You see impressive results.

Cascades

We see unbreakable commitment.

2020 Annual Report

2020 at a Glance

Containerboard Packaging

A Canadian leader

6th largest producer in North America

Specialty Products

A North American leader in industrial and food packaging

A leading North American producer of honeycomb paperboard

Recovery

A Canadian leader in the recovery of recycled fibres

Tissue Papers

A leader in tissue papers production in Canada

4th largest producer in North America

Boxboard Europe[1]

2nd largest producer of coated recycled boxboard in Europe

1.3[3]

OSHA rate

3.4 M

short tons of recycled fibres are used by our North American and European paper mills

82%

of the fibres used to manufacture our products in North America and Europe are recycled

80%

of our mills' manufacturing waste is put to beneficial use

15%[4]

reduction in our energy consumption since 2010

51%[5]

reduction in our greenhouse gas emissions since 1990

22%[4]

reduction in our water consumption since 2010

$244 M

Invested in property, plant & equipment, excluding right-of-use assets

$5,157 M

Sales

$665 M

OIBD[2]

$675 M

Adjusted OIBD[2]

17th

Global 100 Most Sustainable Corporations in the World according to Corporate Knights

16th

Canada's top 50 corporate citizens according to Corporate Knights

10th consecutive year

most responsible company and brand according to Quebecers, as measured by the Barometer of Responsible Consumption

Canada's Top 100 Employers

according to Mediacorp Canada Inc.

1 Via our 57.6% equity ownership in Reno de Medici S.p.A. (at Dec. 31, 2020), a public Italian company.
2 Please refer to the "Forward-looking Statements" and "Supplemental Information on Non-IFRS Measures" sections for more details.
3 OSHA frequency rate: Number of accidents with lost time or temporary assignments or medical treatments X 200,000 hours/hours worked.
4 Intensity: Water (Cubic metres of waste water/Metric tonne of sealable products); Energy (Gigajoules of energy purchased/Metric tonne of sealable products).
5 Intensity. Direct Emissions. Preliminary data.

Financial Snapshot

(in millions of Canadian dollars, unless otherwise noted)	2020	2019[1]	2018
AS REPORTED			
Sales	5,157	4,996	4,649
Operating income	366	261	228
% of sales	7.1%	5.2%	4.9%
Operating income before depreciation and amortization (OIBD)[2]	665	550	472
% of sales	12.9%	11.0%	10.2%
Net earnings	198	72	57
per share (in dollars)	$2.04	$0.77	$0.60
Dividend per share (in dollars)	$0.32	$0.24	$0.16
ADJUSTED[2]			
Operating income	376	315	245
% of sales	7.3%	6.3%	5.3%
Operating income before depreciation and amortization (OIBD)[2]	675	604	489
% of sales	13.1%	12.1%	10.5%
Net earnings	187	96	79
per share (in dollars)	$1.95	$1.02	$0.83
Return on assets[2, 3]	13.1%	12.0%	10.6%
Return on capital employed[2, 4]	6.2%	5.4%	4.6%
FINANCIAL POSITION (AS AT DECEMBER 31)			
Total assets	5,412	5,188	4,948
Capital employed[4]	4,313	4,206	3,881
Net debt[2]	1,679	1,963	1,769
Net debt /adjusted OIBD[2]	2.5x	3.25x	3.5x
Equity attributable to shareholders	1,753	1,492	1,506
per share (in dollars)	$17.14	$15.83	$15.99
Working capital as a % of sales[7]	9.6%	10.1%	10.6%
KEY INDICATORS			
Total shipments (in thousands of short tons (s.t.))[5]	3,494	3,366	3,225
Manufacturing capacity utilization rate[6]	93%	92%	93%
US$/CAN$ - Average rate	$0.75	$0.75	$0.77

1 2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.

2 See "Forward-looking Statements" and "Supplemental Information on Non-IFRS Measures" sections for more details.

3 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.

4 Return on capital employed is a non-IFRS measure and is defined as the after-tax 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.

5 Shipments do not take into account the elimination of business sector inter-segment shipments. Shipments from our Specialty Products segment are not presented as it uses different units of measure.

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

7 Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables. Percentage of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals.

Financial Highlights

Symbol: CAS
(ON THE TORONTO STOCK EXCHANGE)

S&P / TSX Indices

- COMPOSITE
- SMALL CAP
- DIVIDEND
- RENEWABLE ENERGY & CLEAN TECHNOLOGY

102.3 million
Common shares outstanding
as at December 31, 2020

133.7 million
Total number of common shares traded
in 2020

$0.08
Quarterly dividend per share
in 2020

2.2%
Annual dividend yield
as at December 31, 2020

$17.62
Intraday high
in 2020

$9.94
Intraday low
in 2020

$1.49 billion
Market capitalization
as at December 31, 2020

Moody's: Ba2 (stable)
S&P: BB- (stable)
Corporate credit ratings
as at December 31, 2020

Cascades Share Price Performance in 2020

Table of Contents

Cascaders on the cover page:

Jessica Carbonneau, Production Manager

Parfait Mutwarangabo, Security Guard

Van-An Dang Vu, Continuous Improvement and Quality Coordinator

Stéphane Couture, Welder

Cascades Inc.'s 2020 Annual Information Form will be available, upon request, from the Corporation's head office as of March 30, 2021.

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

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

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Cascades inc.
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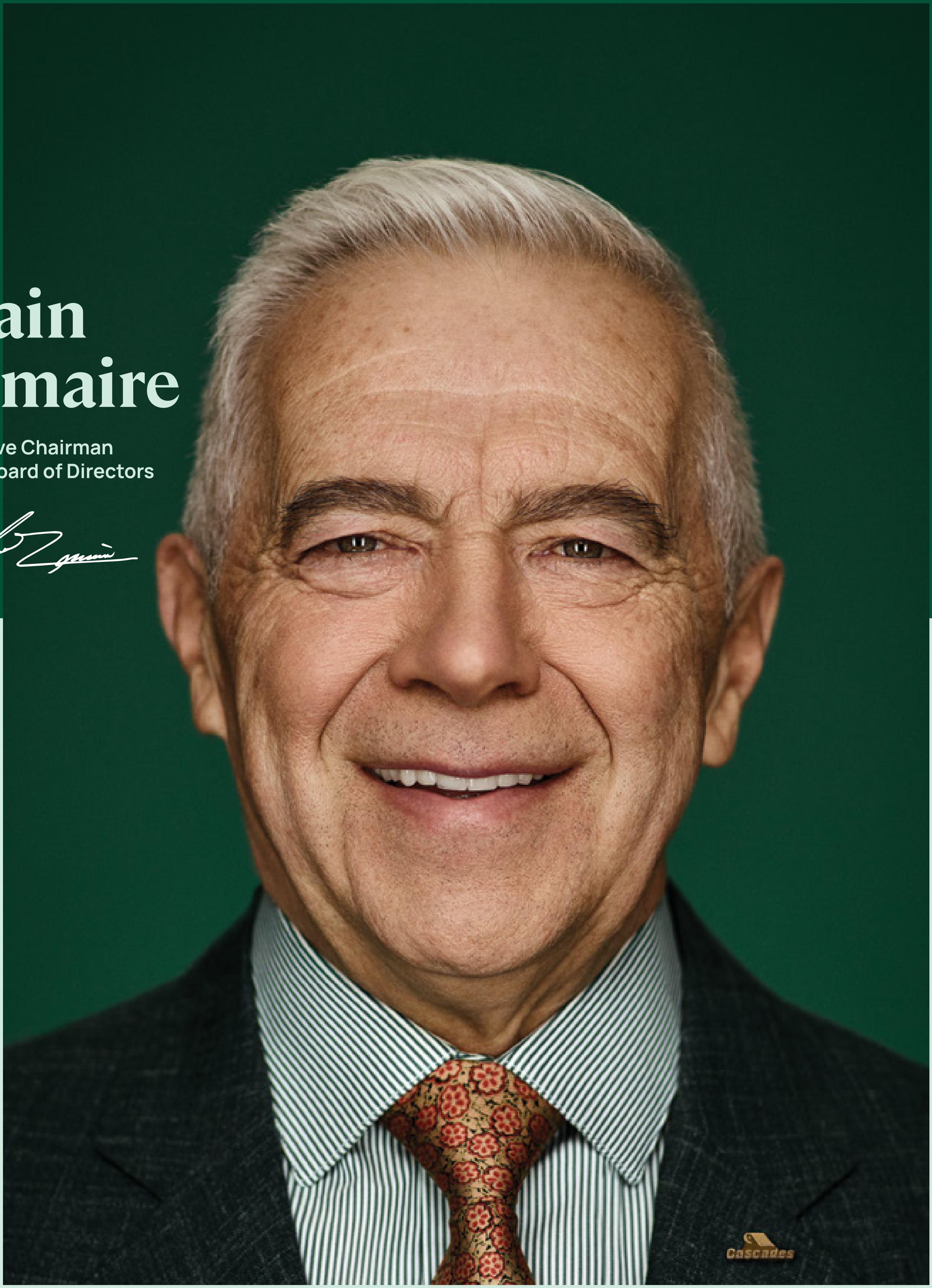
Alain Lemaire

Executive Chairman
of the Board of Directors



A Committed Partnership

Dear Shareholders,

2020 was a difficult year in many respects and the tragic human toll and global economic contraction caused by the COVID-19 pandemic will forever be etched in our collective memories. Cascades is proud to have counted itself among those companies in a position to deliver essential products and services during this time of great crisis. We fulfilled this mission in a professional, efficient and dependable manner all through the year.

During times of great uncertainty and turbulence, more than ever, the members of the Cascades Board of Directors must actively engage with Senior Management to successfully carry out their roles and responsibilities. Over the past year, this involved regular updates and rigorous appraisals of the Corporation's COVID-19 action plans, including the steps taken to safeguard production continuity, ensure supply chain integrity and management, and provide employees with comprehensive health protocols for the workplace and with personal support when it was needed. Equally central was the priority to communicate and coordinate proactively with customers to ensure their dynamic demand needs were being met.

The Board's engagement encompasses more than providing an additional layer of operational and financial vigilance during periods of instability. It also involves comprehensive and continuous oversight of a multitude of business risks and practices, be they environmental, social, or governance related. The first of these, sustainability, has been ingrained in the Corporation's internal and business practices for decades. This commitment is well illustrated by the Corporation's MSCI ESG Rating of A and was further recognized by Cascades' being ranked 17th in the Top 100 Most Sustainable Corporations in the World—placing first in its sector—in the Corporate Knights 2020 annual survey of 8,080 companies worldwide. On the social side, Cascades has a long-standing employee profit-sharing plan, prides itself on supporting employees in their work goals, and has implemented a continuous improvement approach to workplace health and safety. Diversity is also a key social consideration to which Management and the Board are committed. Currently, 6 of the 13 members of the Cascades Board of Directors are women, a level that will reach 6 of 12 following the planned retirement of one Board member in 2021. Furthermore, Cascades has practices in place to ensure that diversity and inclusion are prioritized throughout the Corporation.

Looking back over a turbulent 2020, Cascades demonstrated the resiliency of its operational platforms during a period of great uncertainty disrupted by numerous obstacles. The events of the past year serve as a reminder that companies like Cascades can have an important role to play in society, and can have a positive impact by working together with all of their stakeholders. This engagement to social responsibility has always been a central tenet of Cascades and the decisions it makes, and is one that the Corporation remains resolutely committed to.

I would be remiss if I did not take this opportunity to thank Mr. Louis Garneau who will be retiring from the Board after 25 years of loyal service. When Louis joined our Board he brought with him the energy and innovative mindset of someone who was both a dynamic young entrepreneur and a former world class and Olympic athlete. Throughout his years as a director Louis has continually challenged us to seek improvement of the marketing of our products through innovation and creative thinking contributing in his own unique way to making Cascades a better company.

On behalf of myself and the Board of Directors, we join with the Cascades Management team in thanking every Cascades employee for their tireless commitment, flexibility, and dedication through these turbulent times. In a similar spirit, we thank our shareholders and our business partners for your continued trust and support. We wish you and your loved ones good health and the very best for the coming year.

Mario Plourde

President and Chief Executive Officer

An Unbreakable Determination

Dear Fellow Shareholders,

People, products, and purpose have been fundamental to Cascades for over 55 years, playing essential roles in our culture, core values and our achievements over the decades. Our commitment to these key elements was vital in 2020 as our employees, customers and suppliers, together with the communities in which we operate, navigated the wide-ranging human and economic consequences of the COVID-19 pandemic.

People are at the heart of what we do — and of how and why we do it. The public health crisis over the past year underlined the value of collaboration, demonstrating the important and much needed benefits that can be achieved from working collectively. Cascades is proud to have strengthened our many partnerships in 2020 by working closely with our customers to meet their evolving everyday needs, by supporting our suppliers and local communities, and by maintaining open lines of communication with our employees, offering assistance and guidance when needed. Against the challenging backdrop of the last year, we are inspired by the resolute dedication and resilience demonstrated by our employees. Their adaptability and teamwork showed tremendous commitment.

They went above and beyond when most needed, and ensured our customers continued to receive our industry-leading products, customer service and support during a time of great uncertainty.

Our solutions provide our customers with the essential daily products they need. As a producer of innovative, eco-friendly tissue and packaging solutions, our products play a vital role in the everyday lives of businesses, families, and individuals. The importance of this role was heightened in 2020, as apprehensions related to the pandemic led to an even greater need for our essential products. The substantial investments made in our platforms, equipment and technology over recent years meant we were well prepared to meet the changing needs of our customers throughout the year. In addition to reinforcing the resiliency of our operations and the quality of our products, our strategic investments have equipped Cascades to be a reliable and essential partner for our customers not only during periods of great need, but every day.

Our purpose defines our everyday actions. Cascades strives to reveal the full potential of materials, people and ideas in our daily conduct and activities. In so doing, our goal is to provide businesses and individuals with sustainable, quality, and innovative solutions that bring value to their lives, day in and day out. This has remained true for over five decades, and will continue to drive our focus, growth, and strategy in the future.

Convictions that generate results. Our commitment to people, products and purpose was a driving force behind our strong results in 2020. Several of the key highlights, announcements and achievements of 2020 include:

→ Increased consolidated revenue by 3% year-over-year to $5.2 billion

→ Delivered adjusted OIBD[1] of $675 million (13.1% margin), a 3rd consecutive year of record levels for the Corporation

→ Generated strong adjusted cash flow[1] from operating activities of $582 million, and adjusted free cash flow[1] of $285 million after capital investments

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

→ Successfully decreased net debt[1] to $1,679 million from $1,963 million at the end of 2019, and decreased net leverage[1] to 2.5x from 3.25x at the end of 2019

→ Announced the Bear Island containerboard conversion project in Virginia in conjunction with a $125 million equity offering, an important strategic move that will drive long-term competitive positioning of the Containerboard business.

→ Cascades was named 17th out of the World's 100 Most Sustainable Corporations and 1st in our sector by Corporate Knights in 2020, following an analysis of 8,080 organizations worldwide with more than $1 billion in revenues.

Our multi-year focus to build capital flexibility by strengthening earnings quality, by expanding profitability levels in a sustainable way, by lowering working capital requirements, and by improving the balance sheet enabled us to successfully advance our strategic initiatives during the year. While the COVID-19 pandemic may have added some logistical hurdles, we completed a total of $195 million of capital investments, net of disposals, in 2020, a large portion of which went toward modernizing our tissue platform and our Bear Island containerboard conversion project. I am pleased to note that we also launched important margin improvement initiatives in 2020 that are expected to add 1% annually to consolidated EBITDA levels in both 2021 and 2022, on top of the $75 million contribution to OIBD[1] levels that this program has already realized in 2020. Broadly, these efforts are targeting four key areas: revenue expansion, organizational effectiveness, capital efficiency maximization, and supply chain optimization. These initiatives — along with our ongoing strategic capital investments — are laying the foundation for pivotal growth and important value creation going forward.

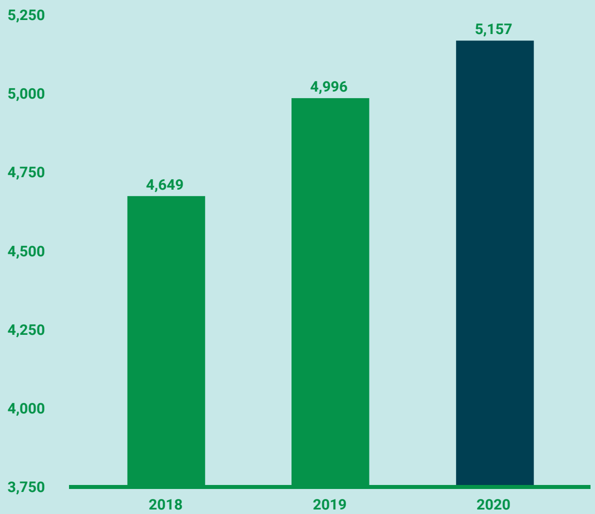
Cascades shares are undervalued compared to many of our peers, currently trading at levels below where we would like and expect. We are committed to providing shareholders with better returns and are confident that the strategic actions we have completed over recent years and continue today are positioning Cascades to do just that. Many of Cascades' management and employees are shareholders and as such, the Corporation evaluates its plans, investments and decisions by using both a strategic lens and a shareholder mindset.

I would like to close by saying that if every cloud has a silver lining, then the silver lining of the challenges and uncertainties of 2020 would be that they pushed us to be the best we could be, confirmed the value created by our investments in assets, equipment and technology by highlighting the resiliency of our operations, and unquestionably demonstrated the exemplary dedication of our employees. As we look to 2021 and beyond, we are focused on advancing our strategic initiatives, building value for our shareholders, supporting our employees, and strengthening our partnerships with our customers, suppliers, and the communities in which we operate.

