is incorporated and domiciled in Québec, Canada. The address of its registered office is 404, Marie-Victorin Boulevard, Kingsey Falls. Its shares are listed on the Toronto Stock Exchange.

The Board of Directors approved the consolidated financial statements on February 28, 2018.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles (GAAP) as set forth in Part I of the *Chartered Professional Accountants of Canada* (CPA Canada) Handbook – *Accounting*, which incorporates 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 over which the Corporation has control, where control is defined as the power to direct decisions about relevant activities. The Corporation does not have any interest in a structured entity. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are 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 commencing on the date of acquisition. The purchase consideration is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The transaction costs directly attributable to the acquisition are expensed. Identifiable assets acquired, as well as liabilities and contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the purchase consideration over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill. If the purchase consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of earnings. Intercompany transactions, balances and unrealized gains on transactions between subsidiaries are eliminated.

The following are the principal subsidiaries of the Corporation:

	PERCENTAGE OWNED (%)	JURISDICTION
Cascades Canada ULC	100	Canada
Cascades USA Inc.	100	Delaware
Greenpac Holding LLC [1]	59.7	Delaware
Reno de Medici S.p.A. (RDM)	57.8	Italy

1 For accounting purposes, percentage stands at 82.83% including indirect ownership.See Note 5 for more details.

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 results in gains or losses for the Corporation is recognized in the consolidated statement of earnings.

C. ASSOCIATES

Associates are all entities over which the Corporation has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. 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 amount of revenue can be measured reliably, 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 unrecognized 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 AND LIABILITIES 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 derivative financial instruments” 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. 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. 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 financing expense 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” to the consolidated statement of earnings and included in “Loss (gain) on derivative financial instruments”.

C. 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 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.

D. 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” that is reclassified to net earnings.

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. FAIR VALUE HEDGE

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

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

B. CASH FLOW HEDGE

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

Amounts accumulated in equity are reclassified to 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 on the same line as the hedged item. The gain or loss relating to the ineffective portion is recognized in the consolidated statement of earnings as part of loss (gain) on derivative financial instruments. 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.

C. NET INVESTMENT HEDGE

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

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

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for doubtful accounts that is based on expected collectability.

INVENTORIES

Inventories of finished goods are valued at the lower of cost, determined by either average production cost or retail method, and net realizable value. Inventories of raw material and supplies are valued at the lower of cost and replacement value, which is the best available measure of their net realizable value. Cost of raw material 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 the estimated costs of completion and the estimated costs necessary to make the sale.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are recorded at cost less accumulated depreciation and net impairment losses, including interest incurred during the construction period of qualifying 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.

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

Buildings	Between 10 and 33 years
Machinery and equipment	Between 3 and 30 years
Automotive equipment	Between 5 and 10 years
Other property, plant and equipment	Between 3 and 10 years

GRANTS AND INVESTMENT TAX CREDITS

Grants and investment tax credits for property, plant and equipment are accounted for using the cost reduction method and are amortized to earnings as a reduction of depreciation, using the same basis as that used to depreciate the related property, plant and equipment.

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 20 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 higher than its recoverable amount which is described in section C hereunder. For that purpose, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units (CGUs)). If there is any indication that an individual asset may be impaired, the recoverable amount shall be estimated for the individual asset.

When the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recorded immediately in the consolidated statement of earnings in the line item Impairment charges 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 lower of the estimated recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized and depreciation had been taken previously on the asset or CGU. A reversal of impairment loss is recorded directly in the consolidated statement of earnings in the line item “Impairment charges and restructuring costs”.

B. GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

Goodwill and other intangible assets with an indefinite useful life are recognized at cost less any accumulated impairment losses. They have an indefinite useful life due to their permanent nature since they are acquired rights or not subject to wear and tear. 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 is 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 CGUs that are expected to benefit from the business combination in which the goodwill and other intangible assets with an indefinite useful life arose. Impairment loss on goodwill is not reversed.

C. RECOVERABLE AMOUNTS

A recoverable amount is the higher of fair value less cost of disposal and value in use. 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 of the amount of the obligation can be made.

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

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

ENVIRONMENTAL RESTORATION OBLIGATIONS AND ENVIRONMENTAL COSTS

An obligation to incur restoration and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a plant or landfill site. Such costs arising from the installation of a plant and other site preparation work are provided for and capitalized at the start of each project, or as soon as the obligation to incur such costs arises. Decommissioning costs are recorded at the estimated amount at which the obligation could be settled at the consolidated balance sheet date, and are charged against 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 (RRSPs) that provide retirement benefit payments for most of its employees. The defined benefit pension plans are usually contributory and are based on the number of years of service and, in most cases, the average salaries or compensation at the end of a career. Retirement benefits are not adjusted based on inflation. The Corporation also offers its employees some post-employment benefit plans, such as a retirement allowance, group life insurance and medical and dental plans. However, these benefits, other than pension plans, are not funded. Furthermore, the medical and dental plans upon retirement are being phased out and are no longer offered to the majority of new retirees, and the retirement allowance is not offered to those who do not meet certain criteria.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated at least every three years by independent actuaries using the projected unit credit method, and 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.

As well, when an asset is recorded for a pension plan, its carrying value cannot be greater than the future economic benefit that the Corporation will get from the asset. The future economic benefit includes the suspension of contribution if the pension plan provisions allow for it under the minimum funding requirements. When there is a minimum funding requirement, it can increase the liability recorded. All special contributions legally required to fund a plan deficit are considered. For plans for which an actuarial evaluation is required as at December 31, 2017, a schedule of contributions is estimated to establish the minimum funding requirement. For other plans, we have used contributions from the most recent actuarial report.

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

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

Interest costs on 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 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, 2017, 87% of the plans were evaluated on December 31, 2016 (18% in 2015).

INCOME TAXES

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

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

FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the 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 monthly exchange rate. Translation gains or losses are deferred and included in “Accumulated other comprehensive income”.

SHARE-BASED PAYMENTS

The Corporation uses the fair value method of accounting for stock-based compensation awards granted to officers and key employees. This method consists 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

IAS 7 *STATEMENT OF CASH FLOWS*

In January 2016, the IASB published amendments to IAS 7 *Statement of Cash Flows*. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after January 1, 2017. To comply with the new requirements, a reconciliation of total liabilities arising from financing activities has been added to Note 25.

B) RECENT IFRS PRONOUNCEMENTS NOT YET ADOPTED

IFRS 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 replaces all previous revenue recognition standards, including IAS 18 *Revenue, and related interpretations*. such as IFRIC 13 *Customer Loyalty Programs*. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is effective for annual periods beginning on or after January 1, 2018. The standard will not have a significant impact on the timing of the Corporation's revenues since there is typically only one performance obligation per customer contract. The adoption of the standard will, however, have an impact on the contract liabilities classification. which can no longer be presented against accounts receivable. As well, IFRS 15 will require further disclosure, such as a disaggregation of revenues from contracts with customers in categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors. To comply with this requirement, the Corporation will segregate its four segments' sales by country on a quarterly basis. The Corporation will apply the new standard retrospectively. Apart from the balance sheet reclassification discussed above, this standard has no material impact on the Corporation's consolidated financial statements.

IFRS 9 *FINANCIAL INSTRUMENTS*

In July 2014, the IASB released the final version of IFRS 9 *Financial Instruments*. 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 carry 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. It also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The new standard will have no material impact on the Corporation's consolidated financial statements.

IFRS 16 *LEASES*

In January 2016, the IASB released IFRS 16 *Leases*, which supersedes IAS 17 *Leases*, and the related interpretations on leases: IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for companies that also apply IFRS 15 *Revenue from Contracts with Customers*. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts, and record it on the balance sheet, except with respect to lease contracts that meet limited exception criteria, such as when the underlying asset is of low value or the maturity of the lease is short term. The Corporation is currently evaluating the impact of the standard on its consolidated financial statements. As at December 31, 2017, operating lease commitments would have translated into an estimated additional lease liability of $70 million.

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 cash generating unit (CGU), the Corporation uses several key assumptions, based on external information on the industry when available, and including estimated production levels, selling prices, volume, raw material costs, foreign exchange rates, growth rates, discounting rates and capital spending.

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

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Note 24 of consolidated financial statements)

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 considers past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

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

FOREIGN EXCHANGE RATES
When estimating the fair value less cost of disposal, foreign exchange rates are determined using the financial institution's average forecast for the first two years of forecasting. For the following three years, the Corporation uses the last five years' historical average of the foreign exchange rate. Terminal rate is based on historical data of the last 20 years and adjusted to reflect management's best estimate.

SHIPMENTS
The assumptions used are based on the Corporation's internal budget for the next year and are usually held constant for the forecast period. In arriving at its budgeted shipments, the Corporation considers past experience, economic trends as well as industry and market trends.

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

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

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

The cost of pensions and other retirement benefits earned by employees is 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 health care costs. The accrued benefit obligation is evaluated using the market interest rate at the evaluation date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed annually.

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. In 2016, the Corporation had a 59.7% interest in an associate (Greenpac). Greenpac's Shareholders agreement required a majority of 80% for all decision making related to relevant activities. Consequently, the Corporation did not have power over relevant activities of Greenpac and its participation was accounted for as an associate. On April 4, 2017, Cascades and its partners in Greenpac Holding LLC (Greenpac) agreed to modify the equity holders' agreement. These modifications enable Cascades to direct decisions about relevant activities. Therefore, from an accounting standpoint, Cascades now has control over Greenpac, which triggered its deemed acquisition and thus fully consolidates Greenpac since April 4, 2017. Please refer to Notes 5 and 8 of the consolidated financial statements for more details.

NOTE 5
BUSINESS COMBINATIONS

2017
Coyle containerboard converting plants

On November 30, 2017, the Containerboard Packaging segment purchased, from the Coyle family, three converting plants located in Ontario and specialized in the manufacturing of boxes and specialty products. Total consideration was $30 million and consisted of $25 million in cash, a non-cash provision of $1 million as at December 31, 2017, for working capital purchase price adjustment and $4 million of assumed debts. The excess of the consideration paid over the net fair value of the assets acquired resulted in a tax-deductible goodwill of $3 million and has been allocated to Containerboard Packaging segment CGU. The transaction is expected to create synergies since a significant portion of their procurement is realized through our newly acquired Tencorr joint venture, which has a supply agreement with Greenpac.

The $12 million fair value of accounts receivables is equal to gross contractual cash flows, which are all expected to be collected.

The purchase price is preliminary as of December 31, 2017.

Assets acquired and liabilities assumed were as follows:

		2017
	BUSINESS SEGMENT:	CONTAINERBOARD PACKAGING
(in millions of Canadian dollars)	ACQUIRED COMPANY:	Coyle Plants
Fair values of identifiable assets acquired and liabilities assumed:		
Accounts receivable		**12**
Inventories		**1**
Property, plant and equipment		**10**
Intangible assets with finite useful life (client list)		**7**
Goodwill		**4**
Total assets		**34**
Trade and other payables		**(4)**
Current portion of long-term debt		**(1)**
Long-term debt		**(3)**
Net assets acquired		**26**
Cash paid		**25**
Non-cash provision for working capital purchase price adjustment		**1**
Total consideration		**26**

On a stand-alone basis, the acquired business, since the date of acquisition, represents sales amounting to $4 million and the contribution to net earnings attributable to Shareholders is nil. Had the acquisition occurred on January 1, 2017, consolidated sales would have been $4,369 million and consolidated net earnings attributable to Shareholders would have been $506 million. These estimates are based on the assumption that fair value adjustments made as at the acquisition date would have been the same had the acquisition occurred on January 1, 2017.

Greenpac Holding LLC

On April 4, 2017, Cascades and its partners in Greenpac Holding LLC (Greenpac) agreed to modify the equity holders' agreement. These modifications enable Cascades to direct decisions about relevant activities. Therefore, from an accounting standpoint, Cascades now has control over Greenpac, which triggers its deemed acquisition and thus fully consolidates Greenpac starting April 4, 2017.

There is no cash consideration for the acquisition and there is no change of participation of each partner in Greenpac. Consideration transferred for the acquisition was the fair value of Cascades' investment in Greenpac based on the income approach less net liabilities with acquiree, which settled as a result of the transaction. The excess of the consideration over the net fair value of the assets acquired and the liabilities assumed resulted in a non-deductible goodwill of $190 million and has been allocated to the Containerboard Packaging segment CGU. The consolidation enables Cascades to better reflect its presence in the North American containerboard market.

One of the partners in Greenpac has a put option whereby the partner can require other partners or Greenpac itself to repurchase its shares at a price including a predetermined return on its investment. Under IFRS, this option gives the equity participation of this partner the characteristics of liability more than equity. As such, this partner's participation is classified in the current portion of other liabilities at an initial fair value of $85 million at the acquisition date.

For accounting purposes, the Corporation's share of Greenpac stands at 82.83% as at December 31, 2017, (78.3% for the period of April 4 to November 30, 2017) while legal ownership is 59.7%. The Corporation records income taxes on 71.8% of Greenpac's profit before taxes, as it is a flow-through entity for tax purposes (62.5% for the period of April 4 to November 30, 2017). See Note 8 for details.

The change in control provides for the revaluation of the previously held interest to its fair market value. As such, a gain of $156 million was recognized in the consolidated statement of earnings in the second quarter. Also, consequent to the acquisition, our share of accumulated other comprehensive loss components of Greenpac totaling $4 million on and included in Cascades' consolidated balance sheet prior to the acquisition were reclassified to net earnings. These two items are presented in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings.

The Corporation has reversed its deferred income tax liability related to its Greenpac investment and recorded an income tax recovery of $70 million. The investment in Greenpac is considered as the consideration transferred for the Greenpac acquisition and, as a result, is accounted for as a deemed disposal for tax accounting purposes.