On behalf of myself, Cascades senior management and employees, we wish you and your family a healthy, happy, and successful year ahead, and thank you for your continued support and trust.

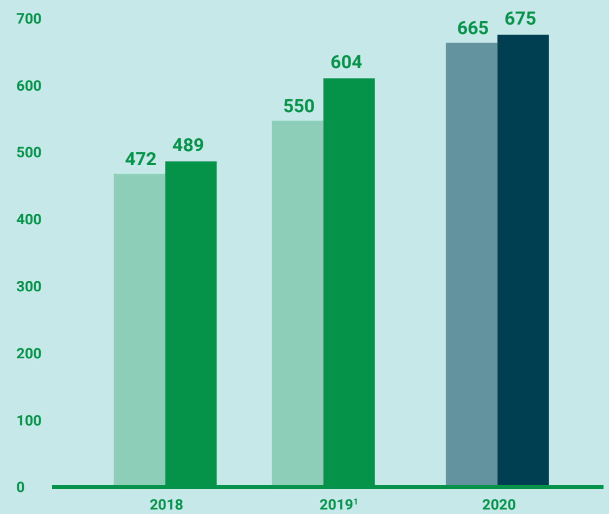
1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.

Sales ($M)

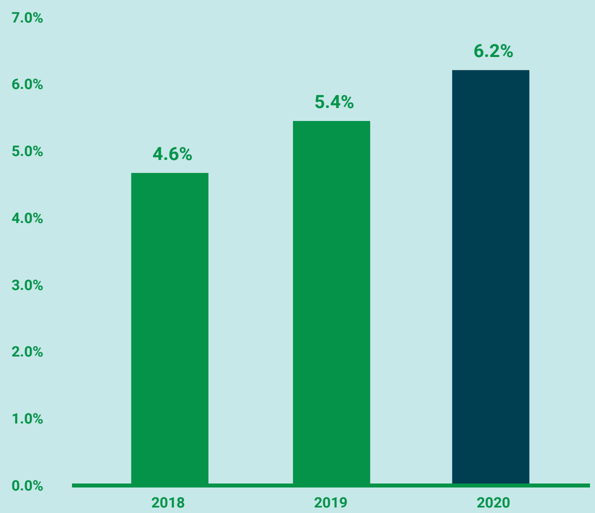


OIBD[2] ($M)

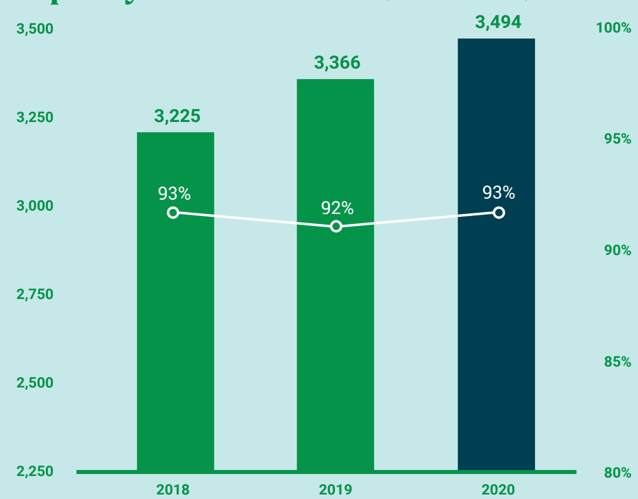
OIBD AJUSTED OIBD



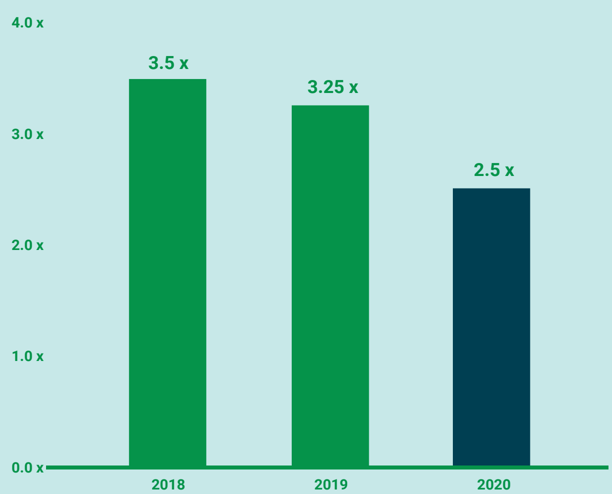
Return on capital employed



Total shipments and manufacturing capacity utilization rate ('000 s.t. and %)



Net debt / Adjusted OIBD[2, 3]



1 2019 results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.

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

3 Pro-forma up to 2018 to include business acquisitions on a last twelve months basis.

Our Values, our Commitment

At Cascades, we're not afraid of a challenge. We believe adversity creates new opportunities and gives us a chance to realize our fullest potential.

In 2020, we were able to count on the determination of our Cascaders. That essential determination draws strength from solid values that are reflected in everything we do.

Subir Biswas
Machine Operator

In overcoming the challenges of the past year, we're proud to have shown solidarity, responsibility, authenticity, and a commitment to excellence.

Fierce Determination

We believe in giving everything we've got. When faced with a challenge, we meet it head on and move forward.

Carolanne Fréchette
Project Leader – Operations

Stronger Together

To persevere, move forward and win with our partners is one of our greatest strengths.

Naturally Respectful

We believe society thrives on an underlying respect for people, communities and the environment. Our desire to create a difference makes everything we undertake more meaningful.

Mohamad El Chayeb
Senior Project Leader - Operations Support

Speak Truthfully

We're open to discussion and we tell it like it is. Because communicating with sincerity and honesty brings us together and gives us the power to move forward.

Financial Information

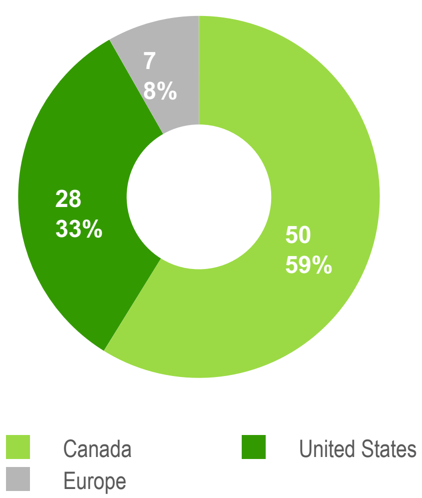
OUR BUSINESS

Cascades Inc. is a paper and packaging company that produces, converts and sells packaging and tissue products composed primarily of recycled fibres. Established in 1964 in Kingsey Falls, Québec, Canada, the Corporation was founded by the Lemaire brothers, who saw the economic and social potential of building a company focused primarily on the sustainable development principles of reusing, recovering and recycling. More than 55 years later, Cascades is a multinational business with 85 operating facilities[1] and approximately 11,700 employees[1] across Canada, the United States and Europe. The Corporation currently operates four business segments:

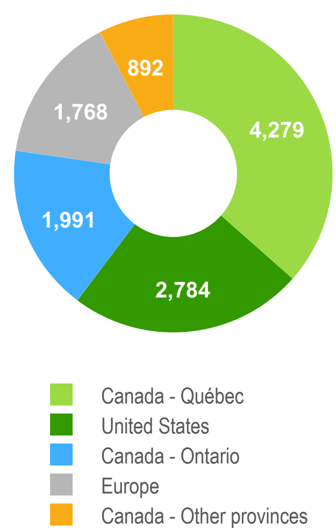
(Business segments)	Number of Facilities[1]	2020 Sales[2] (in $M)	2020 Operating Income Before Depreciation and Amortization (OIBD)[2] (in $M)	2020 Adjusted OIBD[2,4] (in $M)	2020 Adjusted OIBD Margin[2,4] (%)
PACKAGING PRODUCTS					
Containerboard	25	1,918	436	403	21.0%
Boxboard Europe[3]	7	1,052	122	129	12.3%
Specialty Products	18	473	58	60	12.7%
TISSUE PAPERS	17	1,615	145	175	10.8%

The location of our plants[5] and employees around the world are as follows:

Production units and sorting facilities (in figure and in %)



Count of employees worldwide (in figure)



CHANGE IN SEGMENTED INFORMATION

In 2019, the Corporation modified its internal reporting in accordance with CODM requirements and business analysis. The Corporation's Recovery and Recycling activities, previously included in the Specialty Products segment, are now included in Corporate Activities since they support our North American Packaging and Tissue Papers segments and are analyzed separately.

1 *Including associates and joint ventures. The Corporation also has 18 Recovery and Recycling facilities which are included in Corporate Activities.*

2 *Excluding associates and joint ventures not included in consolidated results. Refer to Note 8 of the 2020 Audited Consolidated Financial Statements for more information on associates and joint ventures.*

3 *Via our equity ownership in Reno de Medici S.p.A., an Italian public company.*

4 *Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.*

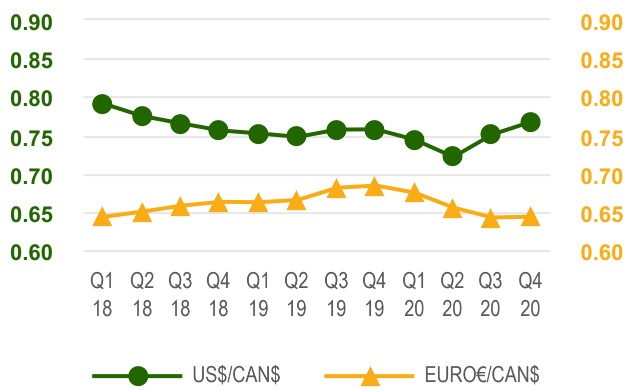
5 *Excluding sales offices, distribution and transportation hubs and corporate offices. Including main associates and joint ventures.*

BUSINESS DRIVERS

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

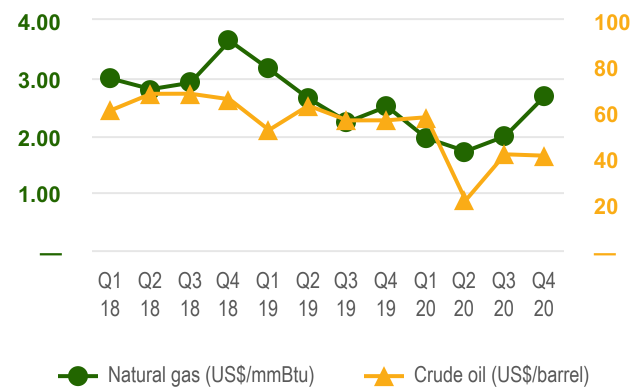
EXCHANGE RATES

On a year-over-year basis, the average value of the Canadian dollar decreased by 1% compared to the US dollar and by 3% compared to the euro in 2020.



ENERGY COSTS

The average price of natural gas decreased by 21% in 2020 compared to the previous year. In the case of crude oil, the average price was 29% lower in 2020 than in 2019.



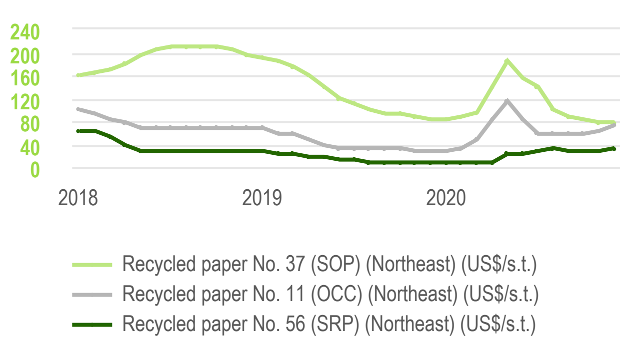
	2018	2019					2020				
	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
US$/CAN$ - Average rate	$ 0.77	$ 0.75	$ 0.75	$ 0.76	$ 0.76	$ 0.75	**$ 0.74**	**$ 0.72**	**$ 0.75**	**$ 0.77**	**$ 0.75**
US$/CAN$ End of period rate	$ 0.73	$ 0.75	$ 0.76	$ 0.76	$ 0.77	$ 0.77	**$ 0.71**	**$ 0.74**	**$ 0.75**	**$ 0.79**	**$ 0.79**
EURO€/CAN$ - Average rate	$ 0.65	$ 0.66	$ 0.67	$ 0.68	$ 0.68	$ 0.67	**$ 0.68**	**$ 0.66**	**$ 0.64**	**$ 0.64**	**$ 0.65**
EURO€/CAN$ End of period rate	$ 0.64	$ 0.67	$ 0.67	$ 0.69	$ 0.69	$ 0.69	**$ 0.64**	**$ 0.66**	**$ 0.64**	**$ 0.64**	**$ 0.64**
Natural Gas Henry Hub - US$/ mmBtu	$ 3.09	$ 3.15	$ 2.64	$ 2.23	$ 2.50	$ 2.63	**$ 1.95**	**$ 1.72**	**$ 1.98**	**$ 2.67**	**$ 2.08**

Source: Bloomberg

RAW MATERIALS

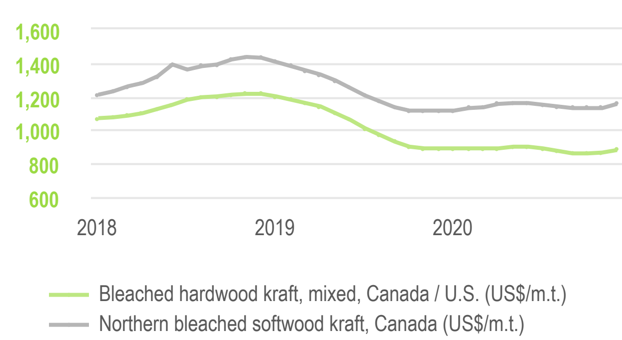
Reference prices - fibre costs in North America[1]

The brown grade recycled paper No. 11 (old corrugated containers, OCC) and the recycled paper No. 56 (sorted residential papers, SRP) index prices increased by 54% and 40%, respectively, in 2020 compared to 2019. The white grade recycled paper No. 37 (sorted office papers, SOP) decreased by 15% in 2020 compared to 2019. The variances in fibre costs reflected changes in both supply and demand levels of fibre throughout the year as a result of the COVID-19 pandemic.



Reference prices - virgin pulp in North America[1]

In 2020, the reference price for NBSK and NBHK decreased by 8% and 15%, respectively, compared to 2019, reflecting global demand supply dynamics.



1 Source: RISI, excluding mixed papers

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIALS

	2018	2019					2020					2020 vs. 2019	
These indexes should only be used as trend indicators; they may differ from our actual selling prices and purchasing costs.	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**	**Change**	**%**
Selling prices (average)													
PACKAGING PRODUCTS													
Containerboard (US$/short ton)													
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	747	752	735	725	725	734	**715**	**715**	**715**	**748**	**723**	**(11)**	**(1%)**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	662	650	640	630	630	638	**615**	**615**	**615**	**648**	**623**	**(15)**	**(2%)**
Boxboard Europe (euro/metric ton)													
Recycled white-lined chipboard (WLC) index[1]	674	672	672	672	669	671	**653**	**661**	**665**	**654**	**658**	**(13)**	**(2%)**
Virgin coated duplex boxboard (FBB) index[2]	1,072	1,117	1,117	1,117	1,115	1,117	**1,099**	**1,096**	**1,095**	**1,095**	**1,096**	**(21)**	**(2%)**
Specialty Products (US$/short ton)													
Uncoated recycled boxboard - 20-pt. bending chip (series B)	696	730	730	730	730	730	**710**	**700**	**700**	**720**	**708**	**(22)**	**(3%)**
TISSUE PAPERS (US$/short ton)													
Parent rolls, recycled fibres (transaction)	1,093	1,151	1,164	1,143	1,109	1,142	**1,111**	**1,138**	**1,123**	**1,110**	**1,120**	**(22)**	**(2%)**
Parent rolls, virgin fibres (transaction)	1,395	1,441	1,444	1,420	1,411	1,429	**1,416**	**1,450**	**1,427**	**1,418**	**1,428**	**(1)**	**—**
Raw materials prices (average)													
RECYCLED PAPER													
North America (US$/short ton)													
Sorted residential papers, No. 56 (SRP - Northeast average)	36	24	16	10	8	15	**8**	**18**	**30**	**30**	**21**	**6**	**40%**
Old corrugated containers, No. 11 (OCC - Northeast average)	74	61	40	33	30	41	**36**	**94**	**58**	**65**	**63**	**22**	**54%**
Sorted office papers, No. 37 (SOP - Northeast average)	193	183	140	101	88	128	**89**	**160**	**109**	**80**	**109**	**(19)**	**(15%)**
Europe (euro/metric ton)													
Recovered paper index[3]	105	96	87	71	49	76	**33**	**82**	**56**	**76**	**62**	**(14)**	**(18%)**
VIRGIN PULP (US$/metric ton)													
Northern bleached softwood kraft, Canada	1,342	1,380	1,292	1,170	1,115	1,239	**1,127**	**1,158**	**1,140**	**1,138**	**1,141**	**(98)**	**(8%)**
Bleached hardwood kraft, mixed, Canada/US	1,152	1,180	1,100	970	893	1,036	**890**	**897**	**875**	**868**	**883**	**(153)**	**(15%)**

Source: RISI and Cascades.

1 *The Cascades Recycled White-Lined Chipboard Selling Price Index is based on published indexes 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, 2018.*

2 *The Cascades Virgin Coated Duplex Boxboard Selling Price Index is based on published indexes 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, 2018.*

3 *The Cascades Recovered Paper Index is based on published indexes 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, 2018.*

SENSITIVITY TABLE[1]

The following table provides a quantitative estimate of the impact that potential changes in the prices of our main products, the costs of certain raw materials, energy and the exchange rates may have on Cascades' annual OIBD, assuming, for each price change, that all other variables remain constant. Estimates are based on Cascades' 2020 manufacturing and converting external shipments and consumption quantities. It is important to note that this table does not consider the Corporation's use of hedging instruments for risk management. These hedging policies and portfolios (see the "Risk Factors" section) should also be considered in order to fully analyze the Corporation's sensitivity to the highlighted factors.