Since the date of acquisition, Greenpac has generated sales of $200 million and net earnings of $17 million. Had the acquisition occurred on January 1, 2017, consolidated sales year-to-date would have been $4,392 million while consolidated net earnings attributable to Shareholders would have been approximately the same, since the Corporation was previously recording its share of results in Greenpac. 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, 2017.

The $20 million fair value of accounts receivables is equal to gross contractual cash flows, which are all expected to be collected.

The purchase price allocation of Greenpac was finalized during the third quarter of 2017.

Assets acquired and liabilities assumed were as follows:

		2017
	BUSINESS SEGMENT:	CONTAINERBOARD PACKAGING
(in millions of Canadian dollars)	ACQUIRED COMPANY:	Greenpac Holding LLC
Fair values of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents		**34**
Accounts receivable		**20**
Inventories		**23**
Current portion of financial assets		**4**
Property, plant and equipment		**512**
Financial assets		**16**
Intangible assets with finite useful life (client list)		**39**
Goodwill		**190**
Total assets		**838**
Trade and other payables		**(39)**
Current portion of long-term debt		**(15)**
Current portion of financial liabilities and other liabilities		**(90)**
Long-term debt		**(238)**
Financial liabilities		**(4)**
Deferred income tax liabilities		**(91)**
Net assets acquired		**361**
Non-controlling interests		**(57)**
		304
Total non-cash consideration		
Previously held interest		**187**
Revaluation gain on previously held interest on April 4, 2017		**156**
Settlement of net liabilities with acquiree before the transaction		**(39)**
		304

On November 30, 2017, the Corporation increased its participation in Containerboard Partners (Ontario) Inc. from 23% to 53% through the acquisition of 90 common shares for a cash consideration of US$15 million ($19 million). The transaction increases the Corporation's indirect ownership in Greenpac to 6.4% from 3.6%. Since there are no activities in Containerboard Partners (Ontario) Inc. other than its investment in Greenpac, the transaction is accounted as the acquisition of a non-controlling interest.

2016

Rand-Whitney Newtown Plant

On May 31, 2016, the Containerboard Packaging segment purchased from Rand-Whitney Container LLC its corrugated products plant located in Newtown, Connecticut. A total consideration of $18 million was paid by the Corporation and consisted of $15 million (US$12 million) in cash and certain assets of our corrugated containerboard plant located in Thompson, Connecticut, valued at $3 million. The excess of the consideration paid over the net fair value of the assets acquired resulted in a tax-deductible goodwill of $7 million and has been allocated to Containerboard Packaging segment CGU. This acquisition was concluded to create synergies.

The purchase price was finalized on September 30, 2016.

Assets acquired were as follows:

		2016
	BUSINESS SEGMENT:	CONTAINERBOARD PACKAGING
(in millions of Canadian dollars)	ACQUIRED COMPANY:	Rand-Whitney Newtown Plant
Fair values of identifiable assets acquired:		
Property, plant and equipment		10
Client list		1
Goodwill		7
		18
Cash paid		15
Fair market value of assets exchanged		3
Total consideration		18

In addition to the purchase price paid to Rand-Whitney, the Corporation also incurred transaction fees amounting to $1 million.

In 2016, on a stand-alone basis and since the date of acquisition, Newtown generated sales amounting to $35 million and the contribution to net earnings attributable to Shareholders was nil. Had the acquisition occurred on January 1, 2016, consolidated sales would have been $60 million higher and consolidated net earnings attributable to Shareholders would have remained unchanged for the year. These estimates are based on the assumption that fair value adjustments made as at the acquisition date would have been the same had the acquisition occurred on January 1, 2016.

NOTE 6
ACCOUNTS RECEIVABLE

(in millions of Canadian dollars)	NOTE	**2017**	2016
Accounts receivable - Trade		**526**	465
Receivables from related parties	28	**35**	39
Less: provision for doubtful accounts		**(7)**	(6)
Trade receivables - net		**554**	498
Provisions for volume rebates		**(45)**	(35)
Other		**54**	61
		563	524

As at December 31, 2017, trade receivables of $143 million (December 31, 2016 - $118 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)	**2017**	2016
Past due 1-30 days	**73**	69
Past due 31-60 days	**30**	22
Past due 61-90 days	**10**	8
Past due 91 days and over	**30**	19
	143	118

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

(in millions of Canadian dollars)	2017	2016
Balance at beginning of year	**6**	12
Provision for doubtful accounts, net of unused beginning balance	**2**	(3)
Receivables written off during the year as uncollectable	**(1)**	(3)
Balance at end of year	**7**	6

The change in the provision for doubtful accounts has 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 7
INVENTORIES

(in millions of Canadian dollars)	2017	2016
Finished goods	**249**	219
Raw material	**124**	107
Supplies and spare parts	**150**	134
	523	460

As at December 31, 2017, finished goods, raw material and supplies and spare parts were adjusted to net realizable value (NRV) by $8 million, $1 million and nil, respectively (December 31, 2016 - $7 million, nil, and nil). As at December 31, 2017, the carrying amount of inventory carried at net realizable value consisted of $14 million in finished goods inventory, nil in raw material inventory and nil in supplies and spare parts (December 31, 2016 - $9 million, nil and nil).

The Corporation has sold all the goods that were written down in 2017. No reversal of previously written-down inventory occurred in 2017 or 2016. The cost of raw material and supplies and spare parts included in “Cost of sales” amounted to $1,751 million (2016 - $1,612 million).

NOTE 8
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

(in millions of Canadian dollars)	**2017**	2016
Investments in associates	**16**	281
Investments in joint ventures	**62**	54
	78	335

Investments in associates and joint ventures as at December 31, 2017, include goodwill of $3 million (December 31, 2016 - $28 million).

B. INVESTMENTS IN ASSOCIATES

The following were the principal associates of the Corporation:

Boralex

On January 18, 2017, Boralex issued common shares to partly finance the acquisition of the interest of Enercon Canada Inc. in the Niagara Region Wind Farm. As a result, the Corporation's participation in Boralex decreased to 17.37%, which resulted in a dilution gain of $15 million and is included in line item “Share of results of associates and joint ventures” in the consolidated statement of earnings.

On March 10, 2017, Boralex announced the appointment of a new Chairman of the Board. This change in the Board composition combined with the decrease of its participation discussed above triggered the loss of significant influence of the Corporation over Boralex. Since March 10, 2017, the investment in Boralex was no longer classified as an associate and is considered as an available-for-sale financial asset. Consequently, the Corporation's investment in Boralex was re-evaluated at fair value on March 10, 2017, and a gain of $155 million was recorded. At the same time, accumulated other comprehensive loss components of Boralex totaling $10 million and included in our consolidated balance sheet were reclassified to net earnings. These two items are presented in line item “Fair value revaluation of investment” in the consolidated statement of earnings. Subsequent fair value revaluation of this investment is recorded in ”Accumulated other comprehensive income”.

On July 27, 2017, Cascades announced the sale of all of its shares in Boralex to the Caisse de Dépôt et Placement du Québec for an amount of $288 million. The increase in fair value of $18 million from March 10 to July 27, 2017, recorded in “Accumulated other comprehensive income” materialized, and the Corporation recorded a gain of $18 million in the third quarter in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings. The Corporation also received $2 million of dividends while Boralex was considered an available-for-sale financial assets.

Greenpac Holding LLC

On April 4, 2017, the Corporation gained control over its associates Greenpac, which triggered its acquisition for accounting purposes. See Note 5 for more details.

On March 21, 2017, the Corporation acquired 23% of Containerboard Partners (Ontario) Inc. for a consideration of US$12 million ($16 million). This company is a member of Greenpac Holding LLC, of which it owns 12.1%. On November 30, 2017, the Corporation acquired an additional 30% of Containerboard Partners (Ontario) for a consideration of $19 million. These transactions add an indirect participation of 6.4% in Greenpac Holding LLC, bringing total legal ownership to 66.1%. However, in line with the deemed acquisition of Greenpac discussed above, the portion of our Containerboard Partners (Ontario) share of results pertaining to Greenpac is reversed for consolidation purposes.

On May 6, 2016, the Corporation announced that its then associate company Greenpac, located in Niagara Falls, NY, successfully refinanced its debt. The debt package included a term loan and a revolving credit facility. The five-year agreement allows the mill to reduce its financing costs by approximately 225 basis points, increasing its flexibility to successfully address future market fluctuations.

The Corporation's financial information from its principal associates (100%), and translated in millions of Canadian dollars if required, is as follows:

	2017		2016	
(in millions of Canadian dollars)	BORALEX INC. (results up to March 10, 2017)	GREENPAC HOLDING LLC (results up to April 4, 2017)	BORALEX INC.	GREENPAC HOLDING LLC
Condensed balance sheet				
Cash and cash equivalents	**N/A**	**N/A**	100	28
Current assets (other than cash and cash equivalents and current financial assets)	**N/A**	**N/A**	288	103
Current financial assets	**N/A**	**N/A**	1	1
Long-term assets (other than long-term financial assets)	**N/A**	**N/A**	2,311	513
Long-term financial assets	**N/A**	**N/A**	2	11
Current liabilities (other than current financial liabilities)	**N/A**	**N/A**	131	41
Current financial liabilities	**N/A**	**N/A**	321	19
Long-term liabilities (other than long-term financial liabilities)	**N/A**	**N/A**	131	—
Long-term financial liabilities	**N/A**	**N/A**	1,605	251
Condensed statements of earnings				
Sales	**96**	**99**	299	340
Depreciation and amortization	**31**	**7**	116	28
Financing expense	**19**	**3**	76	27
Provision for (recovery of) income taxes	**6**	**—**	(9)	—
Net earnings	**13**	**9**	2	22
Other comprehensive income (loss)				
Translation adjustment	**1**	**—**	(12)	—
Cash flow hedges	**(1)**	**1**	—	4
	—	**1**	(12)	4
Total comprehensive income (loss)	**13**	**10**	(10)	26
Condensed cash flow				
Dividends received from associates	**2**	**—**	7	—

Investment in Boralex Inc. had a fair value of $252 million as at December 31, 2016.

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 (%)	PRINCIPAL ESTABLISHMENT
Cascades Sonoco US Inc.[1]	50	Birmingham, Alabama and Tacoma, Washington, United States
Cascades Sonoco inc.[1]	50	Kingsey Falls and Berthierville, Québec, Canada
Maritime Paper Products Limited Partnership (MPPLP) [2]	40	Dartmouth, Nova Scotia, Canada
Tencorr Holdings Corporation [3]	33.3	Brampton, Ontario, Canada

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

Tencorr Holdings Corporation

On November 30, 2017, the Corporation acquired 33.3% of the outstanding shares of Tencorr Holdings Corporation (Tencorr), a corrugated sheets manufacturer, for a consideration of $5 million, of which $3 million is payable as at December 31, 2017. Tencorr is classified as a joint venture, and accordingly our share of results is recorded using the equity method.

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

				2017
(in millions of Canadian dollars)	CASCADES SONOCO US INC.	CASCADES SONOCO INC.	MARITIME PAPER PRODUCTS LIMITED PARTNERSHIP	TENCORR HOLDINGS CORPORATION
Condensed balance sheet				
Current assets (other than cash and cash equivalents and current financial assets)	**30**	**28**	**25**	**20**
Long-term assets (other than long-term financial assets)	**31**	**17**	**28**	**12**
Current liabilities (other than current financial liabilities)	**10**	**6**	**4**	**14**
Current financial liabilities	**2**	**1**	**1**	**5**
Long-term liabilities (other than long-term financial liabilities)	**4**	**3**	**—**	**—**
Long-term financial liabilities	**14**	**3**	**4**	**1**
Condensed statement of earnings				
Sales	**119**	**96**	**102**	**111**
Depreciation and amortization	**2**	**2**	**2**	**2**
Financing expense	**1**	**—**	**—**	**—**
Provision for income taxes	**1**	**1**	**—**	**—**
Net earnings	**8**	**4**	**7**	**1**
Other comprehensive income (loss)				
Translation adjustment	**(2)**	**—**	**—**	**—**
Total comprehensive income	**6**	**4**	**7**	**1**
Condensed cash flow				
Dividends received from joint ventures	**4**	**1**	**1**	**—**

			2016
(in millions of Canadian dollars)	CASCADES SONOCO US INC.	CASCADES SONOCO INC.	MARITIME PAPER PRODUCTS LIMITED PARTNERSHIP
Condensed balance sheet			
Cash and cash equivalents	5	3	3
Current assets (other than cash and cash equivalents and current financial assets)	26	23	20
Long-term assets (other than long-term financial assets)	16	18	28
Current liabilities (other than current financial liabilities)	9	9	6
Current financial liabilities	1	—	1
Long-term liabilities (other than long-term financial liabilities)	4	3	—
Long-term financial liabilities	1	1	5
Condensed statement of earnings			
Sales	119	88	96
Depreciation and amortization	2	2	2
Financing expense	1	—	1
Provision for income taxes	4	2	—
Net earnings	9	6	8
Other comprehensive income (loss)			
Translation adjustment	(1)	—	—
Total comprehensive income	8	6	8
Condensed cash flow			
Dividends received from joint ventures	4	4	—

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 INTERESTS

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

	2017		2016
(in millions of Canadian dollars, unless otherwise noted)	RENO DE MEDICI S.p.A.	GREENPAC HOLDING LLC (since April 4, 2017)	RENO DE MEDICI S.p.A.
Principal establishment	Milan, Italy	New York, United States	Milan, Italy
Percentage of shares held by non-controlling interests (accounting basis)	**42.18%**	**17.17%**	42.30%
Net earnings attributable to non-controlling interests	**9**	**5**	2
Non-controlling interests accumulated at the end of the year	**105**	**42**	90
Dividends paid to non-controlling interests	**1**	**4**	1
Condensed balance sheet			
Cash and cash equivalents	**29**	**38**	41
Current assets (other than cash and cash equivalents and current financial assets)	**254**	**100**	231
Current financial assets	**—**	**3**	—
Long-term assets (other than long-term financial assets)	**335**	**568**	299
Long-term financial assets	**—**	**14**	—
Current liabilities (other than current financial liabilities)	**195**	**31**	178
Current financial liabilities	**30**	**106**	23
Long-term liabilities (other than long-term financial liabilities)	**72**	**—**	68
Long-term financial liabilities	**67**	**209**	82
Condensed statement of earnings			
Sales	**838**	**278**	702
Depreciation and amortization	**33**	**22**	32
Provision for income taxes	**9**	**—**	5
Net earnings	**21**	**21**	5
Condensed cash flow			
Cash flows from operating activities	**49**	**39**	56
Cash flows used from investing activities	**(48)**	**(3)**	(39)
Cash flows used for financing activities	**(17)**	**(30)**	(9)

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 follows:

(in millions of Canadian dollars)	2017	2016
Non-significant associates	**16**	17
Non-significant joint ventures	**16**	14
	32	31

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

(in millions of Canadian dollars)	2017	2016
Non-significant associates	**1**	2
Non-significant joint ventures	**3**	4
	4	6

The Corporation received dividends of $2 million from these associates and joint ventures as at December 31, 2017 (December 31, 2016 - $3 million).