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

	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 Packaging			
Linerboard 42-lb. unbleached kraft, Eastern US	430	US$25/s.t.	**14**
Corrugating medium 26-lb. semichemical, Eastern US	330	US$25/s.t.	**11**
Converting products	780	US$25/s.t.	**25**
	1,540		**50**
Tissue Papers	650	US$25/s.t.	**21**
	2,190		**71**
Europe			
Boxboard	1,310	€25/s.t.	**50**
RAW MATERIALS[2]			
Recycled Papers			
North America			
Brown grades (OCC and others)	1,630	US$15/s.t.	**(32)**
Groundwood grades (SRP and others)	120	US$15/s.t.	**(2)**
White grades (SOP and others)	410	US$15/s.t.	**(8)**
	2,160		**(42)**
Europe			
Brown grades (OCC and others)	990	€15/s.t.	**(23)**
Groundwood grades (SRP and others)	150	€15/s.t.	**(3)**
White grades (SOP and others)	100	€15/s.t.	**(2)**
	1,240		**(28)**
	3,400		**(70)**
Virgin pulp			
North America	200	US$30/s.t.	**(8)**
Europe	90	€30/s.t.	**(4)**
	290		**(12)**
Natural gas			
North America	9,300	US1.00/mmBtu	**(12)**
Europe	5,100	€1.00/mmBtu	**(8)**
	14,400		**(20)**
Exchange rate[3]			
Sales less purchases in US$ from Canadian operations		CAN$/US$ 0.01 change	**—**
U.S. subsidiaries translation		CAN$/US$ 0.01 change	**3**
European subsidiaries translation		CAN$/€ 0.01 change	**1**

1 *Sensitivity calculated according to 2020 volumes or consumption with year-end closing exchange rate of CAN$/US$ 1.30 and CAN$/€ 1.54, excluding hedging programs and the impact of related expenses such as discounts, commissions on sales and profit-sharing.*

2 *Based on 2020 external manufacturing and converting shipments, as well as fibre and pulp consumption. Including purchases sourced internally from our recovery and recycling operations. Adjusted to reflect acquisitions, disposals and closures, if needed.*

3 *As an example, from CAN$/US$ 1.30 to CAN$/US$ 1.31 and from CAN$/€ 1.54 to CAN$/€ 1.55.*

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 repurchase of long-term debt, gains or losses on the acquisition or sale of a business unit, gains or losses on the share of results of associates and joint ventures, unrealized gains or losses on derivative financial instruments that do not qualify for hedge accounting, unrealized gains or losses on interest rate swaps and option fair value revaluation, foreign exchange gains or losses on long-term debt and financial instruments, fair value revaluation gain or losses on investments, specific items of discontinued operations and other significant items of an unusual, non-cash or non-recurring nature.

SPECIFIC ITEMS INCLUDED IN OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND NET EARNINGS

The Corporation incurred the following specific items in 2020 and 2019:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2020

The Containerboard Packaging segment recorded a $40 million gain from the sale of a building and the land of Etobicoke, Ontario, Canada, Containerboard Packaging facility.

The Containerboard Packaging segment recorded a $5 million gain following the release of the escrow amount pertaining to the sale of a building in 2018 located in Maspeth, New York, USA.

The Specialty Products segment recorded a $5 million environmental provision related to plants in Canada, that were closed in the previous years.

The Specialty Products segment also recorded a $3 million gain on the sale of a non significant associate investment.

The Tissue Papers segment recorded a $2 million gain from the sale of assets and a $2 million environmental provision related to closed plants in the USA.

2019

The lease on our Bear Island facility in Virginia was terminated by the lessee. As such, the Containerboard Packaging segment recorded a gain of $10 million following the reversal of liabilities related to lease incentives to the lessee and to accrued carrying costs. In the wake of the lease termination, the segment recorded a loss of $4 million following the sale of newsprint equipments no longer needed.

The Containerboard Packaging segment also recorded a gain of $2 million from the sale of a building and piece of land of a closed plant.

The Specialty Products segment concluded the sale of its two plants in France which convert cardboard into packaging for the paper industry, and recorded a loss of $1 million. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.

The Tissue Papers segment recorded a gain of $25 million following the acquisition Orchids Paper Products Company activities. The Corporate Activities incurred $9 million in fees as part of the Orchids acquisition. Please refer to the "Business Highlights" section and Note 5 of the 2020 Audited Consolidated Financial Statements for more details.

An environmental provision of $4 million related to a plant sold and for which the Corporation retained environmental responsibility was recorded by the Corporate Activities.

The Corporate Activities also recorded a gain of $5 million on the settlement of litigation in compensation for a flooding that occurred years ago at our fine paper mill in St-Jérôme, Québec, Canada, which has since been sold.

INVENTORY ADJUSTMENT RESULTING FROM BUSINESS COMBINATION

2019

During the year, operating results in the Tissue Papers segment were negatively impacted by $2 million. This was the result of the inventory acquired at the acquisition of Orchids being recognized at fair value, with no profit recorded on its subsequent sale.

IMPAIRMENT CHARGES

2020

The Containerboard Packaging segment recorded an impairment charge of $6 million on some equipment as part of the network optimization and profitability improvement initiatives.

The Boxboard Europe segment recorded an impairment charge of $9 million on some assets as their recoverable amount was lower than their carrying amount. Recoverable amount of the assets was based on their fair value less cost of disposal.

The Tissue Papers segment recorded an impairment charge of $13 million on the assets of certain plants as their recoverable amount was lower than the carrying amount due to and the current declining demand in the Away-from-Home market due to the COVID-19 pandemic.

The Tissue Papers segment also recorded an impairment charge of $10 million on some assets as part of the network optimization and profitability improvement initiatives.

The Corporate Activities recorded an impairment charge of $1 million related to renewable energy assets.

2019

As a result of the lease termination on the Bear Island facility, described above, the Containerboard Packaging segment recorded an impairment charge of $5 million on some assets that will not be used in the future.

The Boxboard Europe segment recorded an impairment charge of $13 million on the assets of its La Rochette mill. The segment also recorded an impairment charge of $1 million on intangible assets.

The Specialty Products segment incurred an impairment charge of $1 million on spare parts stemming from the closure of the Trois-Rivières, Québec, Canada, plant that manufactured felt backing for flooring.

The Tissue Papers segment recorded an impairment charge of $5 million on unused assets.

The Tissue Papers segment reviewed the recoverable value of some equipment and spare parts of the Arizona and Waterford, USA, converting facilities and an impairment charge of $30 million. The closures of these facilities were completed during the second quarter of 2020. Please refer to the “Business Highlights” section for more details.

The Corporate Activities recorded an impairment charge of $14 million on the goodwill and intangible assets of its Recovery and Recycling activities. The recoverable amount was established based on the fair market value of the property, plant and equipment.

RESTRUCTURING COSTS

2020

The Containerboard Packaging segment recorded restructuring charges totaling $3 million as part of the network optimization and profitability improvement initiatives.

The Containerboard Packaging segment also recorded restructuring charges totaling $3 million following the announcement of the closure of its Etobicoke, Ontario, Canada, converting facility which is expected to permanently close no later than August 31, 2021.

The Containerboard Packaging segment also recorded a gain of $2 million as a reversal of a contingency related to plant sold in prior years.

The Tissue Papers segment recorded restructuring charges totaling $4 million as part of the network optimization and profitability improvement initiatives.

The Tissue Papers segment recorded restructuring charges totaling $3 million following the announcement of the closure of plants in Pittson and Ransom, Pennsylvania, and Waterford, New York, USA.

The Corporate Activities recorded restructuring charges totaling $2 million as part of profitability improvement initiatives.

2019
The Containerboard Packaging segment recorded $1 million of severance costs related to changes in the management teams of certain plants.

The Specialty Products segment recorded $1 million of restructuring costs stemming from the closure of the Trois-Rivières, Québec, Canada, plant that manufactured felt backing for flooring.

The Tissue Papers segment recorded $5 million of restructuring costs related to the closure of two tissue paper machines and facilities in Ontario, Canada and changes in the segment's senior management. As well, restructuring costs of $2 million related to the closure of the Arizona and Waterford, USA, converting facilities were recorded. The closures of these facilities were completed during the second quarter of 2020. Please refer to the “Business Highlights” section for more details.

DERIVATIVE FINANCIAL INSTRUMENTS

In 2020, the Corporation recorded an unrealized loss of $1 million, compared to an unrealized gain of $2 million in 2019, on certain derivative financial instruments not designated for hedge accounting.

LOSS ON REPURCHASE OF LONG-TERM DEBT

2020
The Corporation redeemed US$200 million of its unsecured senior notes and recorded an early repurchase premium of $4 million and wrote off $2 million of related unamortized financing costs.

2019
The Corporation redeemed US$400 million and $250 million of its unsecured senior notes and recorded an early repurchase premium of $11 million and wrote off $3 million of related unamortized financing costs.

INTEREST RATE SWAPS

In 2019, the Corporation recorded in line item “Financing expenses” an unrealized gain of $1 million on interest rate swaps.

OPTION FAIR VALUE REVALUATION

In 2020, the Corporation recorded in line item “Interest expense (revenue) on employee future benefits and other liabilities” an unrealized gain of $13 million, compared to an unrealized loss of $1 million in 2019, on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project.

In 2020, the Corporation also recorded in line item “Interest expense (revenue) on employee future benefits and other liabilities” an unrealized loss of $2 million pertaining to a call option granted by the Corporation to one of the minority shareholders of Falcon Packaging LLC.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2020, the Corporation recorded a gain of $6 million on its US$- denominated debt and related financial instruments, compared to a gain of $6 million in 2019. This is composed of a gain of $3 million in 2020, compared to nil in 2019 on our US$- denominated long-term debt, net of our net investment hedges in the US, as well as forward exchange contracts designated as hedging instruments. It also includes a gain of $3 million in 2020, compared to a gain of $6 million in 2019, on foreign exchange forward contracts not designated for hedge accounting.

FAIR VALUE REVALUATION LOSS ON INVESTMENTS

In 2020, the Corporation recorded a fair value revaluation loss on investments of $3 million on a joint venture.

PROVISION FOR INCOME TAXES

In 2020, the Corporation reassessed the probability of recovering unrealized capital losses following the redemption of its US$- denominated debts, which resulted in the recognition of tax assets totaling $3 million, of which $2 million was recorded in results, compared to the recognition of tax assets totaling $12 million, of which $11 million was recorded in results in 2019.

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. This 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 the contribution of each segment when excluding depreciation and 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 the contribution of each segment on a comparable basis.
- Adjusted operating income: Used to assess operating performance of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Adjusted free cash flow: Used to assess the Corporation's capacity to generate cash flows to meet financial obligations and/or discretionary items such as share repurchase, dividend increase and strategic investments.
- Net debt to adjusted OIBD ratio: Used to measure the Corporation's credit performance and evaluate financial leverage.
- Net debt to adjusted OIBD ratio on a pro-forma basis: Used to measure the Corporation's credit performance and evaluate the financial leverage on a comparable basis, including significant business acquisitions and excluding significant business disposals, if any.

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:

						2020
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	321	74	42	72	(143)	366
Depreciation and amortization	115	48	16	73	47	299
Operating income (loss) before depreciation and amortization	436	122	58	145	(96)	665
Specific items:						
Loss (gain) on acquisitions, disposals and others	(45)	—	2	—	—	(43)
Impairment charges	6	9	—	23	1	39
Restructuring costs	4	—	—	7	2	13
Unrealized loss (gain) on derivative financial instruments	2	(2)	—	—	1	1
	(33)	7	2	30	4	10
Adjusted operating income (loss) before depreciation and amortization	403	129	60	175	(92)	675
Adjusted operating income (loss)	288	81	44	102	(139)	376

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers[1]	Corporate Activities	Consolidated
						2019
Operating income (loss)	328	45	36	6	(154)	261
Depreciation and amortization	115	47	16	61	50	289
Operating income (loss) before depreciation and amortization	443	92	52	67	(104)	550
Specific items:						
Loss (gain) on acquisitions, disposals and others	(8)	—	1	(25)	8	(24)
Inventory adjustment resulting from business combination	—	—	—	2	—	2
Impairment charges	5	14	1	35	14	69
Restructuring costs	1	—	1	7	—	9
Unrealized loss (gain) on derivative financial instruments	—	2	—	—	(4)	(2)
	(2)	16	3	19	18	54
Adjusted operating income (loss) before depreciation and amortization	441	108	55	86	(86)	604
Adjusted operating income (loss)	326	61	39	25	(136)	315

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

(in millions of Canadian dollars)	**2020**	2019[1]
Net earnings attributable to Shareholders for the period	**198**	72
Net earnings attributable to non-controlling interests	**36**	28
Provision for income taxes	**45**	19
Fair value revaluation loss on investments	**3**	—
Share of results of associates and joint ventures	**(14)**	(9)
Foreign exchange gain on long-term debt and financial instruments	**(6)**	(6)
Financing expense and interest expense (revenue) on employee future benefits and other liabilities and loss on repurchase of long-term debt	**104**	157
Operating income	**366**	261
Specific items:		
Gain on acquisitions, disposals and others	**(43)**	(24)
Inventory adjustment resulting from business combination	**—**	2
Impairment charges	**39**	69
Restructuring costs	**13**	9
Unrealized loss (gain) on derivative financial instruments	**1**	(2)
	10	54
Adjusted operating income	**376**	315
Depreciation and amortization	**299**	289
Adjusted operating income before depreciation and amortization	**675**	604

1 2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.

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

(in millions of Canadian dollars, except amount per share)	NET EARNINGS 2020	NET EARNINGS 2019[2]	NET EARNINGS PER SHARE[1] 2020	NET EARNINGS PER SHARE[1] 2019[2]
As per IFRS	**198**	72	**$ 2.04**	$ 0.77
Specific items:				
Gain on acquisitions, disposals and others	**(43)**	(24)	**$ (0.38)**	$ (0.28)
Inventory adjustment resulting from business combination	**—**	2	**—**	$ 0.02
Impairment charges	**39**	69	**$ 0.29**	$ 0.53
Restructuring costs	**13**	9	**$ 0.10**	$ 0.07
Unrealized loss (gain) on derivative financial instruments	**1**	(2)	**$ 0.02**	$ (0.02)
Loss on repurchase of long-term debt	**6**	14	**$ 0.05**	$ 0.11
Unrealized gain on interest rate swaps and options fair value	**(11)**	—	**$ (0.12)**	—
Foreign exchange gain on long-term debt and financial instruments	**(6)**	(6)	**$ (0.05)**	$ (0.06)
Fair value revaluation loss on investments	**3**	—	**$ 0.02**	—
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(13)**	(38)	**$ (0.02)**	$ (0.12)
	(11)	24	**$ (0.09)**	$ 0.25
Adjusted	**187**	96	**$ 1.95**	$ 1.02

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

2 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements 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)	2020	2019[1]
Cash flow from operating activities	**587**	460
Changes in non-cash working capital components	**(20)**	(59)
Depreciation and amortization	**(299)**	(289)
Net income taxes paid	**9**	27
Net financing expense paid	**79**	133
Premium paid on repurchase of long-term debt	**4**	11
Gain on acquisitions, disposals and others	**43**	27
Impairment charges and restructuring costs	**(52)**	(68)
Unrealized gain (loss) on derivative financial instruments	**(1)**	2
Dividend received, employee future benefits and others	**16**	17
Operating income	**366**	261
Depreciation and amortization	**299**	289
Operating income before depreciation and amortization	**665**	550

1 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.*

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 share basis:

(in millions of Canadian dollars, except amount per share or as otherwise mentioned)	2020	2019
Cash flow from operating activities	**587**	460
Changes in non-cash working capital components	**(20)**	(59)
Cash flow from operating activities (excluding changes in non-cash working capital components)	**567**	401
Specific items paid	**15**	24
Adjusted cash flow from operating activities	**582**	425
Capital expenditures, other assets[1] and lease obligations payments, net of disposals of $55 million (2019 - $27 million)	**(250)**	(278)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(47)**	(40)
Adjusted free cash flow	**285**	107
Adjusted free cash flow per share	**$ 2.97**	$ 1.14
Weighted average basic number of shares outstanding	**95,924,835**	93,987,980

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, 2020	December 31, 2019
Long-term debt	**1,949**	2,022
Current portion of long-term debt	**102**	85
Bank loans and advances	**12**	11
Total debt	**2,063**	2,118
Less: Cash and cash equivalents	**384**	155
Net debt	**1,679**	1,963
Adjusted OIBD (last twelve months)	**675**	604
Net debt / Adjusted OIBD	**2.5x**	3.25x

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - 2020

In 2020, the Corporation posted net earnings of $198 million, or $2.04 per share, compared to net earnings of $72 million, or $0.77 per share, in 2019[1]. On an adjusted basis[2], the Corporation generated net earnings of $187 million during 2020, or $1.95 per share, compared to net earnings of $96 million, or $1.02 per share, in 2019.

Annual consolidated sales reached $5,157 million in 2020, an increase of $161 million, or 3%, compared to 2019. This performance reflected strong sales driven mostly by increased demand in the Tissue Papers consumer products and overall packaging solutions, mainly attributable to the repercussions of the COVID-19 pandemic which contributed to higher demand for the essential products we manufacture, and favourable exchange rates. However, these were partly offset by lower average selling prices and mix of products for the Packaging Products segments.