NOTE 9
PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars)	NOTE	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	AUTOMOTIVE EQUIPMENT	OTHERS	TOTAL
As at January 1, 2016							
Cost		113	717	2,675	104	289	3,898
Accumulated depreciation and impairment		2	351	1,722	67	131	2,273
Net book amount		111	366	953	37	158	1,625
Year ended December 31, 2016							
Opening net book amount		111	366	953	37	158	1,625
Additions		—	5	45	25	131	206
Disposals		(1)	—	(1)	—	(3)	(5)
Depreciation		—	(28)	(116)	(13)	(13)	(170)
Business combination, net of assets transferred	5	1	7	—	—	—	8
Reversal of impairment (charges)	24	—	2	(3)	—	(2)	(3)
Others		1	39	55	6	(98)	3
Exchange differences		(2)	(4)	(22)	—	(1)	(29)
Closing net book amount		110	387	911	55	172	1,635
As at December 31, 2016							
Cost		110	740	2,553	126	299	3,828
Accumulated depreciation and impairment		—	353	1,642	71	127	2,193
Net book amount		110	387	911	55	172	1,635
Year ended December 31, 2017							
Opening net book amount		**110**	**387**	**911**	**55**	**172**	**1,635**
Additions		**11**	**6**	**24**	**18**	**148**	**207**
Disposals		**(3)**	**(2)**	**(1)**	**(1)**	**(1)**	**(8)**
Depreciation		**—**	**(31)**	**(132)**	**(15)**	**(11)**	**(189)**
Business combinations	5	**7**	**90**	**397**	**1**	**27**	**522**
Assets held for sale	29	**(1)**	**(8)**	**—**	**—**	**(4)**	**(13)**
Impairment charges	24	**—**	**—**	**—**	**—**	**(2)**	**(2)**
Others		**(1)**	**48**	**84**	**1**	**(133)**	**(1)**
Exchange differences		**1**	**(11)**	**(29)**	**(1)**	**(7)**	**(47)**
Closing net book amount		**124**	**479**	**1,254**	**58**	**189**	**2,104**
As at December 31, 2017							
Cost		**124**	**824**	**2,966**	**140**	**311**	**4,365**
Accumulated depreciation and impairment		**—**	**345**	**1,712**	**82**	**122**	**2,261**
Net book amount		**124**	**479**	**1,254**	**58**	**189**	**2,104**

Other property, plant and equipment include buildings and machinery and equipment in the process of construction or installation with a book value of $81 million (December 31, 2016 - $90 million) and deposits on purchases of machinery and equipment amounting to $18 million (December 31, 2016 - $7 million). The carrying value of finance-lease assets is $31 million (December 31, 2016 - $24 million).

In 2017, $2 million (2016 - $2 million) of interest incurred on qualifying assets was capitalized. The weighted average capitalization rate on funds borrowed in 2017 was 5.56% (2016 - 5.56%).

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

(in millions of Canadian dollars)	NOTE	APPLICATION SOFTWARE AND ERP	CUSTOMER RELATIONSHIPS AND CLIENT LISTS	OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	GOODWILL	OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE
As at January 1, 2016								
Cost		110	170	35	315	343	8	351
Accumulated amortization and impairment		34	78	29	141	4	1	5
Net book amount		76	92	6	174	339	7	346
Year ended December 31, 2016								
Opening net book amount		76	92	6	174	339	7	346
Additions		17	—	—	17	—	—	—
Business combinations	5	—	1	—	1	7	—	7
Amortization		(10)	(9)	(3)	(22)	—	—	—
Others		—	—	1	1	—	(1)	(1)
Exchange differences		—	—	—	—	(2)	—	(2)
Closing net book amount		83	84	4	171	344	6	350
As at December 31, 2016								
Cost		126	171	35	332	349	7	356
Accumulated amortization and impairment		43	87	31	161	5	1	6
Net book amount		83	84	4	171	344	6	350
Year ended December 31, 2017								
Opening net book amount		**83**	**84**	**4**	**171**	**344**	**6**	**350**
Additions		**24**	**—**	**—**	**24**	**—**	**—**	**—**
Business combinations	5	**—**	**46**	**—**	**46**	**194**	**—**	**194**
Amortization		**(13)**	**(11)**	**(2)**	**(26)**	**—**	**—**	**—**
Exchange differences		**—**	**(3)**	**—**	**(3)**	**(17)**	**1**	**(16)**
Closing net book amount		**94**	**116**	**2**	**212**	**521**	**7**	**528**
As at December 31, 2017								
Cost		**150**	**208**	**32**	**390**	**523**	**7**	**530**
Accumulated amortization and impairment		**56**	**92**	**30**	**178**	**2**	**—**	**2**
Net book amount		**94**	**116**	**2**	**212**	**521**	**7**	**528**

NOTE 11
OTHER ASSETS

(in millions of Canadian dollars)	NOTE	**2017**	2016
Notes receivable from business disposals		**6**	9
Other investments		**7**	5
Other assets		**30**	27
Employee future benefits	16	**37**	46
		80	87
Less: Current portion, included in accounts receivables		**(6)**	(15)
		74	72

Other assets include deferred revenue for the supervision of Greenpac Mill totaling $12 million as at December 31, 2016 and nil at the end of 2017. The Corporation did receive $1 million before the acquisition of Greenpac described in Note 5, while the balance of $11 million was written off since expected future cash flows related to this asset will not materialize on a consolidated basis following the Greenpac acquisition.

In December 2017, the Corporation deposited €10 million ($15 million) for the acquisition of PAC Service S.p.A in the Boxboard Europe segment. See Note 29 for more details.

NOTE 12
TRADE AND OTHER PAYABLES

(in millions of Canadian dollars)	NOTE	2017	2016
Trade payables		**488**	472
Payables to related parties	28	**7**	44
Accrued expenses		**143**	145
		638	661

NOTE 13
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, 2016	9	14	3	2	5	6	39
Additional provision	—	5	1	7	3	4	20
Reversal of provision	—	(1)	—	—	(1)	—	(2)
Payments	(3)	(2)	(1)	(6)	(1)	(3)	(16)
Revaluation	2	—	—	—	—	—	2
As at December 31, 2016	8	16	3	3	6	7	43
Additional provision	**(1)**	**—**	**2**	**5**	**—**	**2**	**8**
Payments	**—**	**—**	**(1)**	**(5)**	**(3)**	**(2)**	**(11)**
Others	**—**	**—**	**—**	**—**	**—**	**3**	**3**
As at December 31, 2017	**7**	**16**	**4**	**3**	**3**	**10**	**43**

Analysis of total provisions:

(in millions of Canadian dollars)	2017	2016
Long-term	**36**	34
Current	**7**	9
	43	43

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

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

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.

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, 2017, cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial position, the results of its operations or its cash flows.

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

The Corporation 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 that 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 material.

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

NOTE 14
LONG-TERM DEBT

(in millions of Canadian dollars)	NOTE	MATURITY	2017	2016
Revolving credit facility, weighted average interest rate of 3.39% as at December 31, 2017, consists of $5 million and US$151 million (December 31, 2016 - $(19) million; US$82 million and €(1) million)	14(b)	2021	**195**	90
5.50% Unsecured senior notes of $250 million		2021	**250**	250
5.50% Unsecured senior notes of US$400 million (December 31,2016 - US$550 million)	14(a)	2022	**503**	738
5.75% Unsecured senior notes of US$200 million (December 31, 2016 - US$250 million)	14(a)	2023	**252**	336
Other debts of subsidiaries			**66**	62
Other debts without recourse to the Corporation			**320**	105
			1,586	1,581
Less: Unamortized financing costs			**10**	15
Total long-term debt			**1,576**	1,566
Less:				
Current portion of debts of subsidiaries			**14**	13
Current portion of debts without recourse to the Corporation			**45**	23
			59	36
			1,517	1,530

a. On December 12, 2017, the Corporation repurchased US$150 million of its 5.50% unsecured senior notes due in 2022 for an amount of US$156 million ($201 million) and US$50 million of its 5.75% unsecured senior notes due in 2023 for an amount of US$52 million ($67 million), including premiums of US$6 million ($8 million) and US$2 million ($3 million). The Corporation also wrote off $3 million of unamortized financing costs related to these notes.

b. On June 1, 2017, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million credit facility. The amendment extends the term of the facility to July 2021. The financial conditions remain essentially unchanged.

c. As at December 31, 2017, accounts receivable and inventories totaling approximately $748 million (December 31, 2016 - $715 million) as well as property, plant and equipment totaling approximately $237 million (December 31, 2016 - $250 million) were pledged as collateral for the Corporation's revolving credit facility.

d. As a result of the Greenpac acquisition described in Note 5, current portion of long-term debt and long-term debt increased by respectively $15 million and $235 million on April, 4, 2017 (net of $3 million settlement of intercompany debt with Cascades prior to the transaction).

e. 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:

	2017		2016	
(in millions of Canadian dollars)	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS
Within one year	**11**	**9**	8	7
Later than one year but no later than five years	**22**	**18**	19	15
More than five years	**6**	**6**	7	6
Total minimum lease payments	**39**	**33**	34	28
Less: amounts representing finance charges	**6**	**—**	6	—
Present value of minimum lease payments	**33**	**33**	28	28

NOTE 15
OTHER LIABILITIES

(in millions of Canadian dollars)	NOTE	**2017**	2016
Employee future benefits	16	**174**	174
Greenpac equity holder put option (see Note 5 for more details)		**80**	—
Other		**6**	8
		260	182
Less: Current portion		**(82)**	(4)
		178	178

NOTE 16
EMPLOYEE FUTURE BENEFITS

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

(in millions of Canadian dollars)	NOTE	**2017**	2016
Consolidated balance sheet obligations for			
Defined pension benefits	16(a)	**36**	22
Post-employment benefits other than defined benefit pension plans	16(b)	**101**	106
Net long-term liabilities on consolidated balance sheet		**137**	128
Income statement charge for			
Defined pension benefits		**7**	7
Defined contribution benefits		**21**	20
Post-employment benefits other than defined benefit pension plans		**4**	5
		32	32
Remeasurements for			
Defined pension benefits	16(a)	**14**	(13)
Post-employment benefits other than defined benefit pension plans	16(b)	**(1)**	2
		13	(11)

A. DEFINED BENEFIT PENSION PLANS

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

The majority of benefit payments are payable from trustee administered funds; however, for the unfunded plans, the Corporation meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practices in each country. Responsibility for governance of the plans - overseeing all aspects of the plans including investment decisions and contribution schedules - lies with the Corporation. The Corporation has established Investment Committees to assist in the management of the plans and has also appointed experienced, independent professional experts such as investments managers, investment consultants, actuaries and custodians.

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, 2016	484	(454)	30	6	36
Current service cost	5	—	5	—	5
Interest expense (income)	18	(16)	2	—	2
Impact on profit or loss	23	(16)	7	—	7
Remeasurements					
Return on plan assets, excluding amounts included in interest expense (income)	—	(9)	(9)	—	(9)
Loss from change in financial assumptions	11	—	11	—	11
Experience gains	(9)	—	(9)	—	(9)
Change in asset ceiling, excluding amounts included in interest expense	—	—	—	(6)	(6)
Impact of remeasurements on other comprehensive income	2	(9)	(7)	(6)	(13)
Exchange differences	(1)	—	(1)	—	(1)
Contributions					
Employers	—	(7)	(7)	—	(7)
Plan participants	2	(2)	—	—	—
Benefit payments	(28)	28	—	—	—
As at December 31, 2016	482	(460)	22	—	22
Current service cost	**5**	**—**	**5**	**—**	**5**
Interest expense (income)	**17**	**(15)**	**2**	**—**	**2**
Impact on profit or loss	**22**	**(15)**	**7**	**—**	**7**
Remeasurements					
Return on plan assets, excluding amounts included in interest expense (income)	**—**	**(14)**	**(14)**	**—**	**(14)**
Loss from change in demographic assumptions	**2**	**—**	**2**	**—**	**2**
Loss from change in financial assumptions	**14**	**—**	**14**	**—**	**14**
Experience loss	**12**	**—**	**12**	**—**	**12**
Impact of remeasurements on other comprehensive income	**28**	**(14)**	**14**	**—**	**14**
Exchange differences	**1**	**—**	**1**	**—**	**1**
Contributions					
Employers	**—**	**(8)**	**(8)**	**—**	**(8)**
Plan participants	**2**	**(2)**	**—**	**—**	**—**
Benefit payments	**(27)**	**27**	**—**	**—**	**—**
As at December 31, 2017	**508**	**(472)**	**36**	**—**	**36**

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

(in millions of Canadian dollars)				2017
	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of funded obligations	**433**	**10**	**—**	**443**
Fair value of plan assets	**466**	**6**	**—**	**472**
Deficit (surplus) of funded plans	**(33)**	**4**	**—**	**(29)**
Present value of unfunded obligations	**37**	**—**	**28**	**65**
Liabilities on consolidated balance sheet	**4**	**4**	**28**	**36**

(in millions of Canadian dollars)						2017
	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
Present value of funded obligations	**405**	**—**	**—**	**37**	**1**	**443**
Fair value of plan assets	**437**	**—**	**—**	**34**	**1**	**472**
Deficit (surplus) of funded plans	**(32)**	**—**	**—**	**3**	**—**	**(29)**
Present value of unfunded obligations	**8**	**28**	**2**	**2**	**25**	**65**
Liabilities (assets) on consolidated balance sheet	**(24)**	**28**	**2**	**5**	**25**	**36**

(in millions of Canadian dollars)				2016
	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of funded obligations	411	10	—	421
Fair value of plan assets	454	6	—	460
Deficit (surplus) of funded plans	(43)	4	—	(39)
Present value of unfunded obligations	37	—	24	61
Liabilities (assets) on consolidated balance sheet	(6)	4	24	22

(in millions of Canadian dollars)						2016
	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL
Present value of funded obligations	385	—	—	35	1	421
Fair value of plan assets	427	—	—	32	1	460
Deficit (surplus) of funded plans	(42)	—	—	3	—	(39)
Present value of unfunded obligations	8	24	2	2	25	61
Liabilities (assets) on consolidated balance sheet	(34)	24	2	5	25	22

The significant actuarial assumptions are as follows:

			2017			2016
	CANADA	UNITED STATES	EUROPE	CANADA	UNITED STATES	EUROPE
Discount rate obligation (ending period)	**3.40%**	**3.31%**	**1.60%**	3.70%	3.73%	1.90%
Discount rate obligation (beginning period)	**3.70%**	**3.73%**	**1.90%**	3.90%	3.90%	2.10%
Discount rate (current service cost)	**3.50%**	**3.73%**	**1.90%**	3.90%	3.90%	2.10%
Salary growth rate	**Between 2.00% and 2.75%**	**N/A**	**N/A**	Between 1.75% and 3.00%	N/A	N/A
Inflation rate	**2.25%**	**N/A**	**1.75%**	Between 2.25% and 2.50%	N/A	1.75%

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 93% of all pension plans, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2017	2016
Retiring at the end of the year		
Male	**21.7**	21.6
Female	**24.1**	24.1
Retiring 20 years after the end of the reporting year		
Male	**22.8**	22.7
Female	**25.1**	25

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

		IMPACT ON DEFINED BENEFIT OBLIGATION	
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	**0.25%**	**(2.90)%**	**3.10 %**
Salary growth rate	**0.25%**	**0.40 %**	**(0.30)%**

	INCREASE / DECREASE BY 1 YEAR IN ASSUMPTION
Life expectancy	**3.00 %**

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

					2017
(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	%
Cash and short-term investments	**5**	**—**	**—**	**5**	**1.1 %**
Bonds					
Canadian bonds	**92**	**81**	**—**	**173**	**36.7 %**
Shares					
Canadian shares	**34**	**—**	**—**	**34**	
Foreign shares	**6**	**—**	**—**	**6**	
				40	**8.5 %**
Mutual funds					
Foreign bond mutual funds	**—**	**6**	**—**	**6**	
Canadian equity mutual funds	**7**	**1**	**—**	**8**	
Foreign equity mutual funds	**—**	**54**	**—**	**54**	
Alternative investments funds	**—**	**22**	**—**	**22**	
				90	**19.1 %**
Other					
Insured annuities	**—**	**164**	**—**	**164**	
				164	**34.6 %**
	144	**328**	**—**	**472**	

(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	2016 %
Cash and short-term investments	9	—	—	9	2.0 %
Bonds					
Canadian bonds	47	67	—	114	24.8 %
Shares					
Canadian shares	71	—	—	71	
Foreign shares	14	—	—	14	
				85	18.5 %
Mutual funds					
Foreign bond mutual funds	—	2	—	2	
Canadian equity mutual funds	16	3	—	19	
Foreign equity mutual funds	—	109	—	109	
Alternative investments funds	—	21	—	21	
				151	32.8 %
Other					
Insured annuities	—	94	—	94	
Derivatives contract, net	7	—	—	7	
				101	21.9 %
	164	296	—	460	

The plan assets include shares of the Corporation for an amount of less than $1 million. These shares were bought by one of the asset managers. Annual benefit annuities of an approximate value of $164 million are pledged by insurance contracts.

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

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

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

(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL **2017**
Present value of unfunded obligations	**73**	**4**	**24**	**101**
Liabilities on consolidated balance sheet	**73**	**4**	**24**	**101**

(in millions of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL **2017**
Present value of unfunded obligations	**38**	**24**	**6**	**12**	**21**	**101**
Liabilities on consolidated balance sheet	**38**	**24**	**6**	**12**	**21**	**101**

(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL 2016
Present value of unfunded obligations	78	4	24	106
Liabilities on consolidated balance sheet	78	4	24	106

(in millions of Canadian dollars)	CONTAINERBOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	TISSUE PAPERS	CORPORATE	TOTAL 2016
Present value of unfunded obligations	41	24	6	13	22	106
Liabilities on consolidated balance sheet	41	24	6	13	22	106

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, 2016	105	—	105
Current service cost	2	—	2
Interest expense	3	—	3
Impact on profit or loss	5	—	5
Remeasurements			
Loss from change in financial assumptions	2	—	2
Impact of remeasurements on other comprehensive income	2	—	2
Exchange differences	(1)	—	(1)
Contributions and premiums paid by the employer	—	(5)	(5)
Benefit payments	(5)	5	—
As at December 31, 2016	106	—	106
Current service cost	**2**	**—**	**2**
Interest expense	**3**	**—**	**3**
Curtailments	**(1)**	**—**	**(1)**
Impact on profit or loss	**4**	**—**	**4**
Remeasurements			
Loss from change in financial assumptions	**1**	**—**	**1**
Experience gains	**(2)**	**—**	**(2)**
Impact of remeasurements on other comprehensive income	**(1)**	**—**	**(1)**
Exchange differences	**1**	**—**	**1**
Contributions and premiums paid by the employer	**—**	**(9)**	**(9)**
Benefit payments	**(9)**	**9**	**—**
As at December 31, 2017	**101**	**—**	**101**

The method of accounting, assumptions relating to discount rate and life expectancy, and the frequency of valuations for post-employment benefits are similar to those used for defined benefit pension plans, with the addition of actuarial assumptions relating to the long-term increase in health care costs of 4.50% a year (2016 - 4.50%).

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%**	**(2.20)%**	**2.30 %**
Salary growth rate	**0.25%**	**0.50 %**	**(0.40)%**
Health care cost increase	**1.00%**	**2.00 %**	**(1.70)%**

	INCREASE / DECREASE BY 1 YEAR IN ASSUMPTION
Life expectancy	**0.80 %**

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

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

Asset volatility

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

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

As at December 31, 2017, 65% of the plan's assets are invested in bonds. In 2014, the Corporation decided to purchase annuities from a life insurance company for some pensioners according to the market and financial situation of the plans. As at December 31, 2017, the total value of insured annuities is $164 million.

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

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings, particularly for plans in a good financial position that have a greater proportion of bonds.

Inflation risk

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

Life expectancy

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

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

As at December 31, 2017, the aggregate surplus of the Corporation's funded pension plans (mostly in Canada) amounted to $29 million (a surplus of $39 million as at December 31, 2016). The Corporation will make special payments of $1 million for past service to fund the Canadian pension plan deficit over ten years. Current agreed expected service contributions amount to $8 million and will be made in the normal course of business. As for the cash flow requirement, these pension plans are expected to require a net contribution of approximately $9 million in 2018.

The weighted average duration of the defined benefit obligation is 11 years (2016 - 12 years).

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

(in millions of Canadian dollars)	LESS THAN A YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	OVER FIVE YEARS	TOTAL
Pension benefits	**29**	**29**	**89**	**743**	**890**
Post-employment benefits other than defined benefit pension plans	**5**	**8**	**24**	**115**	**152**
As at December 31, 2017	**34**	**37**	**113**	**858**	**1,042**

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, 2017.

NOTE 17
INCOME TAXES

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

(in millions of Canadian dollars)	**2017**	2016
Current taxes	**10**	11
Deferred taxes	**(91)**	34
	(81)	45

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

(in millions of Canadian dollars)	NOTE	**2017**	2016
Provision for income taxes based on the combined basic Canadian and provincial income tax rate		**117**	48
Adjustment for income taxes arising from the following:			
Difference in statutory income tax rate of foreign operations		**10**	2
Prior years reassessment		**3**	1
Reversal of deferred income tax liabilities related to our previously held investment in Greenpac	5	**(70)**	—
Permanent difference on revaluation of previously held equity interest - Greenpac associate	5	**(57)**	—
Non-taxable portion of capital gain on revaluation of previously held equity interest - Boralex associate	8	**(24)**	—
Change in future income taxes resulting from enacted tax rate change		**(57)**	2
Unrealized capital gain on long-term debt		**(3)**	—
Permanent differences		**(6)**	(5)
Change in deferred income tax assets relating to capital tax loss		**6**	(3)
		(198)	(3)
Provision for (recovery of) income taxes		**(81)**	45

Weighted average income tax rate for the year ended December 31, 2017, was 28.6% (2016 - 27.4%).

In conjunction with the acquisition of Greenpac, the Corporation recorded an income tax recovery of $70 million representing deferred income taxes on its investment prior to the acquisition on April 4, 2017. Also, there was no income tax provision recorded on the gain of $156 million generated by the business combination of Greenpac, since it is included in the fair value of assets and liabilities acquired as described in Note 5.

The income tax provision on Boralex revaluation gain was calculated at the rate of capital gains. Also, consequently with the sale of its participation in Boralex in July 2017, the Corporation has reassessed the probability of recovering unrealized capital losses on long-term debt due to foreign exchange fluctuations. As a result, $6 million of tax assets was unrecognized and recorded in the consolidated statement of earnings.

Under the Tax Cuts and Jobs Act, which was substantially enacted on December 22, 2017, the U.S. statutory federal income tax rate was reduced to 21% from the previous rate of 35%. The impact of the change in tax rate resulted in a reduction of $57 million of the net deferred tax liability position for the year ended December 31, 2017.

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

(in millions of Canadian dollars)	**2017**	2016
Foreign currency translation related to hedging activities	**4**	3
Cash flow hedge	**—**	3
Included in share of other comprehensive income of associates	**3**	—
Actuarial gain (loss) on post-employment benefit obligations	**(3)**	3
	4	9

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

(in millions of Canadian dollars)	2017	2016
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**223**	279
Deferred income tax liabilities:		
Deferred income tax liabilities to be used after more than twelve months	**260**	319
	(37)	(40)

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

(in millions of Canadian dollars)	NOTE	2017	2016
As at January 1		**(40)**	(8)
Through statement of earnings		**91**	(34)
Variance of income tax credit, net of related income tax		**4**	5
Through statement of comprehensive income		**(4)**	(9)
Through business combinations	5	**(91)**	—
Others		**(7)**	—
Exchange differences		**10**	6
As at December 31		**(37)**	(40)

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	FOREIGN EXCHANGE LOSS ON LONG-TERM DEBT	OTHERS	TOTAL
As at January 1, 2016	141	25	38	39	16	23	15	297
Through statement of earnings	19	2	(23)	(3)	(8)	(2)	1	(14)
Variance of income tax credit	—	—	—	5	—	—	—	5
Through statement of comprehensive income	—	(3)	—	—	(3)	(3)	—	(9)
Exchange differences	(1)	—	—	—	—	1	—	—
As at December 31, 2016	159	24	15	41	5	19	16	279
Through statement of earnings	**(25)**	**(6)**	**(10)**	**(6)**	**(5)**	**(12)**	**5**	**(59)**
Variance of income tax credit	**—**	**—**	**—**	**4**	**—**	**—**	**—**	**4**
Through statement of comprehensive income	**—**	**3**	**—**	**—**	**1**	**(5)**	**—**	**(1)**
As at December 31, 2017	**134**	**21**	**5**	**39**	**1**	**2**	**21**	**223**

DEFERRED INCOME TAX LIABILITIES

(in millions of Canadian dollars)	NOTE	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	INVESTMENTS	OTHERS	TOTAL
As at January 1, 2016		169	51	84	1	305
Through statement of earnings		14	3	3	—	20
Exchange differences		(3)	(1)	(2)	—	(6)
As at December 31, 2016		180	53	85	1	319
Through statement of earnings		**(51)**	**(14)**	**(85)**	**—**	**(150)**
Included in share of other comprehensive income of associates		**—**	**—**	**3**	**—**	**3**
Through business combinations	5	**80**	**11**	**—**	**—**	**91**
Others		**5**	**2**	**—**	**—**	**7**
Exchange differences		**(9)**	**(1)**	**—**	**—**	**(10)**
As at December 31, 2017		**205**	**51**	**3**	**1**	**260**

When taking into consideration the offsetting of balances within the same tax jurisdiction, the net deferred tax liability of $37 million is presented on the consolidated balance sheet as $149 million of "Deferred income tax asset" amounts and $186 million of "Deferred income tax liabilities".

e. The Corporation has recognized accumulated losses for income tax purposes amounting to approximately $515 million, which may be carried forward to reduce taxable income in future years. The future tax benefit of $134 million resulting from the deferral of these losses has been recognized in the accounts as a deferred income tax asset. Deferred income tax assets are recognized for tax loss carry forward to the extent that the realization of the related tax benefits through future taxable profits is probable. Income tax losses as at December 31, 2017 are detailed as follows:

(in millions of Canadian dollars)	RECOGNIZED TAX LOSSES	MATURITY
Canada	**8**	**2026**
	14	**2027**
	2	**2029**
	1	**2030**
	77	**2032**
	82	**2033**
	126	**2034**
	63	**2035**
	53	**2036**
	3	**2037**
	429	
United States	**7**	**2019**
	5	**2020**
	2	**2029**
	2	**2031**
	3	**2032**
	2	**2033**
	13	**2035**
	1	**2036**
	46	**2037**
	81	
Europe	**5**	**Indefinitely**
	515	

NOTE 18
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)	2017	2016
Cash and cash equivalents	**(89)**	(62)
Bank loans and advances	**35**	28
Long-term debt, including current portion	**1,576**	1,566
	1,522	1,532
Total equity	**1,601**	1,074
Total capital	**3,123**	2,606

The Corporation's objectives when managing capital are:

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

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

The Corporation monitors capital on a monthly and quarterly basis based on different financial ratios and non-financial performance indicators. Also, the Corporation must conform to certain financial ratios under its various credit agreements. These ratios are calculated on an adjusted consolidated basis of restricted subsidiaries only. These are a maximum ratio of funded debt to capitalization of 65% and a minimum interest coverage ratio of 2.25x. The Corporation must also comply with a consolidated interest coverage ratio to incur additional debt. Funded debt is defined as liabilities as per the consolidated balance sheet, including guarantees and liens granted in respect of funded debt of another person but excluding other long-term liabilities, trade accounts payable, obligations under operating leases and other accrued obligations (2017 - $1,307 million; 2016 - $1,512 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 operating income before depreciation and amortization (OIBD) to financing expense. The OIBD is defined as net earnings of the last four quarters plus financing expense, income taxes, amortization and depreciation, expense for stock options and dividends received from a person who is not a credit party (2017 - $296 million; 2016 - $379 million). Excluded from net earnings are the share of results of equity investments and gains or losses from non-recurring items. Financing expense is calculated as interest and financial charges determined in accordance with IFRS plus any capitalized interest but excluding the amortization of deferred financing costs, up-front and financing costs and unrealized gains or losses arising from hedging agreements. It also excludes any gains or losses on the translation of long-term debt denominated in a foreign currency. The consolidated interest coverage ratio to incur additional debt is calculated as defined in the Senior notes indentures dated June 19, 2014 and May 19, 2015.

As at December 31, 2017, the funded debt-to-capitalization ratio stood at 44.01% and the interest coverage ratio was 3.88x. The Corporation is in compliance with the ratio requirements of its lenders.

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

The unsecured senior notes are subject to customary covenants restricting the Corporation's ability to, among other things, incur additional debt, pay dividends and make other restricted payments as defined in the Indentures dated June 19, 2014 and May 19, 2015.

The Corporation historically invests between $150 million and $250 million annually on 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 on the normal course issuer bid, the Corporation's ability to redeem common shares is limited by its senior notes indenture.

B. ISSUED AND OUTSTANDING

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

		2017		2016	
	NOTE	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS
Balance - beginning of year		**94,526,516**	**487**	95,310,923	490
Common shares issued on exercise of stock options	18(d)	**461,442**	**5**	262,836	2
Redemption of common shares	18(c)	**—**	**—**	(1,047,243)	(5)
Balance - end of year		**94,987,958**	**492**	94,526,516	487

C. REDEMPTION OF COMMON SHARES

In 2017, in the normal course of business, the Corporation renewed its redemption program of a maximum of 946,066 common shares with the Toronto Stock Exchange, said shares representing approximately 1% of issued and outstanding common shares. The redemption authorization is valid from March 17, 2017 to March 16, 2018. In 2017, the Corporation redeemed no common share under this program (2016 - 1,047,243 common shares for an amount of $9 million).

D. COMMON SHARE ISSUANCE

The Corporation issued 461,442 common shares upon the exercise of options for an amount of $4 million (2016 - $2 million for 262,836 common shares issued).

E. NET EARNINGS PER COMMON SHARE

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

	2017	2016
Net earnings available to common shareholders (in millions of Canadian dollars)	**507**	135
Weighted average number of basic common shares outstanding (in millions)	**95**	95
Weighted average number of diluted common shares outstanding (in millions)	**98**	97
Basic net earnings per common share (in Canadian dollars)	**$ 5.35**	$ 1.42
Diluted net earnings per common share (in Canadian dollars)	**$ 5.19**	$ 1.39

As at December 31, 2017, 240,880 stock options have an antidilutive effect (2016 - nil). As of February 28, 2018, no common share had been redeemed by the Corporation since the beginning of the financial year.

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

	2017	2016
Dividends declared per common share	**$ 0.16**	$ 0.16

NOTE 19
STOCK-BASED COMPENSATION

a. Under the terms of a share option plan adopted on December 15, 1998, amended on March 15, 2013, and approved by Shareholders on May 8, 2013, a remaining balance of 1,990,554 common shares is specifically reserved for issuance for officers and key employees of the Corporation. Each option will expire at a date not to exceed 10 years following the grant date of the option. The exercise price of an option shall not be lower than the market value of the share at the date of grant, determined as the average of the closing price of the share on the Toronto Stock Exchange on the five trading days preceding the date of grant. The terms for exercising the options are 25% of the number of shares under option within 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 in 2017 (2016 - $1 million).

Changes in the number of options outstanding as at December 31, 2017 and 2016 are as follows:

	2017		2016	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Beginning of year	**5,216,063**	**6.16**	5,385,323	6.15
Granted	**240,880**	**14.28**	351,461	9.75
Exercised	**(461,442)**	**8.28**	(262,836)	5.51
Expired	**—**	**—**	(257,885)	11.49
Forfeited	**(5,381)**	**9.75**	—	—
End of year	**4,990,120**	**6.35**	5,216,063	6.16
Options exercisable - end of year	**4,170,259**	**5.63**	4,166,339	5.78

The weighted average share price at the time of exercise of the options was $14.23 (2016 - $12.14).

The following options were outstanding as at December 31, 2017:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE		
YEAR GRANTED	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	EXPIRATION DATE
2007	**95,064**	**11.83**	**95,064**	**11.83**	**2018**
2008	**326,166**	**7.81**	**326,166**	**7.81**	**2018**
2009	**968,333**	**3.92**	**968,333**	**3.92**	**2019**
2010	**444,124**	**6.43**	**444,124**	**6.43**	**2020**
2011	**492,432**	**6.26**	**492,432**	**6.26**	**2020 - 2021**
2012	**842,524**	**4.46**	**842,524**	**4.46**	**2018 - 2022**
2013	**426,392**	**5.18**	**426,392**	**5.18**	**2018 - 2023**
2014	**423,974**	**6.10**	**308,134**	**6.10**	**2020 - 2024**
2015	**390,185**	**7.66**	**185,244**	**7.66**	**2020 - 2025**
2016	**340,046**	**9.75**	**81,846**	**9.75**	**2020 - 2026**
2017	**240,880**	**14.28**	**—**	**—**	**2027**
	4,990,120		**4,170,259**		

FAIR VALUE OF THE SHARE OPTIONS GRANTED

Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical share price volatility over the past six years. The following weighted average assumptions were used to estimate the fair value of $4.22 (2016 - $2.75) as at the date of grant of each option issued to employees:

	2017	2016
Grant date share price	**$ 14.26**	$ 10.09
Exercise price	**$ 14.28**	$ 9.75
Risk-free interest rate	**1.77%**	1.04%
Expected dividend yield	**1.12%**	1.58%
Expected life of options	**6 years**	6 years
Expected volatility	**32%**	31%

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

The shares are purchased on the market on a predetermined date each month. For the year ended December 31, 2017, the Corporation's contribution to the plan amounted to $1 million (2016 - $1 million).

c. The Corporation has a Performance Share Unit (PSU) Plan for the benefit of officers and key employees, allowing them to receive a portion of their annual compensation in the form of PSUs. A PSU is a notional unit equivalent in value to the Corporation's common share. Periodically, the number of PSUs forming part of the award shall be adjusted depending upon the three-year average return on capital employed 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, 2017, the Corporation had a total of 581,785 PSUs outstanding (2016 - 761,367 PSUs), representing a liability of $1 million (2016 - $5 million). In 2017, the Corporation made payments totaling $7 million in relation to PSUs (2016 - $5 million).

d. 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 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, 2017, the Corporation had a total of 247,276 DSUs outstanding (2016 - 205,773 DSUs), representing a long-term liability of $4 million (2016 - $3 million). On January 15, 2018, the Corporation issued 44,579 DSUs and had a total of 291,855 DSUs outstanding.

NOTE 20
ACCUMULATED OTHER COMPREHENSIVE LOSS

(in millions of Canadian dollars)	**2017**	2016
Foreign currency translation, net of hedging activities and related income tax of $12 million (December 31, 2016 - $16 million)	**(30)**	(13)
Unrealized gain arising from foreign exchange forward contracts designated as cash flow hedges, net of related income taxes of nil (December 31, 2016 - nil)	**1**	—
Unrealized loss arising from commodity derivative financial instruments designated as cash flow hedges, net of related income taxes of $2 million (December 31, 2016 - $2 million)	**(4)**	(5)
Unrealized loss on available-for-sale financial assets, net of related income taxes of nil (December 31, 2016 - nil)	**(2)**	(1)
Unrealized loss on share of other comprehensive income of associates, net of related income taxes of nil (December 31, 2016 - $9 million)	**—**	(12)
	(35)	(31)

NOTE 21
COST OF SALES BY NATURE

(in millions of Canadian dollars)	**2017**	2016
Raw material	**1,751**	1,612
Wages and employee benefits expenses	**689**	662
Energy	**259**	248
Delivery	**331**	269
Depreciation and amortization	**215**	192
Other	**463**	397
	3,708	3,380

SELLING AND ADMINISTRATIVE EXPENSES BY NATURE

(in millions of Canadian dollars)	2017	2016
Wages and employee benefits expenses	287	271
Information technology	60	46
Publicity and marketing	16	15
Other	77	70
	440	402

NOTE 22
EMPLOYEE BENEFITS EXPENSES

(in millions of Canadian dollars)	NOTE	2017	2016
Wages and employee benefits expenses	21	976	933
Share options granted to directors and employees	19(a)	1	1
Pension costs - defined benefit plans	16	7	7
Pension costs - defined contribution plans	16	21	20
Post-employment benefits other than defined benefit pension plans	16	4	5
		1,009	966

KEY MANAGEMENT COMPENSATION

Key management includes the members of the Board of Directors, Presidents and Vice Presidents of the Corporation (same as disclosed in annual information form in section 8.3). The compensation paid or payable to key management for their services is shown below:

(in millions of Canadian dollars)	2017	2016
Salaries and other short-term benefits	11	11
Post-employment benefits	1	—
Share-based payments	6	4
	18	15

NOTE 23
GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

(in millions of Canadian dollars)	2017	2016
Gain on disposal of assets	(8)	(4)

2017

The Containerboard Packaging segment sold a piece of land in Ontario, Canada, and recorded a gain of $7 million.

The Corporate Activities realized a $1 million gain from the sale of some assets.

2016

The Specialty Products segment recorded a $3 million gain on the sale of pieces of land close to the former fine paper plant located in St-Jérôme, Québec. The segment also recorded a $3 million environmental provision mainly related to closed plants in Québec, closed in previous years. Finally, the segment recorded a $4 million gain on the sale of assets following the closure of its de-inked pulp mill located in Auburn, Maine.

NOTE 24
IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

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

The Corporation recorded net impairment charges totaling $11 million in 2017 and net impairment charges of $3 million in 2016. 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. Level 2 inputs are used to measure fair value. Impairments are detailed as follows:

							2017
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Property, plant and equipment	**—**	**—**	**—**	**—**	**2**	**—**	**2**
Intangible assets with finite useful life and other assets	**11**	**—**	**—**	**11**	**—**	**(2)**	**9**
	11	**—**	**—**	**11**	**2**	**(2)**	**11**

							2016
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Property, plant and equipment	2	—	(3)	(1)	4	—	3

2017

The Containerboard Packaging segment recorded an impairment charge of $11 million on deferred revenues related to the management agreement of Greenpac since the beginning of the mill construction, which was recorded in "Other assets". Following the acquisition and consolidation of Greenpac described in Note 5, expected future cash flows related to this asset will not materialize on a consolidated basis.

The Tissue Papers segment incurred a $2 million impairment charge on unused assets following the reassessment of its recoverable amount based on estimated selling price.

The Corporate Activities recorded a $2 million reversal of impairment following the collection of a note receivable that had been written off in previous years.

2016

The Containerboard Packaging segment recorded a $2 million impairment charge on the assets of its converting plant in Connecticut which were not part of the disposal related to the Rand-Whitney - Newtown plant acquisition.

The Specialty Products segment sold the building of its closed de-inked pulp mill located in Auburn, Maine, and recorded a $2 million reversal of impairment. This segment also sold a piece of land related to a closed plant and recorded a $1 million reversal of impairment.

The Tissue Papers segment incurred an additional impairment charge of $4 million related to the revaluation of some equipment following the closure of its Toronto converting plant in the second quarter.

B. GOODWILL AND OTHER INDEFINITE USEFUL LIFE INTANGIBLE ASSETS

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

- Containerboard Packaging segment goodwill of $469 million is allocated to all Containerboard CGUs;
- Specialty Products segment goodwill is allocated to all Cascades Recovery CGUs, $13 million, and the Partitioning activities CGU, $3 million;
- Tissue Papers segment goodwill of $36 million is allocated to all Tissue Papers CGUs;
- Water rights of $7 million are allocated to Reno de Medici CGU.