The Corporation recorded an operating income before depreciation and amortization (OIBD) of $665 million during the year, compared to $550 million in 2019[1]. On an adjusted basis[2], operating income before depreciation and amortization stood at $675 million in 2020, compared to $604 million in 2019. This largely reflects year-over-year improved results in the Tissue Papers segment. Energy cost were lower for all segments while raw material were also beneficial for all segments except for Containerboard. Volume increased for all segments while year-over-year average selling price and mix were lower for Packaging Products segments and positive for Tissue Papers. Recovery and Recycling activities results included in the Corporate Activities segment were positively impacted by increased prices of recycled brown paper and contributed positively to the operating income.

Given the uncertainty regarding the potential impact from the COVID-19 pandemic over the coming months, we continue to regularly update our financial and cash flow forecasts. Although the pandemic had an overall favourable impact on volume levels in 2020, the Corporation continues to monitor its credit risk due to the high level of uncertainty in the market.

FINANCIAL OVERVIEW - 2019

Annual consolidated sales totaled $4,996 million, an increase of $347 million or 7% compared to 2018 levels. This performance reflected business acquisitions, higher average selling price and beneficial foreign exchange rate. These were partly offset by lower volumes and lower sales from our Recovery and Recycling activities attributable to lower market price of recovered papers.

Operating income before depreciation and amortization (OIBD) increased by $78 million, or 17%, to $550 million in 2019[1]. This largely reflects strong year-over-year improved results in the Tissue Papers segment, higher average selling price, business acquisitions and lower raw material and energy costs. However, volume were down from prior year levels and production costs were higher partly due to a the change in mix of product sold.

MARGIN IMPROVEMENT PROGRAM

In the first quarter of 2020, the Corporation initiated an important profit margin improvement program for its North American operations focused on improving competitiveness, efficiency and productivity thereby limiting the potential negative effects related to economic downturns or adverse market conditions. A similar program was already underway in the European operations.

The program is built on five strategic pillars: net revenue management, production efficiency, optimization of sales and operations planning, supply chain efficiency and organizational effectiveness.

The objective of this program is to improve adjusted OIBD margin by 1% annually in 2020, 2021 and 2022, with these improvements calculated from the levels of 2019, our baseline year.

Although the pandemic delayed the implementation of some initiatives, we were able to exceed our target for 2020 by achieving approximately $75 million of adjusted OIBD, net of related costs to implement such initiatives. These benefits offset some negative impacts related to COVID-19, increased raw materials costs and reduced selling prices for certain products.

1 2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.

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

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:

	2018	2019[8]					2020				
	YEAR	Q1	Q2	Q3[8]	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR
OPERATIONAL											
Total shipments (in '000 s.t.)[1]											
Packaging Products											
Containerboard	1,475	342	363	377	365	1,447	**374**	**360**	**411**	**399**	**1,544**
Boxboard Europe	1,125	333	331	321	305	1,290	**351**	**326**	**316**	**312**	**1,305**
	2,600	675	694	698	670	2,737	**725**	**686**	**727**	**711**	**2,849**
Tissue Papers	625	146	155	161	167	629	**181**	**167**	**145**	**152**	**645**
Total	3,225	821	849	859	837	3,366	**906**	**853**	**872**	**863**	**3,494**
Integration rate[2]											
Containerboard	57%	59%	59%	58%	58%	58%	**57%**	**57%**	**53%**	**55%**	**56%**
Tissue Papers	70%	76%	77%	76%	75%	76%	**73%**	**70%**	**70%**	**79%**	**73%**
Manufacturing capacity utilization rate[3]											
Packaging Products											
Containerboard	93%	88%	91%	94%	92%	91%	**98%**	**92%**	**98%**	**97%**	**96%**
Boxboard Europe	94%	96%	95%	93%	88%	93%	**101%**	**94%**	**91%**	**90%**	**94%**
Tissue Papers	90%	87%	92%	93%	84%	88%	**88%**	**87%**	**73%**	**86%**	**83%**
Consolidated total	93%	91%	93%	93%	90%	92%	**97%**	**92%**	**91%**	**92%**	**93%**
FINANCIAL											
Return on assets[4]											
Packaging Products											
Containerboard	20%	20%	20%	20%	20%	20%	**20%**	**19%**	**18%**	**18%**	**18%**
Boxboard Europe	15%	15%	14%	14%	15%	15%	**15%**	**17%**	**18%**	**18%**	**18%**
Specialty Products	11%	13%	16%	21%	21%	21%	**20%**	**20%**	**20%**	**22%**	**22%**
Tissue Papers	2%	1%	2%	4%	7%	7%	**9%**	**12%**	**13%**	**13%**	**13%**
Consolidated return on assets	10.6%	11.0%	11.2%	11.4%	12.0%	12.0%	**12.3%**	**12.7%**	**12.8%**	**13.1%**	**13.1%**
Return on capital employed[5]	4.6%	4.8%	4.9%	4.9%	5.4%	5.4%	**5.6%**	**6%**	**5.9%**	**6.2%**	**6.2%**
Working capital[6]											
In millions of $, at end of period	455	500	525	502	416	416	**488**	**494**	**465**	**365**	**365**
As a percentage of sales[7]	10.6%	10.4%	10.3%	10.3%	10.1%	10.1%	**9.9%**	**9.7%**	**9.8%**	**9.6%**	**9.6%**

1 *Shipments do not take into account the elimination of business sector inter-segment shipments. Shipments from our Specialty Products segment are not presented as it uses different units of measure.*

2 *Defined as: Percentage of manufacturing shipments transferred to our converting operations.*

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

4 *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.*

5 *Return on capital employed is a non-IFRS measure and is defined as the after-tax 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.*

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

7 *Percentage of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals.*

8 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.*

HISTORICAL FINANCIAL INFORMATION

	2018					2019[2]					2020
(in millions of Canadian dollars, unless otherwise noted)	YEAR	Q1	Q2	Q3[2]	Q4	YEAR	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
Sales											
Packaging Products											
Containerboard	1,840	441	462	473	451	1,827	**458**	**454**	**506**	**500**	**1,918**
Boxboard Europe	933	279	270	256	243	1,048	**272**	**265**	**261**	**254**	**1,052**
Specialty Products	358	129	135	123	105	492	**113**	**120**	**117**	**123**	**473**
Inter-segment sales	(14)	(4)	(3)	(4)	(3)	(14)	**(3)**	**(5)**	**(4)**	**(6)**	**(18)**
	3,117	845	864	848	796	3,353	**840**	**834**	**880**	**871**	**3,425**
Tissue Papers	1,352	348	377	387	397	1,509	**446**	**424**	**364**	**381**	**1,615**
Inter-segment sales and Corporate Activities	180	37	34	29	34	134	**27**	**27**	**31**	**32**	**117**
Total	4,649	1,230	1,275	1,264	1,227	4,996	**1,313**	**1,285**	**1,275**	**1,284**	**5,157**
Operating income (loss)											
Packaging Products											
Containerboard	381	84	84	91	69	328	**74**	**54**	**71**	**122**	**321**
Boxboard Europe	62	18	19	14	(6)	45	**20**	**30**	**19**	**5**	**74**
Specialty Products	24	9	12	10	5	36	**8**	**11**	**11**	**12**	**42**
	467	111	115	115	68	409	**102**	**95**	**101**	**139**	**437**
Tissue Papers[2]	(122)	(8)	1	34	(21)	6	**28**	**31**	**3**	**10**	**72**
Corporate Activities	(117)	(31)	(34)	(41)	(48)	(154)	**(40)**	**(32)**	**(31)**	**(40)**	**(143)**
Total	228	72	82	108	(1)	261	**90**	**94**	**73**	**109**	**366**
Adjusted OIBD[1]											
Packaging Products											
Containerboard	410	104	113	118	106	441	**99**	**94**	**100**	**110**	**403**
Boxboard Europe	97	29	30	25	24	108	**30**	**43**	**29**	**27**	**129**
Specialty Products	33	14	16	16	9	55	**12**	**17**	**16**	**15**	**60**
	540	147	159	159	139	604	**141**	**154**	**145**	**152**	**592**
Tissue Papers	17	9	18	24	35	86	**45**	**54**	**36**	**40**	**175**
Corporate Activities	(68)	(21)	(21)	(22)	(22)	(86)	**(25)**	**(22)**	**(19)**	**(26)**	**(92)**
Total	489	135	156	161	152	604	**161**	**186**	**162**	**166**	**675**
Adjusted OIBD / Sales (%)	10.5%	11.0%	12.2%	12.7%	12.4%	12.1%	**12.3%**	**14.5%**	**12.7%**	**12.9%**	**13.1%**
Net earnings (loss)[2]	57	24	31	43	(26)	72	**22**	**54**	**49**	**73**	**198**
Adjusted[1]	79	13	26	28	29	96	**39**	**58**	**48**	**42**	**187**
Net earnings (loss) per share (in dollars)											
Basic[2]	$ 0.60	$ 0.26	$ 0.33	$ 0.45	$ (0.27)	$ 0.77	**$ 0.24**	**$ 0.57**	**$ 0.51**	**$ 0.72**	**$ 2.04**
Diluted[2]	$ 0.56	$ 0.26	$ 0.32	$ 0.44	$ (0.27)	$ 0.75	**$ 0.23**	**$ 0.57**	**$ 0.50**	**$ 0.72**	**$ 2.02**
Basic, adjusted[1]	$ 0.83	$ 0.14	$ 0.28	$ 0.30	$ 0.30	$ 1.02	**$ 0.42**	**$ 0.61**	**$ 0.50**	**$ 0.42**	**$ 1.95**
Cash flow from operating activities (excluding changes in non-cash working capital components)	361	82	124	104	91	401	**153**	**162**	**106**	**146**	**567**
Net debt[1]	1,769	1,878	1,861	2,070	1,963	1,963	**2,212**	**2,077**	**1,982**	**1,679**	**1,679**

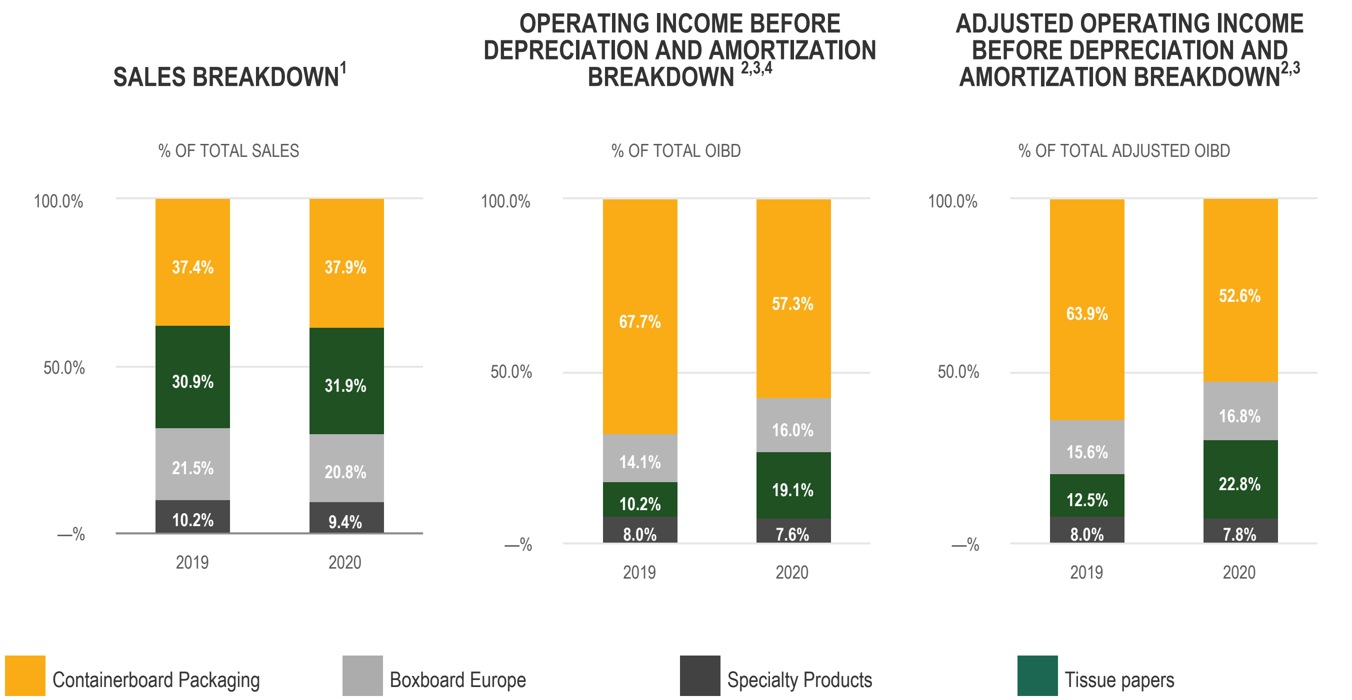
1 *Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.*

2 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.*

CHANGE IN SEGMENTED INFORMATION

In 2019, the Corporation modified its internal reporting in accordance with CODM requirements and business analysis. The Corporation's Recovery and Recycling activities, previously included in the Specialty Products segment, are now included in Corporate Activities since they support our North American Packaging and Tissue Papers segments and are analyzed separately.

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



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, 2020 and 2019. Information contained herein includes any significant developments as at February 24, 2021, 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 as issued by the International Accounting Standards Board (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.

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.*

4 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.*

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 2020 and 2019 results.

BUSINESS START-UP, ACQUISITION, DISPOSAL AND CLOSURE

SPECIALTY PRODUCTS

- On September 30, 2019, the Corporation concluded the sale of its two facilities in France that convert cardboard into packaging for the paper industry.

- In July 2019, the Corporation closed its plant that manufactured felt backing for flooring, located in Trois-Rivières, Québec, Canada.

TISSUE PAPERS

- On September 13, 2019, the Corporation completed the acquisition of Orchids' assets. The assets include the Barnwell, South Carolina, USA and Pryor, Oklahoma, USA plants.

- In the second quarter of 2019, the Corporation closed its tissue paper machines and facilities located in Whitby and Scarborough, Ontario, Canada.

SIGNIFICANT FACTS AND DEVELOPMENTS

2020

- On February 15, 2021, Reno de Medici S.p.A, a subsidiary of the Corporation in the Boxboard Europe segment, announced the signature of a put option for the sale of its French subsidiary, which produces virgin fiber-based boxboard. The transaction is expected to close at the end of the second quarter of 2021 and total enterprise value is set at €29 million ($45 million). The transaction will not result in significant gain or loss on disposal and will result in discontinued operations.

- On December 11, 2020, Greenpac entered into an agreement with its lenders to extend and amend its credit facilities. The amended credit agreement still provides Greenpac with a revolving credit of US$50 million while the principal of the term loan was reduced, with cash on hand and utilization of the revolving line of credit, to US$75 million, from US$122 million at the time of the amendment. The term of the amended credit agreement is extended to December 2023. The financing terms and conditions remain essentially unchanged.

- On November 25, 2020, the Corporation announced that it will progressively and permanently close tissue converting operations at its Laval plant, located in Québec, Canada. The volume will be moved to other Cascades plants and filled by additional capacity. Operations are expected to be terminated in June 2021.

- On October 8, 2020, the Corporation announced that it will progressively and permanently close tissue production and converting operations at its Ransom and Pittston plants, located in Pennsylvania, USA. The volume will be moved to other Cascades plants and filled by additional capacity. Operations ceased in December 2020 and January 2021.

- On October 5, 2020, the Corporation announced plans to proceed with the strategic Bear Island mill conversion project to recycled containerboard located in Virginia, USA. To finance the equity portion of the project, the Corporation entered into an agreement with underwriters pursuant to which the Corporation issued and the underwriters purchased on a bought deal basis 7,441,000 common shares at a price of $16.80 per common share for gross proceeds of $125 million.

- On September 30, 2020, the Boxboard Europe segment, through its equity ownership in Reno de Medici S.p.A., announced that it had signed four preliminary agreements for the acquisition of 100% of the share capital of Papelera del Principado S.A. ("Paprinsa") and three smaller adjoining companies, in Spain. The deals cover the acquisition of one of the main European players of the coated chipboard industry for a price based on the enterprise value that can vary between €27 million ($42 million) and €33 million ($51 million). The transaction is expected to close in the first quarter of 2021.

- On August 17, 2020, the Corporation announced that it had completed its private offering of US$300 million aggregate principal amount of 5.375% senior notes due in 2028. The new notes were issued at a price of 104.25%, resulting in an effective yield of 4.69%. Transaction fees amounted to $4 million. The net proceed from the notes offering was used by the Corporation to redeem all of its outstanding 5.75% US$200 million senior notes due in 2023 and repay certain amounts outstanding under its revolving credit facility. The Corporation also paid $4 million of premium and wrote off $2 million of unamortized financing costs related to these notes.

- On July 28, 2020, the Corporation announced the closure of its Etobicoke, Ontario, Canada, Containerboard Packaging facility as part of the strategic repositioning of its containerboard platform in Ontario, Canada. Operations will permanently close no later than August 31, 2021 and production capacity will be gradually redeployed to other units within the region.

- On May 26, 2020, the Corporation announced the closure of the Brown Containerboard Packaging facility located in Burlington, Ontario, Canada, as part of the Corporation's continuing optimization initiatives for its Containerboard Packaging business. Production was redeployed to our other units in Ontario, Canada.

- The Corporation exercised its option to purchase the 20.20% interest in Greenpac Holding LLC (“Greenpac”) held by the Caisse de dépôt et placement du Québec (CDPQ) on November 30, 2019 for an exercise price of US$93 million ($121 million). The transaction closed January 3, 2020 and increased the Corporation's direct and indirect ownership interest in Greenpac to 86.35%.