Annually, the Corporation must test all of its goodwill for impairment, except if the following three conditions are met:

- the assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;
- the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

All three conditions were met for all goodwill but Tissue's. Therefore, the Corporation tested its Tissue Papers segment goodwill for impairment. As a result of this impairment test, the Corporation concluded that the recoverable amount of the CGUs was in excess of $305 million over their carrying amount, thus no impairment charge was necessary. With all other variables held constant, a rise in the discounting rate of 3% would reduce the excess of $305 million to nil.

The Corporation applied the income approach in determining fair value less cost of disposal and used the following key assumptions (level 2 inputs):

		TISSUE PAPERS
Discounting rate		**9.75%**
Terminal exchange rate (CA$/US$)	**$**	**1.25**
Terminal shipments		**673,000 s.t.**

C. RESTRUCTURING COSTS (GAINS)

Restructuring costs (gains) are detailed as follows:

(in millions of Canadian dollars)	**2017**	2016
Containerboard	**2**	(1)
Boxboard Europe	**1**	2
Specialty Products	**—**	1
Tissue Papers	**2**	7
Corporate Activities	**1**	—
	6	9

2017

The Containerboard Packaging segment announced the forthcoming closure of its New York converting plant and recorded severance expenses totaling $2 million.

The Boxboard Europe segment recorded severances costs of $1 million following the restructuring of its sales activities.

The Tissue Papers segment incurred $2 million of restructuring costs following the review of provisions related to the transfer of the converting operations of the Toronto plant to other Tissue segment sites announced in 2016.

The Corporate Activities recorded a severance cost of $1 million following the closure of a sales division.

2016

The Containerboard Packaging segment recorded a $1 million gain on the reversal of a provision for an onerous lease contract in relation to the restructuring of its Ontario converting activities in 2012.

The Boxboard Europe segment recorded restructuring costs of $2 million in relation to the reorganization of its activities following the transfer of the virgin fibre boxboard mill located in La Rochette, France, to our Reno de Medici subsidiary.

The Specialty Products segment recorded restructuring costs of $1 million following the closure of its de-inked pulp mill located in Auburn, Maine.

The Tissue Papers segment recorded a $3 million provision for an onerous lease as a consequence of the closure of its Toronto converting plant. This segment also incurred $4 million of severance costs following the transfer of the converting operations of the Toronto plant to other Tissue Papers segment sites.

NOTE 25
ADDITIONAL INFORMATION

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

(in millions of Canadian dollars)	**2017**	2016
Accounts receivable	**31**	(6)
Current income tax assets	**—**	(1)
Inventories	**(46)**	(2)
Trade and other payables	**(71)**	66
Current income tax liabilities	**(1)**	(1)
	(87)	56

B. FNANCING EXPENSE AND INTEREST EXPENSE ON EMPLOYEE FUTURE BENEFITS

(in millions of Canadian dollars)	**2017**	2016
Interest on long-term debt	**89**	83
Interest income	**(3)**	(1)
Amortization of financing costs	**3**	3
Other interest and banking fees	**3**	3
Interest expense on employee future benefits	**5**	5
	97	93

C. TOTAL LIABILITIES FROM FINANCING ACTIVITIES

(in millions of Canadian dollars)	CASH AND CASH EQUIVALENT	BANK LOANS AND ADVANCES	LONG-TERM DEBT	NET DEBT
As at January 1, 2016	(60)	37	1,744	1,721
Cash flow				
Change in cash and cash equivalents	(5)	—	—	(5)
Bank loans and advances	—	(8)	—	(8)
Change in revolving credit facilities	—	—	(146)	(146)
Increase in other long-term debt	—	—	40	40
Payments of other long-term debt	—	—	(47)	(47)
Non-cash changes				
Foreign exchange gain on long-term debt and financial instruments	—	—	(35)	(35)
Capital lease acquisitions	—	—	18	18
Amortization of financing costs	—	—	2	2
Other	—	—	3	3
Exchange differences	3	(1)	(13)	(11)
As at December 31, 2016	(62)	28	1,566	1,532
Cash flow				
Change in cash and cash equivalents	**(25)**	**—**	**—**	**(25)**
Bank loans and advances	**—**	**8**	**—**	**8**
Change in revolving credit facilities	**—**	**—**	**114**	**114**
Repurchase of unsecured senior notes	**—**	**—**	**(257)**	**(257)**
Increase in other long-term debt	**—**	**—**	**11**	**11**
Payments of other long-term debt	**—**	**—**	**(47)**	**(47)**
Non-cash changes				
Business combinations	**—**	**—**	**257**	**257**
Foreign exchange gain on long-term debt and financial instruments	**—**	**—**	**(62)**	**(62)**
Capital lease acquisitions	**—**	**—**	**11**	**11**
Amortization of financing costs	**—**	**—**	**2**	**2**
Write off of unamortized financing costs following repurchase of unsecured senior notes	**—**	**—**	**3**	**3**
Other	**—**	**—**	**(1)**	**(1)**
Exchange differences	**(2)**	**(1)**	**(21)**	**(24)**
As at December 31, 2017	**(89)**	**35**	**1,576**	**1,522**

NOTE 26
FINANCIAL INSTRUMENTS

26.1 FAIR VALUE OF FINANCIAL INSTRUMENTS
The classification of financial instruments as at December 31, 2017 and 2016, along with the respective carrying amounts and fair values, is as follows:

		2017		2016	
(in millions of Canadian dollars)	NOTE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets at fair value through profit or loss					
Derivatives	26.4	**27**	**27**	10	10
Financial assets available for sale					
Other investments		**1**	**1**	2	2
Financial liabilities at fair value through profit or loss					
Derivatives	26.4	**(4)**	**(4)**	(31)	(31)
Financial liabilities at amortized cost					
Long-term debt		**(1,576)**	**(1,626)**	(1,566)	(1,612)
Derivatives designated as hedge					
Asset derivatives		**4**	**4**	2	2
Liability derivatives		**(33)**	**(33)**	(8)	(8)

26.2 DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS
The fair value of a financial instrument is the amount of consideration that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as 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 investment in shares is based on observable market data and 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.

26.3 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, 2017 and 2016, and indicates the fair value hierarchy of the Corporation's valuation techniques to determine such fair value. Three levels of inputs that may be used to measure fair value are:

Level 1 - Quoted prices in active markets for identical assets or liabilities.
Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 - Inputs that are generally unobservable and typically reflect Management's estimates of assumptions that market participants would use in pricing the asset or liability.

				2017
(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				
Available-for-sale investments	**1**	**1**	**—**	**—**
Derivative financial assets	**31**	**—**	**31**	**—**
	32	**1**	**31**	**—**
Financial liabilities				
Derivative financial liabilities	**(37)**	**—**	**(37)**	**—**
	(37)	**—**	**(37)**	**—**

				2016
(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				
Available-for-sale investments	2	1	1	—
Derivative financial assets	12	—	12	—
	14	1	13	—
Financial liabilities				
Derivative financial liabilities	(39)	—	(39)	—
	(39)	—	(39)	—

26.4 FINANCIAL RISK MANAGEMENT

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

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

Summary

							2017
(in millions of Canadian dollars)		ASSETS			LIABILITIES		
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	26.4 A) (i)	**5**	**1**	**6**	**(10)**	**(15)**	**(25)**
Price risk	26.4 A) (ii)	**4**	**21**	**25**	**(7)**	**(1)**	**(8)**
Interest risk	26.4 A) (iii)	**—**	**—**	**—**	**(2)**	**(2)**	**(4)**
		9	**22**	**31**	**(19)**	**(18)**	**(37)**

							2016
(in millions of Canadian dollars)		ASSETS			LIABILITIES		
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	26.4 A) (i)	2	—	2	(20)	(13)	(33)
Price risk	26.4 A) (ii)	1	9	10	(3)	(3)	(6)
		3	9	12	(23)	(16)	(39)

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, 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. Management has implemented a policy for managing foreign exchange risk against its functional currency. The Corporation's risk management policy is to hedge 25% to 90% of anticipated cash flows in each major foreign currency for the next 12 months and to hedge 0% to 75% for the subsequent 24 months. 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" net of related income taxes and are reclassified to earnings as adjustments to sales, cost of sales, interest expense or foreign exchange loss (gain) on long-term debt in the period in which the respective hedged item affected earnings.

In 2017, approximately 23% of sales from Canadian operations were made to the United States and 13% of sales from European operations were made in countries whose currencies were other than the euro.

The following table summarizes the Corporation's commitments to buy and sell foreign currencies as at December 31, 2017 and 2016:

				2017
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt				
Derivatives at fair value through profit or loss and classified in Foreign exchange loss (gain) on long-term debt:				
Foreign exchange forward contracts to buy US$ for CAN$	1.06	January 2020	US$ 50	9
Currency option sold to sell US$ for CAN$	1.15	January 2020	US$ 100	(11)
Currency option sold to buy US$ for CAN$	1.0225	January 2020	US$ 200	(1)
Cross currency swap US$ for CAN$	1.33	July 2023	US$ 102	(12)
				(15)
Net investment hedge				
Cross currency swap CAN$ for €	1.4263	December 2018	€ 95	(6)
Forecasted sales				
Derivatives at fair value through profit or loss and classified in Loss on derivative financial instruments:				
Foreign exchange forward contracts to buy US$ for CAN$	1.3260	0 to 12 months	US$ 10	1
Foreign exchange forward contracts to buy US$ for CAN$	1.3260	13 to 24 months	US$ 5	—
Currency option instruments to sell US$ for CAN$	1.3171	0 to 12 months	US$ 48 to 70	2
Currency option instruments to sell US$ for CAN$	1.3214	13 to 36 months	US$ 43 to 80	—
				3
				(18)

In 2017, the Corporation offset $9 million in derivative assets against $11 million in derivative liabilities as we intend to settle the derivatives on a net basis with one counterparty. During the year, the Corporation also paid $12 million related to the settlement of a portion of its 2017 derivatives related to repayment of long-term debt.

				2016
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt				
Derivatives at fair value through profit or loss and classified in Foreign exchange loss (gain) on long-term debt:				
Foreign exchange forward contracts to buy US$ for CAN$	1.06	January 2020	US$ 50	13
Currency option sold to sell US$ for CAN$	1.15	December 2017	US$ 75	(14)
Currency option sold to sell US$ for CAN$	1.15	January 2020	US$ 100	(19)
Currency option sold to buy US$ for CAN$	1.0225	January 2020	US$ 200	(2)
Cross currency swap US$ for CAN$	1.329	July 2023	US$ 102	(2)
				(24)
Net investment hedge				
Cross currency swap CAN$ for €	1.4263	December 2018	€ 95	1
Forecasted sales				
Derivatives at fair value through profit or loss and classified in Loss on derivative financial instruments:				
Foreign exchange forward contracts to buy US$ for CAN$	1.3543	0 to 12 months	US$ 20	—
Currency option instruments to sell US$ for CAN$	1.2709 to 1.2962	0 to 12 months	US$ 48 to 92	(6)
Currency option instruments to sell US$ for CAN$	1.3042 to 1.3461	13 to 24 months	US$ 15 to 40	(2)
				(8)
				(31)

In 2016, the Corporation offset $12 million in derivative assets against $19 million in derivative liabilities as we intend to settle the derivatives on a net basis with one counterparty. During the year, the Corporation also received $3 million on related to the settlement of a portion of its 2017 derivatives related to repayment of long-term debt.

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 2017, 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 $3 million lower. This is 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 excludes the effect of this change on the denominated working capital components. The interest expense would have remained relatively stable.

In 2017, if the Canadian dollar had strengthened by $0.02 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.

CURRENCY RISK ON TRANSLATION OF SELF-SUSTAINING FOREIGN SUBSIDIARIES

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

The table below shows the effect on consolidated equity of a 10% change in the value of the Canadian dollar against the US dollar and the euro as at December 31, 2017 and 2016. 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, 2017 and 2016, with the hedging instruments being the long-term debt denominated in US dollars.

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

			2017			2016
(in millions of Canadian dollars)	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
10% change in the CAN$/US$ rate	**75**	**75**	**—**	107	73	34
10% change in the CAN$/euro rate	**16**	**14**	**2**	13	13	—

(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 material, natural gas and electricity. Gains or losses from these derivative financial instruments designated as hedges are recorded in “Accumulated other comprehensive income” net of related income taxes, and are reclassified to earnings as adjustments to “Cost of sales” in the same period, as the respective hedged item affects earnings.

The fair value of these contracts is as follows:

			2017
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in “Cost of sales”			
Electricity	**197,100 MWh**	**2018 to 2019**	**(1)**
Derivatives designated as cash flow hedges and reclassified in “Cost of sales” (effective portion)			
Natural gas:			
Canadian portfolio	**3,095,029 GJ**	**2018 to 2022**	**(5)**
US portfolio	**4,847,660 mmBtu**	**2018 to 2023**	**(1)**
			(7)

			2016
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in “Cost of sales”			
Electricity	109,500 MWh	2017 to 2018	(1)
Derivatives designated as cash flow hedges and reclassified in “Cost of sales” (effective portion)			
Natural gas:			
Canadian portfolio	4,658,660 GJ	2017 to 2021	(4)
US portfolio	4,722,800 mmBtu	2017 to 2021	(1)
			(6)

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, 2017 was $8 million (2016 - $10 million). Greenpac also has an agreement to purchase steam that includes an embedded derivative with a fair value of $16 million as at December 31, 2017.

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, 2017 and 2016. 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, 2017 and 2016, with the hedging instruments being derivative commodity contracts.

Consolidated commodity consumption: Price change effect before tax:

			2017			2016
(in millions of Canadian dollars[1])	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
US$15/s.t. change in brown grades recycled paper price	**29**	**—**	**29**	32	—	32
US$30/s.t. change in commercial pulp price	**6**	**—**	**6**	6	—	6
US$1/mmBTU. change in natural gas price	**10**	**5**	**5**	12	6	6
US$1/MWh change in electricity price	**2**	**—**	**2**	2	—	2

1 Sensitivity calculated with an exchange rate of 1.26 CAN$/US$ for 2017 and 1.33 CAN$/US$ for 2016.

(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, 2017, approximately 29% (2016 - 9%) of the Corporation's long-term debt was at variable rates.

Based on the outstanding long-term debt as at December 31, 2017, the impact on interest expense of a 1% change in rate would be approximately $5 million (impact on net earnings is approximately $4 million).

The Corporation holds interest rate swaps through RDM and Greenpac. RDM swaps are contracted to fix the interest rate on a notional amount of €32 million and are maturing from 2020 to 2023. Greenpac swaps are contracted to fix the interest rate on a notional amount of US$81 million maturing in 2020. Some of these swaps have decreasing notional amount to match expected debt level. Fair value of these agreements is a liability of $3 million as at December 31, 2017 (December 31, 2016 - nil).

(iv) Gain on derivative financial instruments is as follows:

(in millions of Canadian dollars)	**2017**	2016
Unrealized gain on derivative financial instruments	**(8)**	(18)
Realized loss on derivative financial instruments	**2**	12
	(6)	(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 credit worthy financial institutions.

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

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less 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 not collectable, it is written off against the “Provision 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, 2017.

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, 2017 and 2016:

						2017
(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	**35**	**35**	**35**	**—**	**—**	**—**
Trade and other payables	**638**	**638**	**638**	**—**	**—**	**—**
Revolving credit facility	**195**	**218**	**7**	**6**	**205**	**—**
Unsecured senior notes	**1,004**	**1,284**	**56**	**56**	**906**	**266**
Other debts of subsidiaries	**66**	**77**	**16**	**13**	**31**	**17**
Other debts without recourse to the Corporation	**321**	**329**	**44**	**41**	**230**	**14**
Derivative financial liabilities	**37**	**37**	**19**	**2**	**4**	**12**
	2,296	**2,618**	**815**	**118**	**1,376**	**309**

						2016
(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	28	28	28	—	—	—
Trade and other payables	661	661	661	—	—	—
Revolving credit facility	90	95	2	2	91	—
Unsecured senior notes	1,324	1,735	74	74	464	1,123
Other debts of subsidiaries	62	71	14	13	25	19
Other debts without recourse to the Corporation	105	110	28	24	44	14
Derivative financial liabilities	39	39	23	5	9	2
	2,309	2,739	830	118	633	1,158

As at December 31, 2017, the Corporation had unused credit facilities of $651 million (December 31, 2016 - $768 million), net of outstanding letters of credit of $24 million (December 31, 2016 - $26 million).

D. OTHER RISK

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 accounts receivable as a source of financing by reducing its working capital requirements. When the accounts receivable are sold, the Corporation 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, 2017, the off-balance sheet impact of the factoring of accounts receivable amounted to $39 million (€26 million). The Corporation expects to continue to sell accounts receivable on an ongoing basis. Should it decide to discontinue this contract, its working capital and bank debt requirements would increase.

NOTE 27
COMMITMENTS

a. The Corporation leases various properties, vehicles, equipment and others under non-cancellable operating lease agreements. Future minimum payments under operating leases are as follows:

(in millions of Canadian dollars)	**2017**	2016
No later than one year	**28**	23
Later than one year but no later than five years	**37**	33
More than five years	**5**	9

b. Capital and raw material commitments

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

	2017		2016		
(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	RAW MATERIAL
No later than one year	**51**	**8**	36	2	73
Later than one year but no later than five years	**—**	**14**	—	3	258
More than five years	**—**	**—**	—	1	—
	51	**22**	36	6	331

c. In 2017, the Corporation entered into a lease agreement for the building of its new containerboard converting plant in New Jersey. The building is currently under construction by the lessor and the lease will commence upon delivery of the building in 2018 for a period of 20 years. The lease will be accounted for as a finance lease and total payments will be $96 million for the duration of the lease.

NOTE 28
RELATED PARTY TRANSACTIONS

The Corporation entered into the following transactions with related parties:

(in millions of Canadian dollars)	JOINT VENTURES	ASSOCIATES
2017		
Sales to related parties	**183**	**85**
Purchases from related parties	**16**	**90**
2016		
Sales to related parties	155	89
Purchases from related parties	13	168

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

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

(in millions of Canadian dollars)	**December 31, 2017**	December 31, 2016
Receivables from related parties		
Joint ventures	**13**	18
Associates	**22**	21
Payables to related parties		
Joint ventures	**3**	2
Associates	**4**	42

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

NOTE 29
EVENTS AFTER THE REPORTING PERIOD

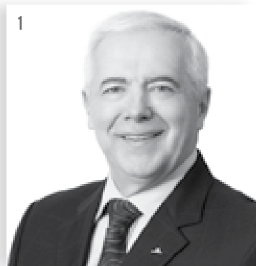
On January 1, 2018, the Corporation acquired PAC Service S.p.A., a boxboard converter for the packaging, publishing, cosmetics and food industries and will be fully consolidated. The Corporation already had a 33.33% equity participation through its 57.8% equity ownership in Reno de Medici S.p.A., in the Boxboard Europe segment. The consideration for the acquisition of the remaining 66.67% shares consists of cash totaling €10 million ($15 million) and was deposited on December 19, 2017. Due to the limited period of time between the acquisition of PAC Service S.p.A and the publication of the audited consolidated financial statements of the Corporation, certain items required for the disclosure of asset acquisitions have not been provided, particularly the preliminary purchase price allocation. The Corporation is currently assessing the fair value of assets acquired and liabilities assumed and will publish the preliminary purchase price allocation in its 2018 first quarter unaudited condensed interim consolidated financial statements.

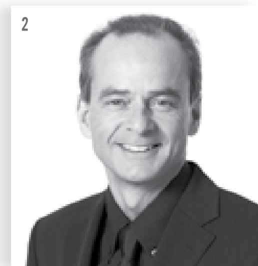
On January 31, 2018, the Corporation completed the sale of the building and land of its plant located in Maspeth, New York, for US$72 million ($90 million) of which US$68 million ($85 million) was received at closing and US$4 million ($5 million) is held in escrow. Release of the escrow is contingent upon certain conditions being met over the next three years. The Corporation will continue to use the facility until December 31, 2018, the date the plant is scheduled to close. The book value of $13 million of the building and land of the facility are classified as "Assets held for sale" on the consolidated balance sheet. The volumes will be progressively redeployed to other Cascades units over the course of the year.

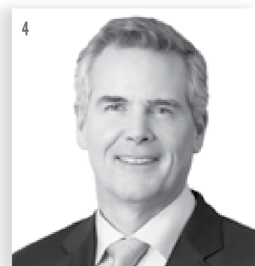
BOARD OF DIRECTORS

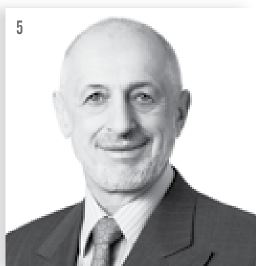
Cascades' Board of Directors (BoD) and management believe that quality corporate governance helps ensure that the Corporation is run efficiently and investor confidence is maintained. In order to stay the course in this regard, Cascades regularly reviews its governance practices to remain in compliance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

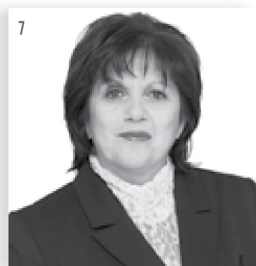
The composition of the Board of Directors must be carefully determined since its responsibilities include ensuring good corporate governance, among other things. Cascades draws on the expertise of a highly experienced team of directors while recognizing the importance of independent directors. As of December 31, 2017, eight of the twelve Board members were independent. They meet at least once yearly with no non-independent directors or senior managers present. 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.

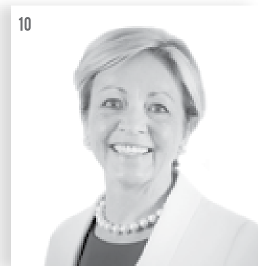


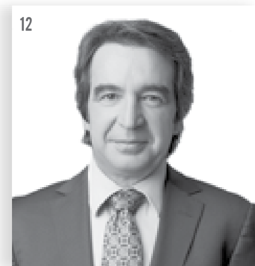












1
Alain Lemaire
Executive Chairman
of the Board
Kingsey Falls, Québec Canada
Director since 1967
Non-Independent

2
Louis Garneau
President
Louis Garneau Sports Inc.
Saint-Augustin-de-Desmaures
Québec Canada
Director since 1996
Independent

3
Sylvie Lemaire
Director of companies
Otterburn Park, Québec Canada
Director since 1999
Non-Independent

4
David McAusland
Partner
McCarthy Tétrault
Baie d'Urfé, Québec Canada
Director since 2003
Independent

5
Georges Kobrynsky
Director of companies
Outremont, Québec Canada
Director since 2010
Independent

6
Élise Pelletier
Director
Chambly, Québec Canada
Director since 2011
Independent

7
Sylvie Vachon
President and Chief
Executive Officer of
The Montréal Port Authority
Longueuil, Québec Canada
Director since 2013
Independent

8
Laurence Sellyn
Business Advisor and Consultant,
Corporate Director
Pointe-Claire, Québec Canada
Director since 2013
Independent

9
Mario Plourde
President and Chief Executive
Officer of Cascades Inc.
Kingsey Falls, Québec Canada
Director since 2014
Non-Independent

10
Michelle Cormier
Consultant, Wynnchurch
Capital Canada
Montréal, Québec Canada
Director since 2016
Independent

11
Martin Couture
President and Chief Executive
Officer, Sanimax Inc. (Canada)
Montréal, Québec Canada
Director since 2016
Independent

12
Patrick Lemaire
President and Chief Executive
Officer, Boralex Inc.
Kingsey Falls, Québec Canada
Director since 2016
Non-Independent

HISTORICAL FINANCIAL INFORMATION - 10 YEARS

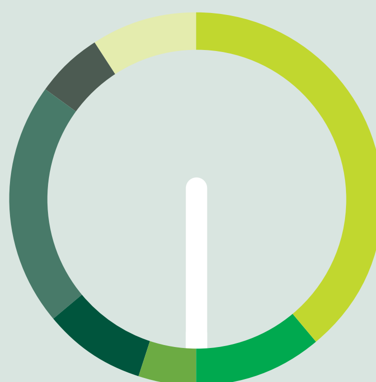
For the years ended December 31, (in millions of Canadian dollars, except per common share amounts and ratios) (unaudited) Financial information is not adjusted to reclassify the impact of discontinued operations, if any, and IFRS for years ended prior to 2011.	IFRS **2017**	IFRS 2016
Highlights - Consolidated Results		
Sales	**4,321**	4,001
Cost of sales and expenses	**3,928**	3,598
Adjusted operating income before depreciation and amortization (OIBD adjusted)	**393**	403
Depreciation and amortization	**215**	192
Adjusted operating income	**178**	211
Financing expense and interest expense on employee future benefits	**97**	93
Foreign exchange loss (gain) on long-term debt and financial instruments	**(23)**	(22)
Specific items	**(298)**	(10)
	402	150
Provision for (recovery of) income taxes	**(81)**	45
Share of results of associates and joint ventures	**(39)**	(32)
Net earnings (loss) attributable to non-controlling interests	**15**	2
Net earnings (loss)	**507**	135
Net earnings (loss) per common share	**$ 5.35**	$ 1.42
Highlights - Consolidated Cash Flow		
Cash flow generated by operating activities	**173**	372
Cash flow from operations	**260**	316
per common share	**$ 2.75**	$ 3.34
Payments for property, plant and equipment net of proceeds from disposals	**178**	177
Business combinations and cash from a joint venture	**9**	16
Proceed from business disposals	**—**	—
Net change in long-term debt	**179**	153
Dividends on common shares	**15**	15
per common share	**$ 0.16**	$ 0.16
Dividend yield	**1.2%**	1.3%
Highlights - Consolidated Balance Sheet (As at December 31)		
Current assets less current liabilities	**356**	316
Property, plant & equipment	**2,117**	1,635
Total assets	**4,382**	3,813
Total long-term debt	**1,576**	1,566
Non-controlling interests	**146**	90
Shareholders' equity	**1,455**	984
per common share	**$ 15.35**	$ 10.41
Stock Market Highlights		
Shares issued and outstanding (in millions)	**95.0**	94.5
Trading volume (in millions)	**57.5**	43.5
Market capitalization	**1,294**	1,144
Closing price	**$ 13.62**	$ 12.10
High	**$ 18.20**	$ 13.67
Low	**$ 11.43**	$ 7.72
Key Financial Ratios		
Net earnings (loss)/sales	**11.7%**	3.4%
Sales/total assets*	**1.0x**	1.0x
Total assets/average Shareholders' equity*	**3.6x**	4.1x
Return on Shareholder's equity*	**41.4%**	14.6%
Return on total assets (OIBD/average total assets)*	**9.6%**	10.5%
OIBD/sales	**9.1%**	10.1%
OIBD/interest	**4.1x**	4.3x
Current assets less current liabilities/sales*	**8.2%**	7.9%
Net debt/OIBD*	**3.9x**	3.8x
Total debt/total debt + Shareholders' equity	**52.5%**	61.8%
Price to earnings	**2.5x**	8.5x
Price to book value	**0.9x**	1.2x