2019

- On November 26, 2019, the Corporation announced that it had completed its private offering of US$350 million aggregate principal amount of 5.125% senior notes due 2026, US$300 million aggregate principal amount of 5.375% senior notes due 2028 and $175 million aggregate principal amount of 5.125% senior notes due 2025. The net proceeds from the notes offering were used by the Corporation to redeem all of its outstanding $250 million aggregate principal amount of 5.50% senior notes due 2021 and US$400 million aggregate principal amount of 5.50% senior notes due 2022 and repay certain amounts outstanding under its revolving credit facility. The Corporation also paid $11 million of premiums and wrote off $3 million of unamortized financing costs related to these notes.

- On October 30, 2019, the Corporation announced the closure of its Waterford, New York, USA and Kingman, Arizona, USA tissue converting facilities, which produced a combined total volume of 9 million cases of tissue products. This volume has been transferred to the Corporation's other Tissue Papers facilities with available capacity and the newly acquired Orchids activities (see Note 5 of the 2020 Audited Consolidated Financial Statements for more details). The closures of these facilities were completed during the second quarter of 2020.

- On August 9, 2019, the Corporation announced that its quarterly dividend would be increased from $0.04 to $0.08 per share.

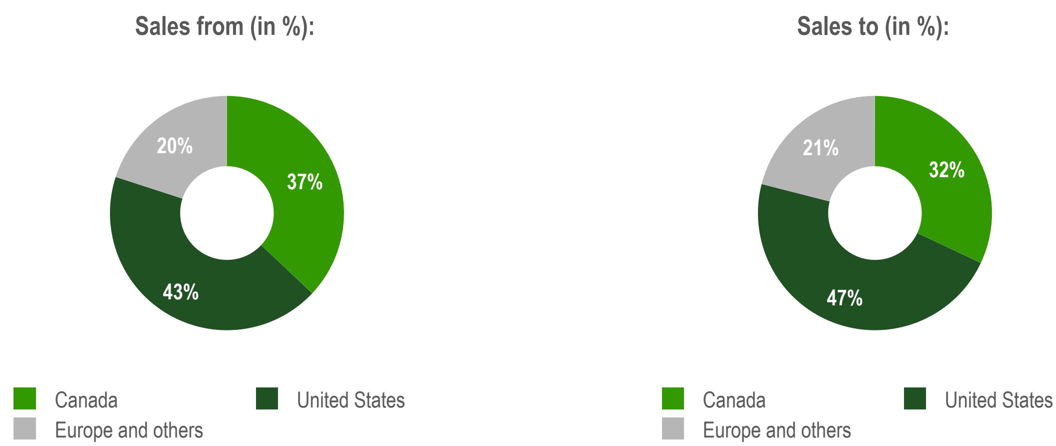
- On May 31, 2019, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million revolving credit facility. The amendment extends the term of the facility to July 2023. The financial conditions remain unchanged.

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020, COMPARED TO THE YEAR ENDED DECEMBER 31, 2019

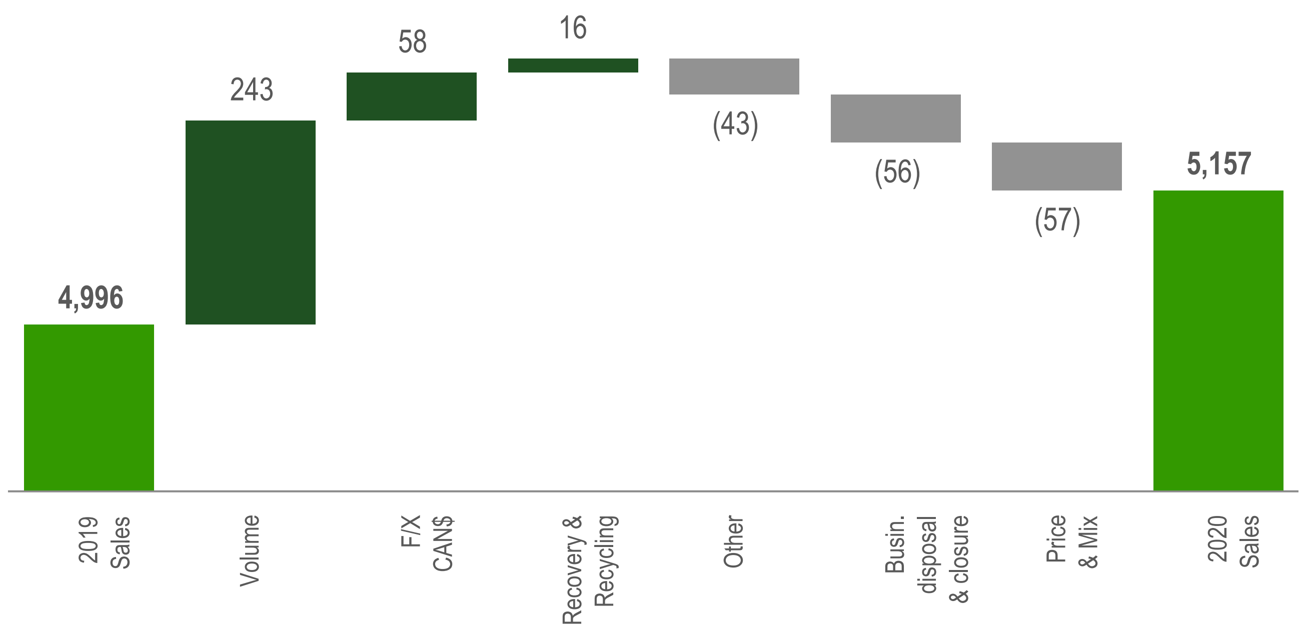
SALES

Sales increased by $161 million, or 3%, to $5,157 million in 2020, compared with $4,996 million in 2019. This was largely a reflection of the net volume increase in all segments, especially in the Tissue Papers segment where COVID-19 related demand and the Orchids acquisition had a positive impact. Average selling price in the Tissue Papers was favourable year-over-year. The 1% and 3% average depreciation of the Canadian dollar compared to the US dollar and euro, respectively, was also beneficial. These benefits were partially offset by lower average selling prices and/or less favourable sales mix in Packaging Products business segments. In Specialty Products year-over-year sales performance levels were nonetheless negatively impacted as a result of a plant closure and a business divestiture completed in 2019.

Sales by geographic segment are as follows:



The main variances in sales in 2020, compared to 2019, are shown below (in millions of Canadian dollars):

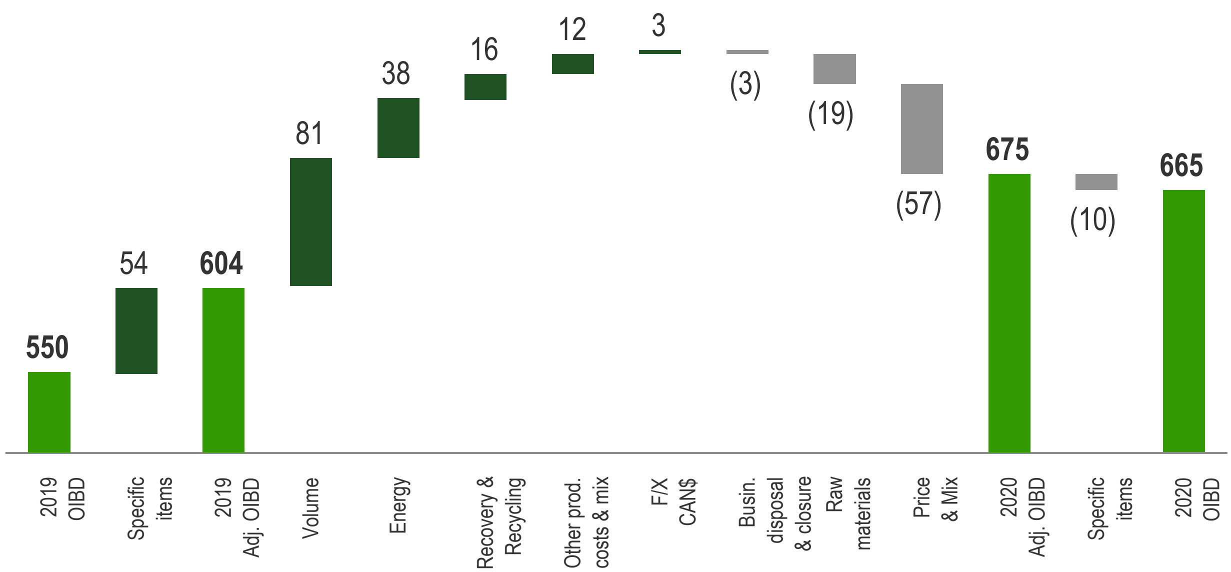


OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an OIBD of $665 million in 2020, compared with $550 million in 2019[1], an increase of $115 million. Specific items[2] recorded in both years impacted the OIBD by an increase of $44 million. Excluding specific items, the $71 million adjusted OIBD increase is mainly explained by the higher volumes and lower energy costs in all segments. Conversely, lower average selling prices and sales mix had a negative impact for all Packaging Products segments, while favourable selling price and mix positively impacted results in Tissue Papers. Higher average raw material prices negatively impacted margins in 2020 compared to 2019 in Containerboard. All the other segments were less affected by the volatility of raw material prices. The positive impact of the network optimization and profitability improvement initiatives deployed by the Corporation is reflected in lower production costs. Recovery and Recycling included in the Corporate Activities segment added $16 million to OIBD due to better market pricing for recovered paper in 2020. Also, research and development (R&D) tax credits amounting to $19 million in 2020, compared to $15 million in 2019, had a positive impact on OIBD levels in 2020.

Adjusted OIBD[2] totaled $675 million in 2020, an increase from $604 million in 2019.

The main variances in OIBD in 2020, compared to 2019, are shown below (in millions of Canadian dollars):



Adjusted OIBD	*Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.*
Raw materials (OIBD)	*The impacts of these estimated costs are based on production costs per unit shipped externally or inter-segment, which are affected by yield, product mix changes, inbound freight costs and purchase and transfer prices. In addition to market pulp and recycled fibre, these costs include purchases of external boards and parent rolls for the converting sector, and other raw materials such as plastic and wood chips.*
F/X CAN$ (OIBD)	*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 the "Sensitivity Table" section for further details).*
Other production costs and mix (OIBD)	*These costs include the impact of variable and fixed costs based on production costs per unit shipped externally, which are affected by downtime, efficiency and product mix changes.*
Recovery and Recycling activities (Sales and OIBD)	*While this sub-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 sales and OIBD variances analysis by segment is shown in each business segment review (please refer to the "Business Segment Review" section for more details).

The Corporation incurred certain specific items in 2020 and 2019 that adversely or positively affected its operating results[2].

1 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.*

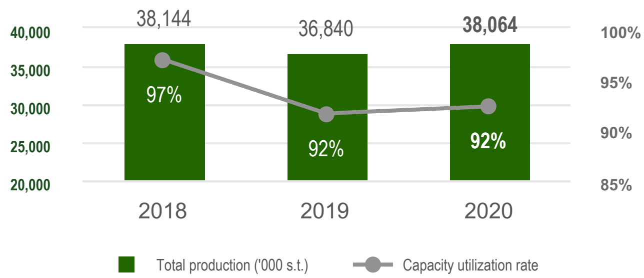
2 *Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.*

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

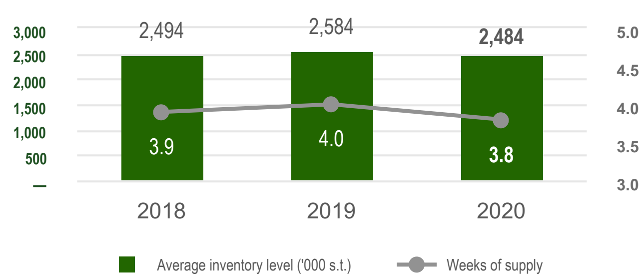
U.S. containerboard industry production and capacity utilization rate[1]

Total U.S.containerboard production amounted to 38.1 million short tons in 2020, an increase of 3% compared to 2019, a reflection of stronger demand levels driven by the COVID-19 pandemic. As a result, the industry's capacity utilization rate increased to 92.3% in 2020 from 91.6% in 2019.



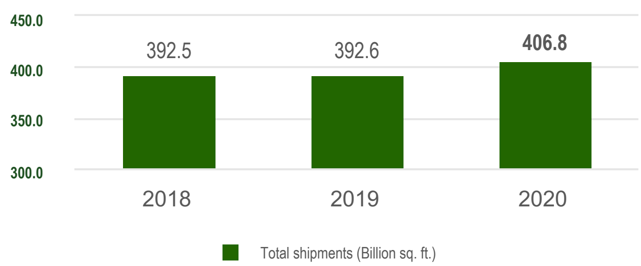
U.S. containerboard inventories at box plants and mills[2]

The average inventory level decreased by 3.9% year-over-year in 2020, and was also below 2018 levels, as demand for corrugated products increased with changing demand patterns related to the COVID-19 pandemic, leading to lower inventory levels. The number of weeks of supply in inventory averaged 3.8x for the year, down from 4.0x in 2019.



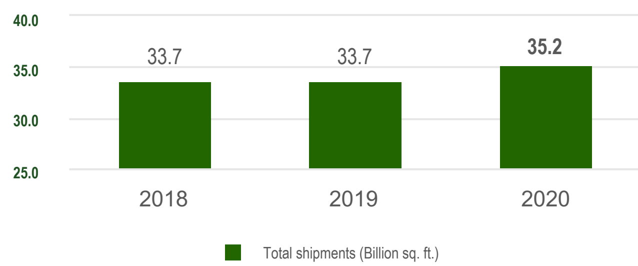
U.S corrugated box industry shipments[2]

Total U.S. corrugated box shipments increased by 4% in 2020 compared to 2019. This reflects strong demand related to continued essential manufacturing activity, in addition to heightened demand, including e-commerce, related to the COVID-19 pandemic.



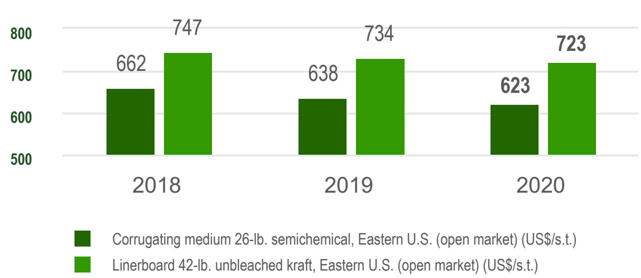
Canadian corrugated box industry shipments[3]

Canadian corrugated box shipments increased by 4% in 2020 compared to 2019. This reflects continuation of essential manufacturing and services, in addition to heightened demand, including e-commerce, related to the COVID-19 pandemic.



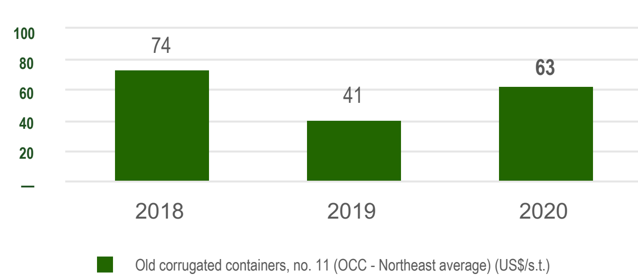
Reference prices - containerboard[1]

2020 reference prices for linerboard and corrugating medium decreased by 1% and 2%, respectively, compared to 2019. This was largely driven by demand dynamics, largely in the first half of the year, as a result of the COVID-19 pandemic.



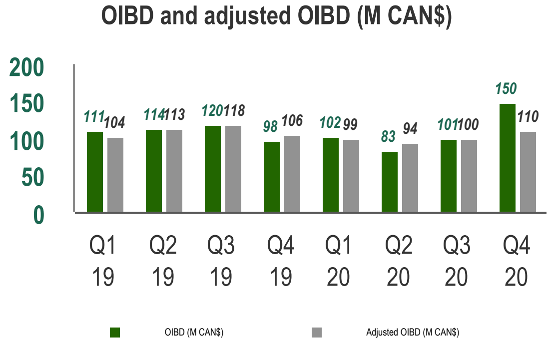
Reference prices - recovered papers (brown grade)[1]

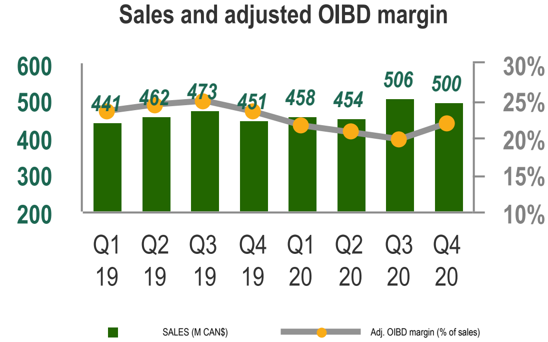
The average reference price of old corrugated containers no.11 ("OCC") increased by 55% in 2020 compared to 2019. This was largely due to increased demand levels for the fibre throughout the year as demand for packaging products increased as a result of the COVID-19 pandemic.