IFRS	IFRS	IFRS	IFRS	IFRS			
2015	2014	2013	2012	2011	2010	2009	2008
3,885	3,953	3,849	3,645	3,760	3,959	3,877	4,025
3,462	3,595	3,497	3,341	3,517	3,561	3,412	3,720
423	358	352	304	243	398	465	305
190	183	182	199	186	212	218	213
233	175	170	105	57	186	247	92
97	108	115	115	100	112	118	103
91	30	(2)	(8)	(4)	4	31	24
99	191	28	33	(148)	65	33	54
(54)	(154)	29	(35)	109	5	65	(89)
39	(11)	12	(4)	27	—	23	(29)
(37)	—	3	(2)	(14)	(15)	(17)	(8)
9	4	3	(7)	(3)	3	(1)	2
(65)	(147)	11	(22)	99	17	60	(54)
$ (0.69)	$ (1.57)	$ 0.11	$ (0.23)	$ 1.03	$ 0.18	$ 0.61	$ (0.55)
270	250	232	199	115	228	355	126
307	251	226	154	121	246	303	150
$ 3.28	$ 2.67	$ 2.41	$ 1.64	$ 1.26	$ 2.54	$ 3.10	$ 1.52
156	172	136	141	110	131	171	184
—	—	—	14	60	3	69	(5)
(40)	(36)	—	—	(292)	—	—	47
100	88	(30)	(54)	143	30	59	149
15	15	15	15	15	16	16	16
$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16
1.3 %	2.3 %	2.3%	3.9 %	3.6%	2.4%	1.8%	4.6 %
398	308	414	295	400	479	484	522
1,625	1,592	1,684	1,659	1,703	1,777	1,912	2,030
3,848	3,673	3,831	3,694	3,728	3,724	3,792	4,031
1,744	1,596	1,579	1,475	1,407	1,395	1,469	1,708
96	110	113	116	136	24	21	22
867	893	1,081	978	1,029	1,257	1,304	1,256
$ 9.10	$ 9.48	$ 11.52	$ 10.42	$ 10.87	$ 13.01	$ 13.41	$ 12.74
95.3	94.2	93.9	93.9	94.6	96.6	97.2	98.5
39.7	45.0	25.2	20.2	33.8	57.7	79.8	39.8
1,211	661	646	385	419	647	869	339
$ 12.71	$ 7.02	$ 6.88	$ 4.10	$ 4.43	$ 6.70	$ 8.94	$ 3.44
$ 13.00	$ 7.60	$ 6.92	$ 5.18	$ 7.75	$ 9.80	$ 9.10	$ 8.90
$ 6.49	$ 5.64	$ 4.07	$ 3.85	$ 3.51	$ 5.71	$ 1.70	$ 3.00
(1.7)%	(3.7)%	0.3%	(0.6)%	2.6%	0.4%	1.5%	(1.3)%
1.0x	1.1x	1.0x	1.0x	1.0x	1.1x	1.0x	1.0x
4.4x	3.7x	3.7x	3.7x	3.3x	2.9x	3.0x	3.3x
(7.4)%	(14.9)%	1.1%	(2.2)%	8.7%	1.3%	4.7%	(4.4)%
11.2 %	9.5 %	9.4%	8.2 %	6.5%	10.6%	11.9%	7.8 %
10.9 %	9.1 %	9.1%	8.3 %	6.5%	10.1%	12.0%	7.6 %
4.4x	3.3x	3.1x	2.6x	2.4x	3.6x	3.9x	3.0x
10.2 %	7.8 %	10.8%	8.1 %	10.6%	12.1%	12.5%	13.0 %
4.1x	4.5x	4.6x	5.0x	6.1x	3.6x	3.3x	5.9x
67.3 %	64.8 %	60.2%	61.4 %	59.3%	53.7%	54.3%	59.1 %
N/A	N/A	62.5x	N/A	4.3x	37.2x	14.7x	N/A
1.4x	0.7x	0.6x	0.4x	0.4x	0.5x	0.7x	0.3x

RECYCLABLE MATERIALS
RECYCLED PRODUCTS

It's not enough to give recovered materials a second life; we also need to be thinking of their third, fourth, fifth lives... and so on. This is the foundation of the Cascades business model—the "closed-loop system[1]"—which, over time, has become a key strategic asset. Recovered materials are converted into product, the product is then recycled and once again becomes recovered materials. This wheel, in its never-ending cycle, is what has enabled the Corporation to establish its position as leader in the North American recovered paper industry. Just another green success by Cascades.

FIBRE PURCHASED & BROKERED IN NORTH AMERICA & EUROPE ~4.7 MILLION S.T.



- Brown recycled fibre – 39%
- White recycled fibre – 11%
- Groundwood recycled fibre – 5%
- Recycled fibre collected & USED by CAS in N.A. – 9%
- Recycled fibre collected & SOLD by CAS in N.A. – 21%
- Pulp – 6%
- Wood – 9%

FIBRE CONSUMPTION IN NORTH AMERICA & EUROPE ~3.8 MILLION S.T.

- Brown recycled fibre – 61%
- White recycled fibre – 13%
- Groundwood recycled fibre – 7%
- Pulp – 7%
- Wood Chips – 12%

SHIPMENTS ~3.8 MILLION S.T.

- Containerboard – 45%
- Boxboard Europe – 36%
- Tissue Papers – 19%

1 2017 including 100% of Reno de Medici, a public Italian company, in which the Corporation holds a 57.8% equity interest. Excluding associates and joint ventures.

Prince George, BC R
Edmonton, AB R
Nanaimo, BC R
Vancouver, BC R
C
Calgary, AB R
Surrey, BC C R
Victoria, BC R
Richmond, BC
Kelowna, BC R
Winnipeg, MB C R
Tacoma, WA C
St. Helens, OR M
Scappoose, OR C
Kingsey Falls, QC
Eau Claire, WI CM
Grand Rapids, MI C
Aurora, IL C
Warrenton, MO C
Kingman, AZ C
Brownsville, TN C
Memphis, TN M
Rockingham, NC C M
Kinston, NC C
Wagram, NC C
Birmingham, AL C
Grand Prairie, TX C

NORTH AMERICA

CASCADES WORLDWIDE[1]

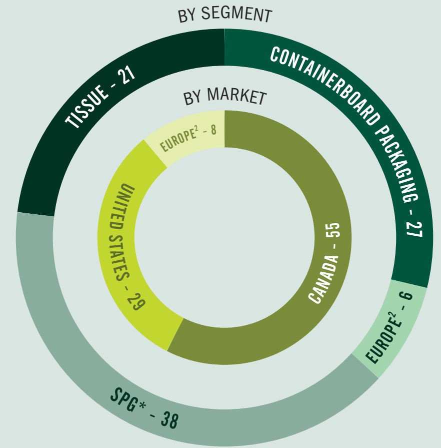
LEGEND

- Head Office
- Containerboard Packaging
- Boxboard Europe[2]
- Specialty Products
- Tissue Papers

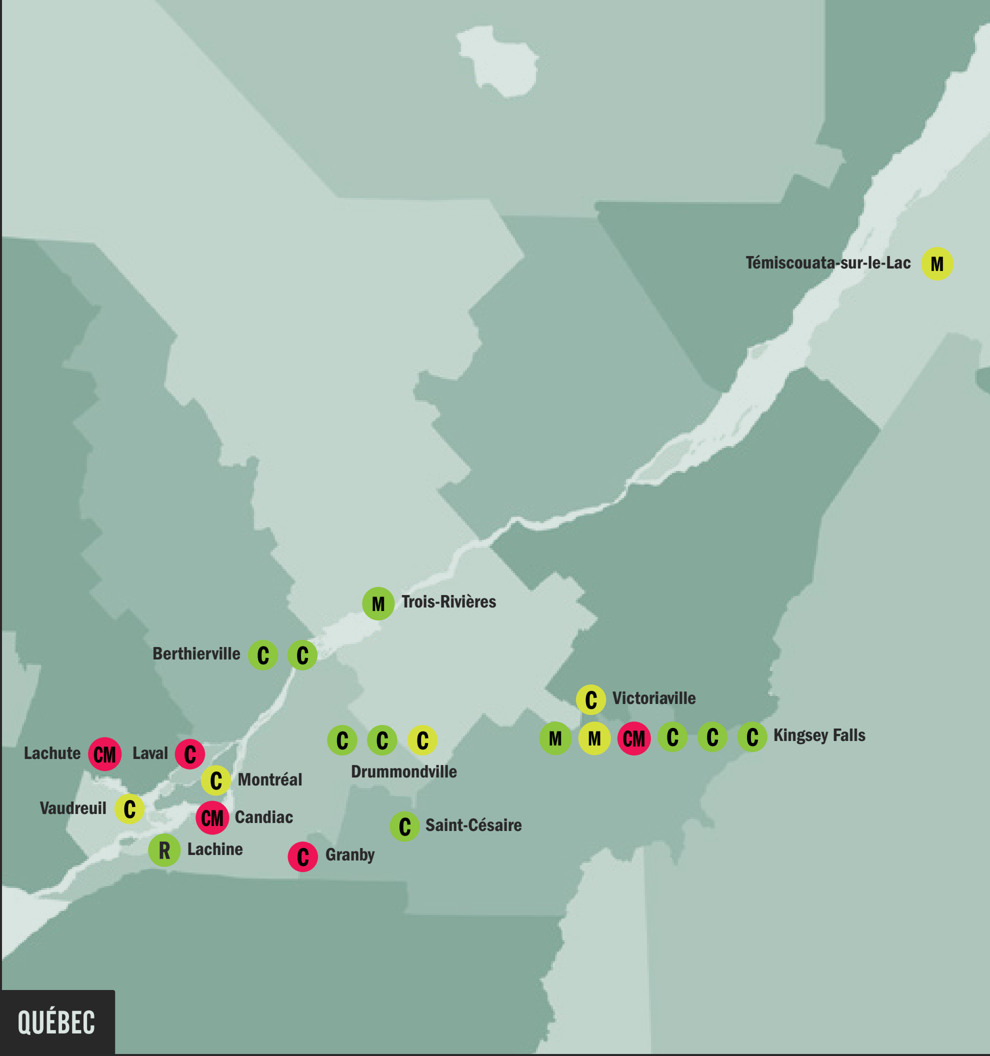
M Manufacturing facility
C Converting facility
CM Converting and manufacturing facility
R Recovery facility
* Startup expected in Q2-2018

1 Including main associates and joint ventures.
2 Via our 57.8% equity ownership in Reno de Medici S.p.A., a public Italian company traded on the Milan and Madrid stock exchanges.

92 PRODUCTION FACILITIES[1]

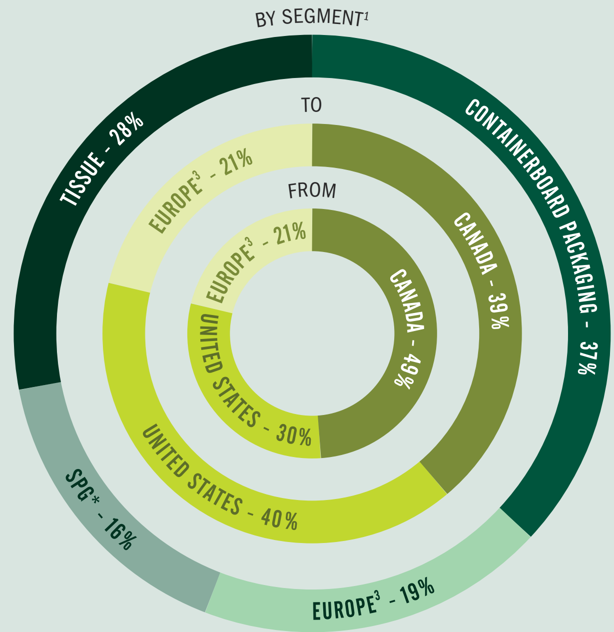


1 Including main associates and joint ventures.
2 Via our 57.8% equity ownership in Reno de Medici S.p.A., a public Italian company traded on the Milan and Madrid stock exchanges.
* Specialty Products segment

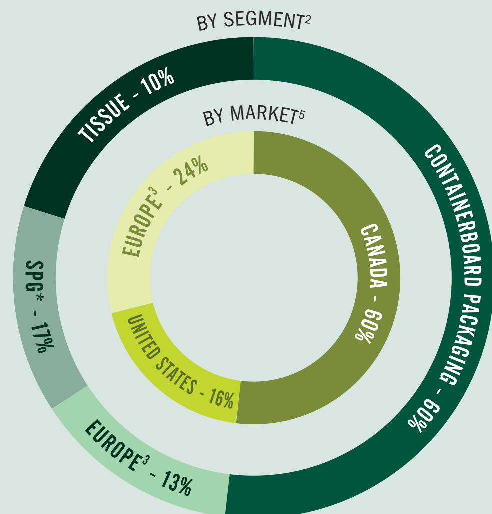


MARKET DISTRIBUTION
OF OUR OPERATIONS

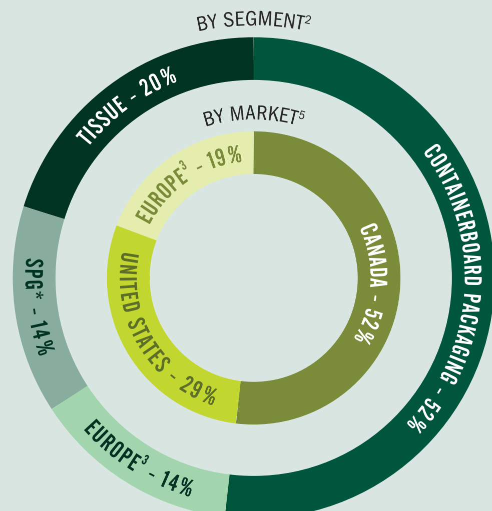
SALES
$4,321 MILLION



OPERATING INCOME
$175 MILLION



OIBD ADJUSTED[4]
$393 MILLION



1 Before inter-segment sales and corporate activities.
2 Percentage excluding corporate activities.
3 Via our 57.8% equity ownership in Reno de Medici S.p.A., a public Italian company traded on the Milan and Madrid stock exchanges.
4 Please refer to the “Forward-looking Statements” and “Supplemental Information on Non-IFRS Measures” sections for more details.
5 Including corporate activities.
* Specialty Products segment

CASCADES.COM

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