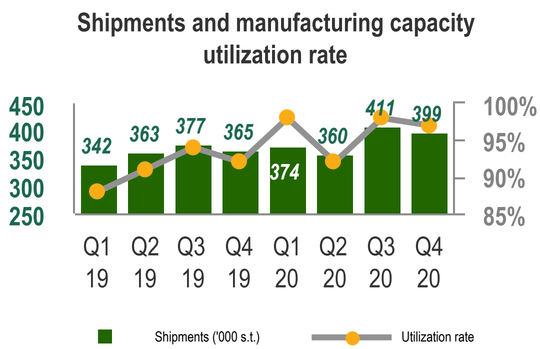


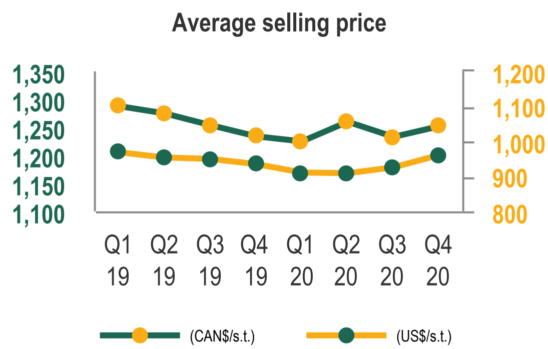
1 Source: RISI
2 Source: Fibre Box Association
3 Source: Canadian Corrugated and Containerboard Association

Our Performance

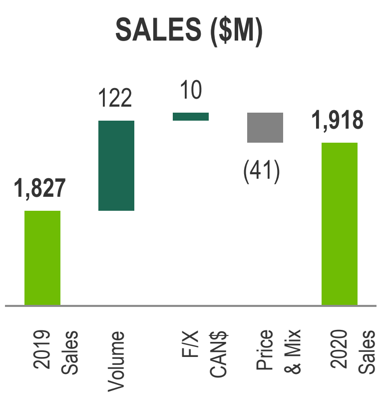


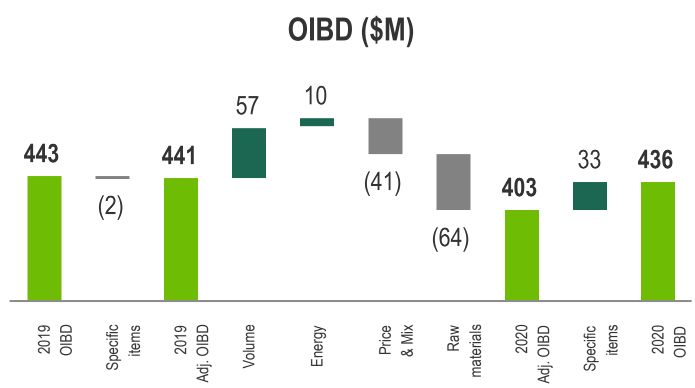






The main variances[1] in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in 2020, compared to 2019, are shown below:





The Corporation incurred certain specific items in 2020 and 2019 that adversely or positively affected its operating results[2].

1 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2020, compared to the year ended December 31, 2019" section for more details.*

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

	2019	2020	Change in %
Shipments[2] ('000 s.t.)	1,447	1,544	7%
Average Selling Price (CAN$/unit)	1,262	1,242	-2%
Sales ($M)	1,827	1,918	5%
OIBD[1] ($M) (as reported)	443	436	-2%
% of sales	24%	23%	
(adjusted)[1]	441	403	-9%
% of sales	24%	21%	
Operating income ($M) (as reported)	328	321	-2%
(adjusted)[1]	326	288	-12%

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-segment shipments. Including 14.0 billion square feet in 2020 compared to 13.1 billion square feet in 2019, an increase of 7%.

3 Including sales to other partners in Greenpac.

Shipments increased by 97,000 s.t., or 7%, in 2020 compared to 2019. This reflects a 59,000 s.t., or 8% increase in external shipments from our containerboard mills due to higher market demand in the current period and a 5% increase in the capacity utilization rate. Consequently, the mill integration rate of 56% during 2020, decreased from 58% in 2019. Including sales to other partners[3], the integration rate was 69% in 2020, down slightly from 71% in the prior year. On the converting side, shipments increased by 6%. This outperformed the Canadian market increase of 4% and the US market increase of 3%.

The average selling price denominated in Canadian dollars decreased by 7% for parent rolls, and by 1% for converted products. The 1% average depreciation of the Canadian dollar compared to the US dollar favorably impacted average selling prices and partly offset these decreases.

Sales increased by $91 million, or 5%, compared to 2019. Higher volume added $122 million to sales, while the 1% average depreciation of the Canadian dollar against the US dollar added $10 million. These benefits were partly offset by a less favourable mix of products sold and a lower average selling price which had a combined negative impact of $41 million.

Operating income before depreciation and amortization (OIBD) decreased by $7 million, or 2% in 2020, compared to 2019. Excluding specific items[1] in both years, the $38 million, or 9%, decrease reflects a lower average selling price and less favourable mix of products sold, which had a combined negative impact of $41 million. Higher costs of brown recycled fibre grades subtracted a further $64 million. Conversely, the 7% increase in volumes and lower energy costs added $57 million and $10 million to our results, respectively.

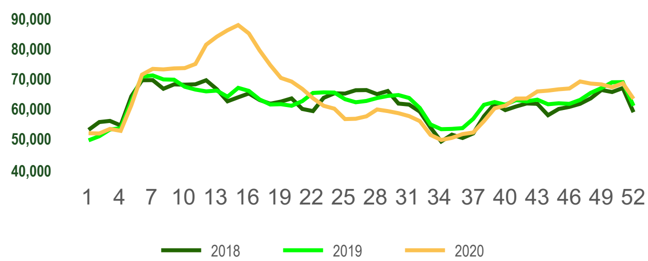
The segment incurred some specific items[1] in 2020 and 2019 that affected OIBD[1].

Our Industry

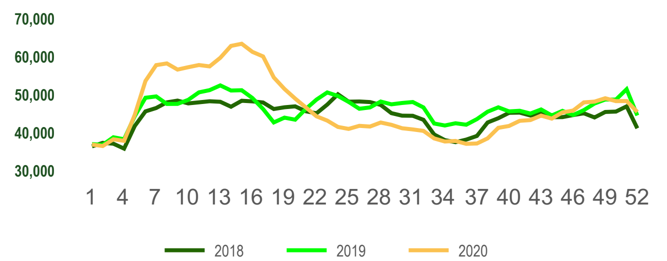
European industry order inflow of coated boxboard[1]

In Europe, order inflows of white-lined chipboard (WLC) totaled approximately 3.3 million of metric tonnes in 2020, an increase of 4% compared to 2019. The folding boxboard (FBB) industry recorded order inflows of approximately 2.4 million of metric tonnes in 2020, representing an increase of 1% compared to 2019.

Coated recycled boxboard industry's order inflow from Europe
(White-lined chipboard (WLC) - 5-week weekly moving average) (m.t. per week)

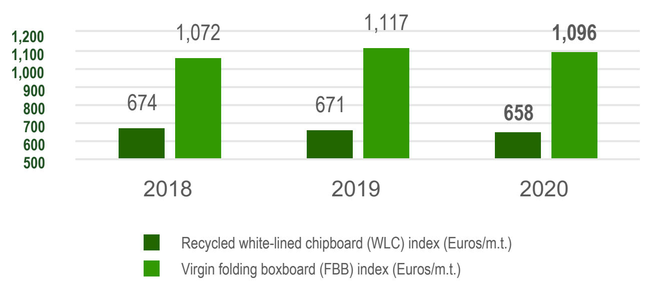


Coated virgin boxboard industry's order inflow from Europe
(Folding boxboard (FBB) - 5-week weekly moving average) (m.t. per week)



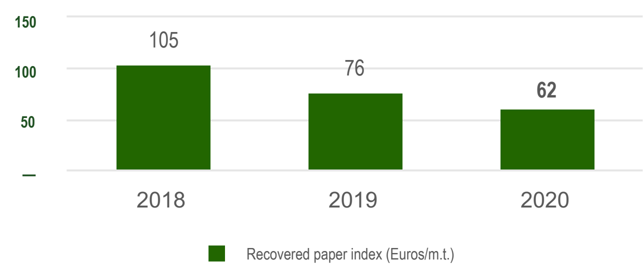
Reference prices - boxboard in Europe[2,3,4]

White-lined chipboard prices decreased by 2% in Western European countries in 2020 compared to 2019. Folding boxboard prices also decreased by 2% throughout the year.



Reference prices - recovered papers in Europe[2,5]

Recovered paper prices decreased by 18% in 2020 compared to 2019, as prices decreased in the second half ot the year following the reopening of many businesses that resulted in a greater supply of material becoming available. Prices began increasing in the last quarter due to heightened demand for containerboard.



1 Source: CEPI Cartonboard

2 Source: RISI

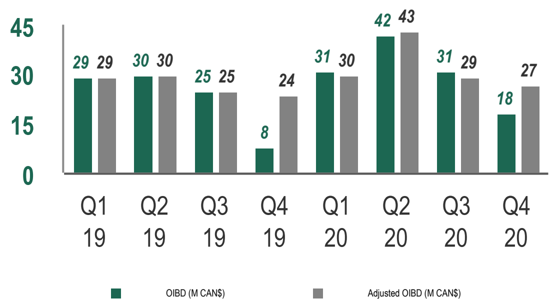
3 The Cascades recycled white-lined chipboard selling prices index represents an approximation of Cascades' recycled grade selling prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for white-lined chipboard.

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.

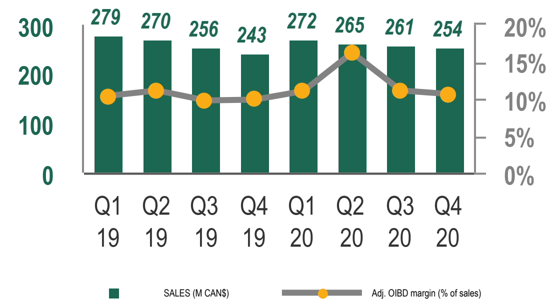
5 The recovered paper index represents an approximation of Cascades' recovered paper purchase prices in Europe. It is weighted by country. For each country, we use an average of PPI Europe prices for recovered papers. This index should only be used as a trend indicator and may differ from our actual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

Our Performance

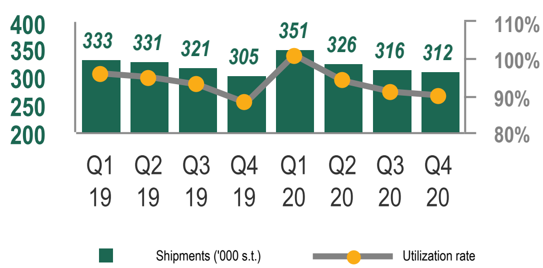
OIBD and adjusted OIBD (M CAN$)



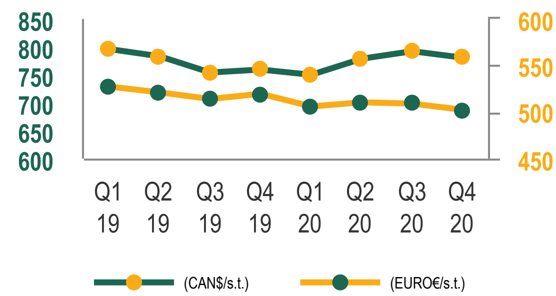
Sales and adjusted OIBD margin



Shipments and manufacturing capacity utilization rate

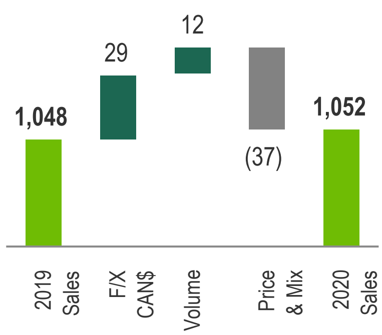


Average selling price

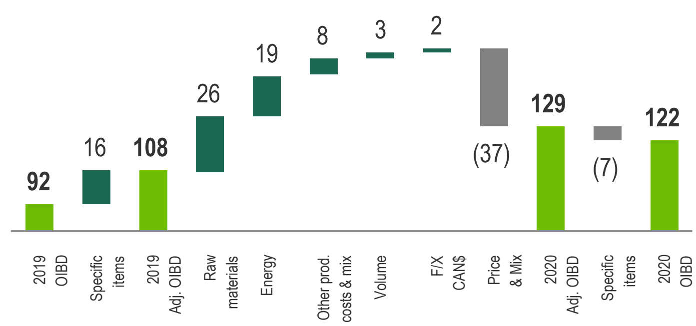


The main variances[1] in sales and operating income before depreciation and amortization for the Boxboard Europe segment in 2020, compared to 2019, are shown below:

SALES ($M)



OIBD ($M)



The Corporation incurred certain specific items in 2020 and 2019 that adversely or positively affected its operating results[2].

1 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2020, compared to the year ended December 31, 2019" section for more details.

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

	2019	2020	Change in %
Shipments[2] ('000 s.t.)	1,290	1,305	1%
Average Selling Price[3] (CAN$/unit)	773	775	—
(euro€/unit)	521	507	-3%
Sales ($M)	1,048	1,052	—
OIBD[1] ($M) (as reported)	92	122	33%
% of sales	9%	12%	
(adjusted)[1]	108	129	19%
% of sales	10%	12%	
Operating income ($M) (as reported)	45	74	64%
(adjusted)[1]	61	81	33%

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-segment shipments

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

Recycled boxboard shipments increased by 5,000 s.t., or 1%, in 2020 compared to 2019. Shipments of virgin boxboard increased by 12,000 s.t., or 8%, while converted products shipments decreased by 2,000 s.t..

The average selling price decreased in euros by 3% but slightly increased in Canadian dollars year-over-year as a result of the 3% average depreciation of the Canadian dollar compared to the euro. Year-over-year, the average selling price of recycled boxboard decreased by €14, or 3%, while the average selling price of virgin boxboard decreased by €22, or 3%.

The $4 million year-over-year increase in sales in 2020 reflects the 3% average depreciation of the Canadian dollar compared to the euro, which contributed $29 million, and higher volumes, which added $12 million to sales in 2020. Offsetting this was the lower average selling price, which impacted sales by $37 million.

Operating income before depreciation and amortization (OIBD) increased by $30 million, or 33%, in 2020 compared to 2019. Excluding specific items[1] in both years, the $21 million, or 19%, increase is attributable to lower raw material and energy costs (including tax credits), as well as other positive variances, which added $26 million, $19 million and $8 million, respectively. These were partially offset by lower average selling prices, which subtracted $37 million. As well, the 3% average depreciation of the Canadian dollar compared to the euro added $2 million to OIBD levels while volume added $3 million.

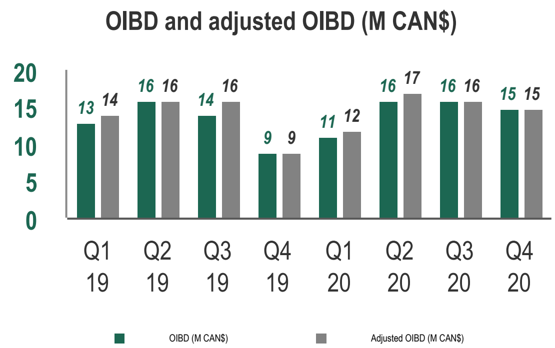
The segment incurred some specific items[1] in 2020 and 2019 that affected OIBD[1].

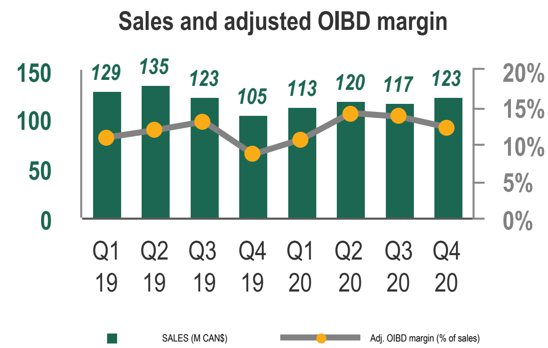
PACKAGING PRODUCTS - SPECIALTY PRODUCTS

CHANGE IN SEGMENTED INFORMATION

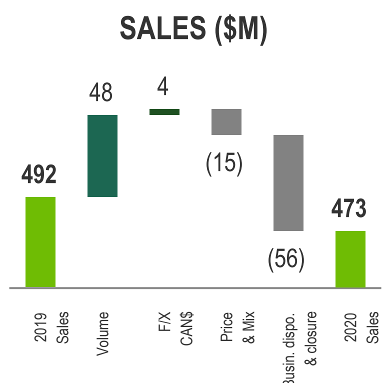
In 2019, the Corporation modified its internal reporting in accordance with CODM requirements and business analysis. The Corporation's Recovery and Recycling activities, previously included in the Specialty Products segment, are now included in Corporate Activities since they support our North American Packaging and Tissue Papers segments and are analyzed separately.

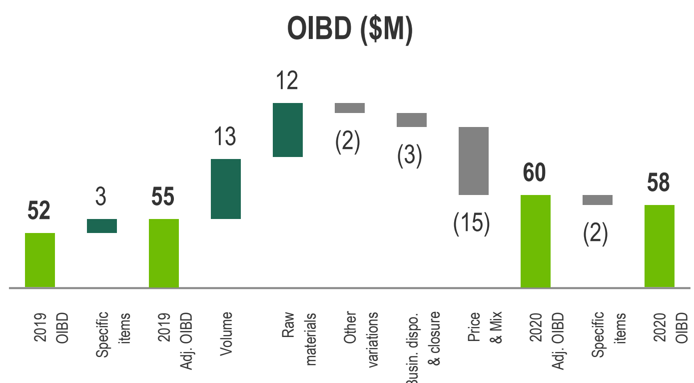
Our Performance





The main variances[1] in sales and operating income before depreciation and amortization for the Specialty Products segment in 2020, compared to 2019, are shown below:





The Corporation incurred certain specific items in 2020 and 2019 that adversely or positively affected its operating results[2].

1 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2020, compared to the year ended December 31, 2019" section for more details.*

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

	2019	2020	Change in %
Sales ($M)	492	473	-4%
OIBD[1] ($M) (as reported)	52	58	12%
% of sales	11%	12%	
(adjusted)[1]	55	60	9%
% of sales	11%	13%	
Operating income ($M) (as reported)	36	42	17%
(adjusted)[1]	39	44	13%

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

Sales decreased by $19 million, or 4% in 2020 compared to 2019. This was primarily due to the $56 million impact related to the divestiture of our European activities and closure of the vinyl backing felt mill in 2019. The lower average selling price and a less favourable sales mix reduced sales levels by a further $15 million in 2020. These were partly offset by increased volume in all our sub-segments, which added $48 million to sales, as well as a favourable exchange rate which added $4 million.

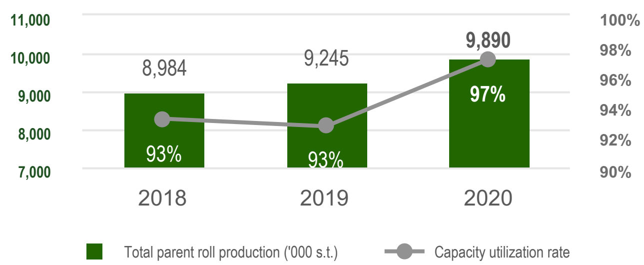
Operating income before depreciation and amortization (OIBD) increased by $6 million, or 12%, in 2020 compared to 2019. Excluding specific items[1] in both years, the adjusted OIBD increased by $5 million, or 9%. This reflects higher volumes, and lower raw material costs in all sub-segments, with the exception of industrial packaging, which added $13 million and $12 million, respectively, to results. These benefits were offset by a lower average selling price and changes in sales mix and higher operating and maintenance costs, which negatively impacted results by $15 million and $2 million, respectively. The elimination of the $3 million of OIBD generated by the divested European activities and closed vinyl backing felt mill in the second half of 2019 also contributed to partly offset the increase.

The segment incurred some specific items[1] in 2020 and 2019 that affected OIBD[1].

Our Industry

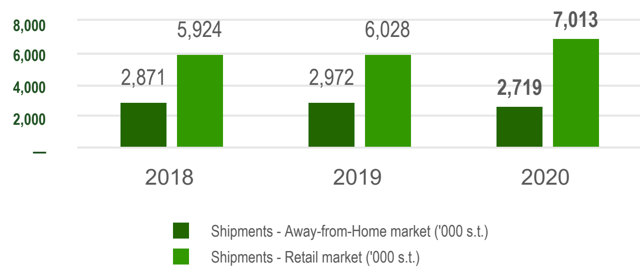
U.S. tissue paper industry production (parent rolls) and capacity utilization rate[1]

Total parent roll production increased by 7% in 2020, the tenth consecutive year of growth. The average capacity utilization rate of 97% in 2020 increased by 4% compared to 93% in 2019. Increased demand levels, most notably for retail tissue products, related to the COVID-19 pandemic was an important underlying contributor to these metrics.



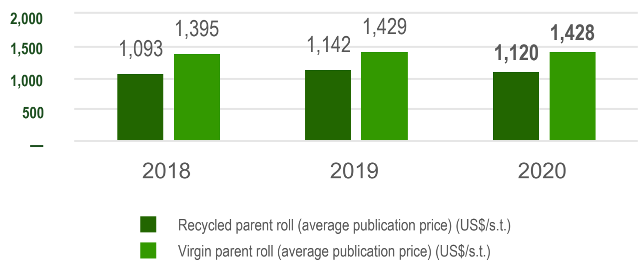
U.S. tissue paper industry converted product shipments[1]

In 2020, shipments for the retail and the away-from-home markets increased by 16% and decreased by 9%, respectively, compared to 2019. This largely reflects the increased demand for retail tissue products and lower demand for Away-from-Home tissue products as a result of the COVID-19 pandemic.



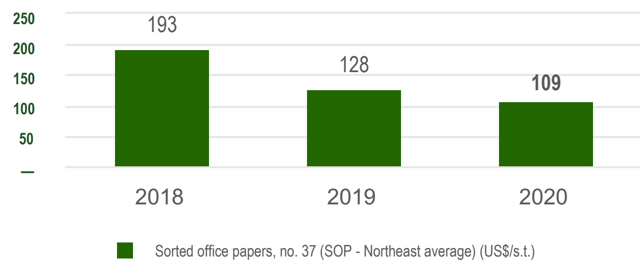
Reference prices - parent rolls[1]

In 2020, the reference price for recycled and virgin parent rolls respectively decreased by 2% and remained stable, compared to 2019.



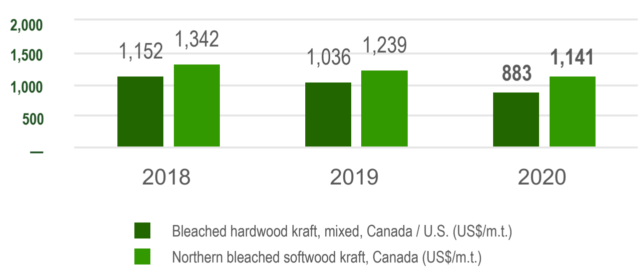
Reference prices - recovered papers (white grade)[1]

The reference price of sorted office papers No.37 ("SOP") decreased by 15% in 2020 compared to 2019.



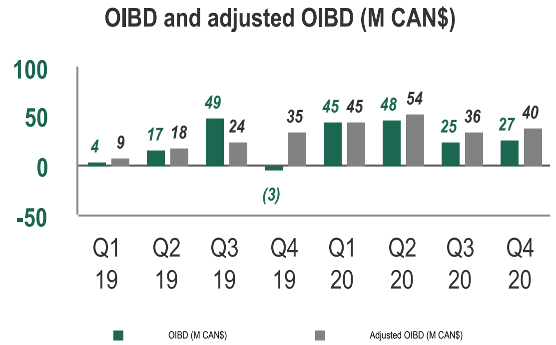
Reference prices - market pulp[1]

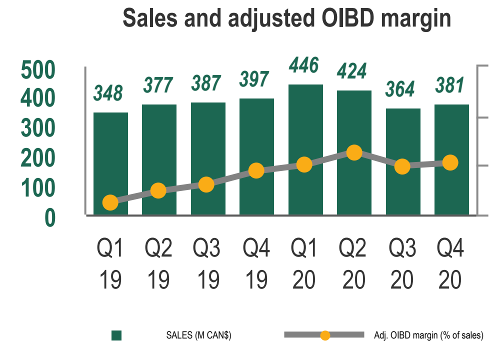
In 2020, the reference price for NBSK and NBHK decreased by 8% and 15%, respectively, compared to 2019, reflecting global demand supply dynamics.

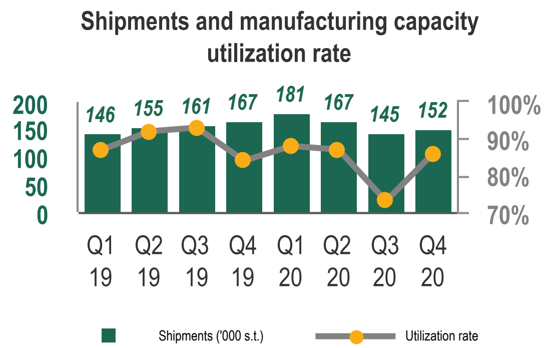


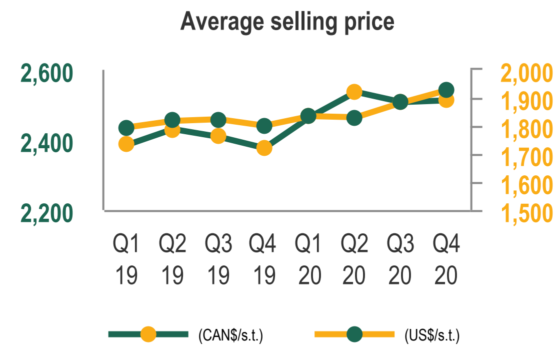
1 Source: RISI

Our Performance[3]

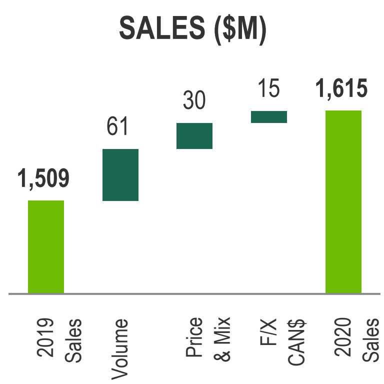


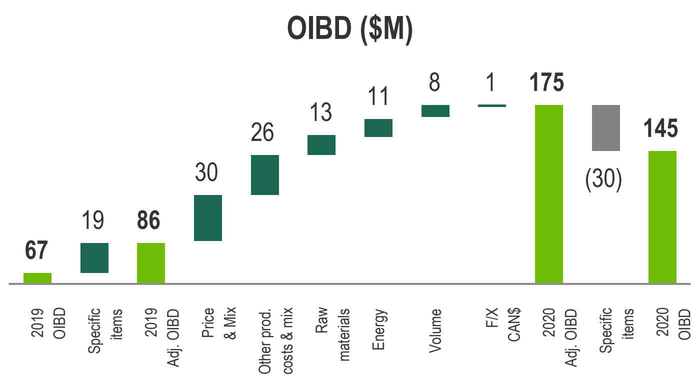






The main variances[1] in sales and operating income before depreciation and amortization for the Tissue Papers segment in 2020, compared to 2019[3], are shown below:





The Corporation incurred certain specific items in 2020 and 2019 that adversely or positively affected its operating results[2].

1 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2020, compared to the year ended December 31, 2019" section for more details.*

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

3 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.*

	2019	2020	Change in %
Shipments[3] ('000 s.t.)	629	645	3%
Average Selling Price (CAN$/unit)	2,400	2,505	4%
Sales ($M)	1,509	1,615	7%
OIBD[1 2] ($M) (as reported)	67	145	116%
% of sales	4%	9%	
(adjusted)[1]	86	175	103%
% of sales	6%	11%	
Operating income[2] ($M) (as reported)	6	72	1,100%
(adjusted)[1]	25	102	308%

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

2 2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.

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

External manufacturing shipments increased by 10,000 s.t., or 7%, in 2020 compared to 2019. This largely reflects better inventory management and additional sales efforts, the effects of which resulted in a lower integration rate of 73% in 2020, down from 76% in 2019. Converted product shipments increased by 6,000 s.t., or 1%. This was mainly driven by an increase in demand in the Consumer Products market counterbalanced by a decrease of our volume of 35,000 s.t., or 15%, for Away-from-Home products due to COVID-19.

The 4% increase in the average selling price was primarily due to a favourable mix of converted products sold, price increases related to our net revenue management initiatives and the 1% average depreciation of the Canadian dollar compared to the US dollar. These benefits were partially offset by a higher proportion of sales attributable to parent rolls.

The 7% increase in sales in 2020 was driven by a $61 million increase related to higher volumes, which includes the impact of the Orchids acquisition in 2019, and by a $15 million beneficial impact related to the favourable exchange rate. The net impact of higher selling prices and mix of customers and products sold also added $30 million to sales.

Operating income before depreciation and amortization (OIBD) increased by $78 million, or 116%, in 2020 compared to 2019. Excluding specific items[1] in both years, the adjusted OIBD increased by $89 million, or 103%, and is mainly due to the above mentioned factors, and lower virgin pulp and white recycled paper costs which had a $13 million positive impact. Higher volumes also contributed $8 million to OIBD levels. In addition, results benefited from lower transportation and fixed costs due to network optimization efforts. Furthermore, lower expenses due to good control, cost savings initiatives and a prior years research and development tax credits recorded also contributed positively to results. These factors had a combined favourable impact of $26 million, while lower energy costs added an additional $11 million.

The segment incurred some specific items[1] in 2020 and 2019 that affected OIBD[1].

CORPORATE ACTIVITIES

Corporate Activities incurred some specific items[1] in 2020 and 2019 that affected OIBD[1]. Corporate activities registered an adjusted OIBD[1] loss of $92 million in 2020, compared to a loss of $86 million in 2019. The better performance of our Recovery and Recycling activities, due to improved market pricing of recycled fibers, had a year-over-year positive OIBD variance of $30 million (2019 results included an impairment charges $14 million). This favourable impact was partly offset by higher corporate costs in the current period that were related to our strategic initiatives to optimize our profitability through improvements in production efficiency, supply chain, sales and operation planning and net revenue management.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to $7 million in 2020, compared to $3 million in 2019. For more details on stock-based compensation, please refer to Note 21 of the 2020 Audited Consolidated Financial Statements.

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

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense increased by $10 million to $299 million in 2020, compared to $289 million in 2019. The increase is mainly attributable to the Orchids acquisition in the second half of 2019, capital expenditure investments completed during the last twelve months and a reduction of the useful life of some equipments following a review. Impairment charges recorded in 2019 and 2020 partly offset this increase.

FINANCING EXPENSE AND INTEREST EXPENSE (REVENUE) ON EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES

The financing expense and interest expense on employee future benefits and other liabilities amounted to $98 million in 2020, compared to $143 million in 2019, a decrease of $45 million.

The variance is mainly attributable to the 2019 fair value revaluation recognized on the CDPQ put option in the Greenpac investment, which amounted to $35 million in 2019 due to Greenpac's improving financial performance during the year.

In 2020, the Corporation recorded an unrealized gain of $13 million, compared to an unrealized loss of $1 million in 2019, on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project, which was not exercised. In 2020, the Corporation also recorded an unrealized loss of $2 million pertaining to a call option granted by the Corporation to one of the minority shareholders of Falcon Packaging LLC.

In 2019, the Corporation recorded an unrealized gain of $1 million in 2019, on interest rate swaps (nil in 2020).

On July 12, 2019, S&P Global Ratings revised the Corporation's outlook to "stable" from "positive" on higher leverage; the corporate rating of BB- was reaffirmed.

LOSS ON REPURCHASE OF LONG-TERM DEBT

2020

The Corporation redeemed US$200 million of its unsecured senior notes and recorded an early repurchase premium of $4 million and wrote off $2 million of related unamortized financing costs.

2019

The Corporation redeemed US$400 million and $250 million of its unsecured senior notes and recorded an early repurchase premium of $11 million and wrote off $3 million of related unamortized financing costs.

FAIR VALUE REVALUATION LOSS ON INVESTMENTS

In 2020, the Corporation recorded a fair value revaluation loss on investments of $3 million on a joint venture.

PROVISION FOR INCOME TAXES

In 2020, the Corporation recorded an income tax provision of $45 million, which compares to $19 million in 2019.

(in millions of Canadian dollars)	**2020**	2019
Provision for income taxes based on the combined basic Canadian and provincial income tax rate	**74**	31
Adjustment for income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	**(3)**	(2)
Prior years reassessment	**(5)**	3
Change in future income taxes resulting from enacted tax rate change	**(1)**	—
Permanent differences	**(12)**	(3)
Change in deferred income tax assets relating to capital tax losses	**(8)**	(11)
Change in temporary differences	**—**	3
Other	**—**	(2)
	(29)	(12)
Provision for income taxes	**45**	19

The Corporation reassessed the probability of recovering unrealized capital losses following the redemption of its US$ denominated debts in 2020, which resulted in the recognition of tax assets totaling $3 million, of which $2 million was recorded in results, compared to the recognition of tax assets totaling $12 million, of which $11 million was recorded in results in 2019.

Greenpac is a limited liability company (LLC) and partners agreed to account for it as a disregarded entity for tax purposes. Consequently, income taxes associated with Greenpac net earnings are proportionately recorded by each partner based on its respective share in the LLC and no income tax provision is included in Greenpac's net earnings. As such, although Greenpac is fully consolidated in the Corporation's results, only 92% of pre-tax book income is considered for tax provision purposes (71.8% prior to the acquisition of CDPQ 20.2% participation in Greenpac on January 3, 2020).

The effective tax rate and income taxes are affected by the results of certain subsidiaries and joint ventures located in countries where the income tax rates are different from those in Canada, notably the United States, France and Italy. The normal effective tax rate is expected to be in the range of 24% to 28%. The weighted-average applicable tax rate for the year ended December 31, 2020 was 25.35% (2019 - 25.50%).

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to $14 million in 2020, compared to $9 million in 2019. Refer to Note 8 of the 2020 Audited Consolidated Financial Statements for more information on associates and joint ventures.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities generated $587 million in 2020, compared to $460 million generated in 2019. Changes in non-cash working capital components generated $20 million of liquidity in 2020, compared to $59 million generated in 2019. Significant efforts have been deployed in accounts receivable, inventory management and accounts payable which have led to a working capital reduction in both years. As at December 31, 2020, average LTM working capital as a percentage of LTM sales stood at 9.6%, compared to 10.1% as at December 31, 2019.

Cash flow from operating activities, excluding changes in non-cash working capital components, stood at $567 million in 2020, compared to $401 million in 2019. This cash flow measurement is relevant to the Corporation's ability to pursue its capital expenditure program and reduce its indebtedness.

On August 17, 2020, the Corporation issued US$300 million of unsecured senior notes due in 2028 and redeemed its US$200 million unsecured senior notes due in 2023. The Corporation paid $4 million in premium for the early redemption of its US$200 million unsecured senior notes due in 2023.

Following the redemption of unsecured senior notes on November 26, 2019, an interest payment normally planned for January 2020 was made in December 2019 in the amount of $23 million. In 2019, before the Corporation purchased the CDPQ equity participation in Greenpac Holding LLC on January 3, 2020 (see "Business Highlights" section for more details), financing expense paid included interest (dividends) payments in the amount of $21 million made to CDPQ as its participation was considered as a liability for accounting purposes.

The Corporation also paid $9 million in income taxes in 2020, compared to $27 million paid in 2019.

INVESTING ACTIVITIES

Investing activities used $203 million in 2020, compared to $540 million used in 2019. The 2019 investment activities include the $311 million related to the Orchids Paper Products acquisition concluded in September 2019. A purchase price adjustment of $2 million was received in 2020.

DISPOSALS OF ASSOCIATES AND JOINT VENTURES

2020

The Corporation increased its participation in an associate for a contribution of $1 million and disposed of one of its investments for total proceeds of $4 million.

2019

The Corporation received $1 million following the sale of shares of one of its joint ventures.

CHANGE IN INTANGIBLE AND OTHER ASSETS

2020

The Corporation invested $10 million for its ERP information technology system and other software developments and $2 million for an additional participation in one of its equity investments.

2019

The Corporation invested $11 million for its ERP information technology system and other software development needed to support our business and received $3 million from a note receivable included in other assets.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars)	2020	2019
Total acquisitions	307	317
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	6	(9)
Right-of-use assets acquisitions and acquisitions included in other debts	(63)	(50)
Payments for property, plant and equipment	250	258
Proceeds from disposals of property, plant and equipment	(55)	(27)
Payments for property, plant and equipment net of proceeds from disposals	195	231

New capital expenditure projects, including right-of-use assets, by segment in 2020 were as follows (in $M):

The major capital projects that were initiated, are in progress or were completed in 2020 are as follows:

CONTAINERBOARD PACKAGING

- Investments for an electric boiler and other equipment to reduce our environmental footprint and revalue production by-products at our Cabano, Québec, Canada, manufacturing mill.
- Bear Island assets in Virginia, USA for site preparation before conversion of equipment to containerboard manufacturing.
- Investment in a second semi-automatic laminator at our Schenectady, NY, USA converting plant to add capacity, reduce lead time on specialty products, improve customer experience and better serve the increasing demand for our industrial packaging strategic market in the US North East region.

SPECIALTY PRODUCTS

- Investment in a fully automated thermoformer and an extruder upgrade in Drummondville, Québec, Canada to meet the requirements of one of our strategic customers.

TISSUE PAPERS

- Investment in new converting lines at our Wagram, North Carolina and Scappoose, Oregon, USA facilities and acquisition of other converting equipments to continue upgrading our asset base.

PROCEEDS FROM DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

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

2020

The Containerboard Packaging segment received $42 million from the sale of a building of a closed plant in Ontario, Canada.

The Containerboard Packaging segment also received $5 million following the release of the escrow amount pertaining to the sale in 2018 of a building located in Maspeth, New York, USA.

The Tissue Papers segment received $2 million from the sale of assets of a closed plant.

2019

The Containerboard Packaging segment received $5 million from the sale of a building and piece of land of a closed plant.

The Corporation acquired all of the outstanding units of OPP Acquisition Mexico S. de R.L. de C.V., designated as assets held-for-sale at acquisition date, which were resold the same day for US$14 million ($19 million) (please refer to the “Business Highlights” section or Note 5 of the Audited Consolidated Financial Statements of 2020 for more details).

CASH RECEIVED (PAID) IN BUSINESS COMBINATIONS

The Corporation acquired the activities of Orchids Paper Products Company, for a total consideration of $307 million including a cash consideration of US$235 million ($311 million) paid in 2019. In the first quarter of 2020, the Corporation received a purchase price adjustment of US$2 million ($2 million) (please refer to the “Business Highlights” section or Note 5 of the Audited Consolidated Financial Statements of 2020 for more details).

PROCEEDS ON DISPOSALS OF A SUBSIDIARY, NET OF CASH DISPOSED

2019

In the third quarter, the Corporation sold its 90% participation Cascades Europe S.A.S., which owns Cascades Rollpack, a packaging manufacturer located in France, for a cash consideration of €7 million ($10 million) less cash disposed of €1 million ($1 million), for a total net proceeds of €6 million ($9 million) (please refer to Note 5 of the Audited Consolidated Financial Statements of 2020 for more details).

FINANCING ACTIVITIES

Financing activities used $156 million in liquidity in 2020, compared to $121 million generated in 2019, including $31 million ($23 million in 2019) of dividend payments to the Corporation's shareholders.

ISSUANCE AND REPURCHASE OF UNSECURED SENIOR NOTES

2020

On August 17, 2020, the Corporation issued unsecured senior notes for an aggregate principal amount of US$300 million ($396 million) with a nominal interest rate of 5.375% due in 2028 at a price of 104.25% resulting in a US$13 million ($17 million) premium for total proceed of US$313 million ($413 million) and an effective yield of 4.69%. Transaction fees amounted to $4 million. The Corporation used the proceed from this offering to fund the redemption of its 5.75% US$200 million ($264 million) unsecured senior notes due in 2023 and paid premium of US$3 million ($4 million). The Corporation also wrote off $2 million of unamortized financing costs related to these notes.

Issuance proceed was used as follows:

(in millions of Canadian dollars)	2020
Debt issuance	396
Premium received on debt issuance	17
Offering fees	(4)
Repurchase of 2023 Notes	(264)
Premium paid on repurchase of long-term debt	(4)
Decrease of credit facility and increase in cash and cash equivalent	141

2019
On November 26, 2019, the Corporation issued $175 million aggregate principal amount of 5.125% due in 2025, US$350 million aggregate principal amount of 5.125% due in 2026 and US$300 million aggregate principal amount of 5.375% due in 2028, totaling $1,026 million, net of transaction fees of $13 million.

The Corporation used the proceeds from this offering to fund the redemption of its US$400 million of its 5.50% unsecured senior notes due in 2022 for an amount of US$405 million ($533 million) and its $250 million of its 5.50% unsecured senior notes due in 2021 for an amount of $254 million, including premiums of US$5 million ($7 million) and $4 million. The Corporation also wrote off $3 million of unamortized financing costs related to these notes.

Issuance proceeds were used as follows:

(in millions of Canadian dollars)	2019
Debt issuance	1,039
Offering fees	(13)
Repurchase of 2021 and 2022 Notes	(776)
Premium paid on repurchase of long-term debt	(11)
Decrease of credit facility	239

VARIANCE IN OTHER DEBTS WITHOUT RECOURSE TO THE CORPORATION

On December 11, 2020, Greenpac entered into an agreement with its lenders to extend and amend its credit facilities. The amended credit agreement still provides Greenpac with a revolving credit of US$50 million while the principal of the term loan was reduced, with cash on hand and utilization of the revolving line of credit, to US$75 million, from US$122 million at the time of the amendment. The term of the amended credit agreement is extended to December 2023. The financing terms and conditions remain essentially unchanged.

SETTLEMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

In 2020, the Corporation also received $1 million from the settlement of derivative financial instruments.

ISSUANCE OF COMMON SHARES ON PUBLIC OFFERING

On October 5, 2020, the Corporation entered into an agreement with underwriters pursuant to which the Corporation issued and the underwriters purchased on a bought deal basis 7,441,000 common shares at a price of $16.80 per common share for gross proceeds of $125 million. Transactions fees amounted to $5 million before income tax recovery of $1 million. The transaction closed on October 22, 2020.

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

The Corporation issued 1,225,489 shares at an average price of $5.89 as a result of the exercise of stock options in 2020, representing an aggregate amount of $7 million (2019 - $5 million for 1,048,434 common shares issued).

The Corporation purchased 635,554 shares for cancellation at an average price of $12.41 for $8 million in 2020 (2019 - $9 million for 966,654 common shares).

PAYMENT OF OTHER LIABILITIES

On January 3, 2020, the Corporation paid an amount of other liabilities of $121 million related to the purchase of CDPQ interest in Greenpac Holding LLC (see “Business Highlights” section for more details).

DIVIDENDS PAID TO NON-CONTROLLING INTERESTS

Dividends paid to non-controlling interests amounted to $16 million in 2020 ($17 million in 2019). These payments are the result of dividends paid to the non-controlling shareholders of Greenpac and/or Reno de Medici.

CONSOLIDATED FINANCIAL POSITION

AS AT DECEMBER 31, 2020, 2019 AND 2018

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

(in millions of Canadian dollars, unless otherwise noted)	December 31, 2020	December 31, 2019[4]	December 31, 2018
Cash and cash equivalents	**384**	155	123
Working capital[1]	**365**	416	455
As a percentage of sales[2]	**9.6%**	10.1%	10.6%
Total assets	**5,412**	5,188	4,948
Total debt[3]	**2,063**	2,118	1,892
Net debt[3] (total debt less cash and cash equivalents)	**1,679**	1,963	1,769
Equity attributable to Shareholders	**1,753**	1,492	1,506
Non-controlling interests	**204**	177	180
Total equity	**1,957**	1,669	1,686
Total equity and net debt	**3,636**	3,632	3,455
Ratio of net debt/(total equity and net debt)	**46.2%**	54.0%	51.2%
Shareholders' equity per share (in dollars)	**$ 17.14**	$ 15.83	$ 15.99

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

2 *Percentage of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months.*

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

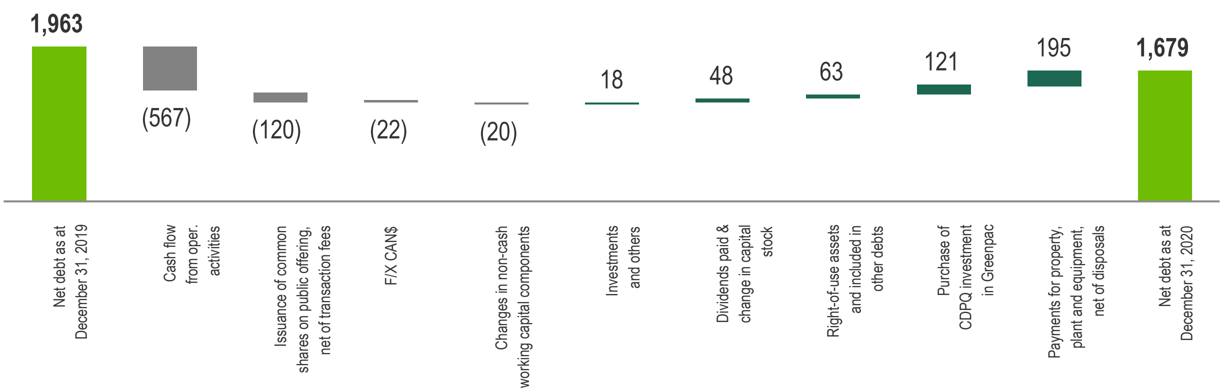
4 *2019 consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the 2020 Audited Consolidated Financial Statements for more details.*

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

Credit rating (outlook)	MOODY'S	STANDARD & POOR'S
	Baa3/Ba2/Ba3 (stable)	BB+/BB-/BB- (stable)

NET DEBT[1] RECONCILIATION

The variances in the net debt (total debt less cash and cash equivalents) in 2020 are shown below (in millions of dollars), with the applicable financial ratios included.



604	Adjusted OIBD[1] (last twelve months)	**675**
3.25x	Net debt/Adjusted OIBD[1]	**2.5x**

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

Liquidity available via the Corporation's credit facilities, cash and cash equivalent balance and the anticipated cash flow generated by its operating activities are expected to provide sufficient funds to meet our financial obligations and to fulfill our capital expenditure program for at least the next twelve months. As at December 31, 2020, the Corporation had $737 million (net of letters of credit in the amount of $13 million) available on its $750 million credit facility (excluding the credit facilities of our subsidiaries Greenpac and Reno de Medici). Cash and cash equivalents as at December 31, 2020 are comprised as follows: $252 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and $132 million in unrestricted subsidiaries, mainly Greenpac and Reno de Medici.

EMPLOYEE FUTURE BENEFITS

The Corporation's employee future benefits assets and liabilities amounted to $495 million and $656 million respectively as at December 31, 2020, including an amount of $105 million for post-employment benefits other than pension plans. The pension plans include an amount of $72 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 liabilities balances as at December 31, 2020, 92% of the Corporation pension plans have been evaluated on December 31, 2019 (23% in 2018).

Considering the assumptions used and the asset ceiling limit, the deficit status for accounting purposes of its pension plans amounted to $69 million as at December 31, 2020, compared to $47 million in 2019. The 2020 pension plan expense was $8 million and the cash outflow was $7 million. Due to the investment returns in 2020 and the change in the assumptions, the expected expense for these pension plans is $6 million in 2021. As for the cash flow requirements, these pension plans are expected to require a net contribution of approximately $7 million in 2021. Finally, on a consolidated basis, the solvency ratio of the Corporation's pension plans has remained stable at approximately 100%.

COMMENTS ON THE FOURTH QUARTER OF 2020

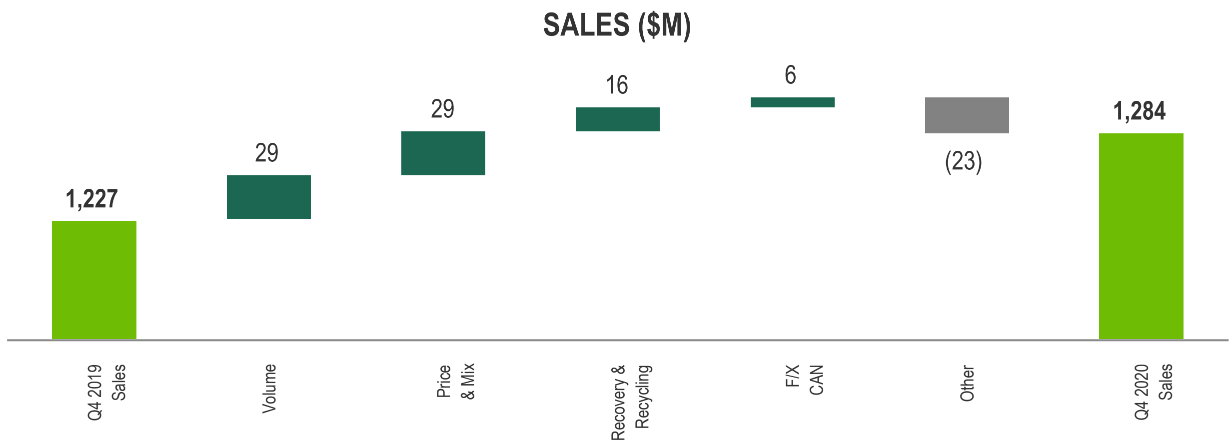
For the 3-month period ended December 31, 2020, the Corporation posted net earnings of $73 million, or $0.72 per share, compared with a net loss of $26 million, or $0.27 per share, for the same period in 2019. On an adjusted basis[1], the Corporation generated net earnings of $42 million in the fourth quarter 2020, or $0.42 per share, compared with net earnings of $29 million, or $0.30 per share, for the same period in 2019.

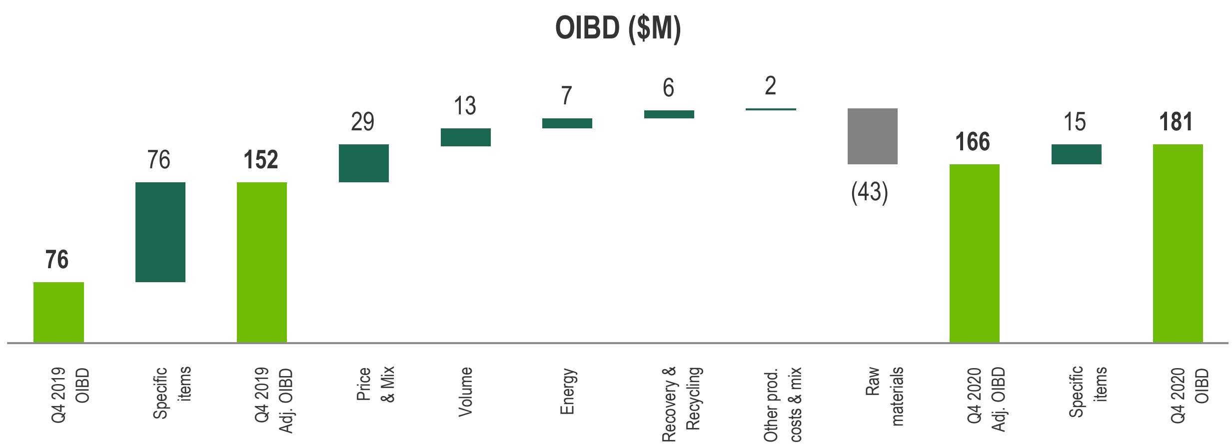
Sales of $1,284 million increased by $57 million, or 5%, compared with the same period last year. This was driven by higher volumes in all our packaging segments combined with a higher average selling price in the Tissue segment. As well, higher sales from Recovery and Recycling activities stemming from the higher market prices for recycled fibers, and the favourable euro exchange rate also benefited sales in the fourth quarter.

The Corporation generated an operating income before depreciation and amortization (OIBD) of $181 million in the fourth quarter 2020. This compares with $76 million generated in the same period last year. On an adjusted basis[1], fourth quarter 2020 OIBD stood at $166 million, versus $152 million in the previous year. The $14 million adjusted OIBD[1] increase reflects several factors. These include the higher average selling price in the Tissue segment, higher volumes in the Packaging segments, lower energy costs primarily in the European activities, higher profitability in Recovery and Recycling activities and lower production and selling and administrative expenses. Conversely, higher market prices of brown recycled fibers partially offset these benefits, most notably in the Containerboard Packaging segment.

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

The main variances[1] in sales and operating income before depreciation and amortization in the fourth quarter of 2020, compared to the same period of 2019, are shown below:





The Corporation incurred certain specific items in 2020 and 2019 that adversely or positively affected its operating results[2].

The main specific items, before income taxes, that impacted our fourth quarter 2020 results were:

- $40 million gain from the sale of a building and the land of the Containerboard Packaging facility located in Etobicoke, Ontario, Canada;
- $2 million environmental provision related to a Tissue plant in Pennsylvania, USA;
- $13 million of impairment charges, primarily in the Tissue Papers and Boxboard Europe segments, related to changes in the valuation of certain assets due to the current economic and market demand conditions;
- $8 million of restructuring charges recorded in Tissue and Corporate Activities as part of profitability improvement and restructuring initiatives;
- $2 million unrealized loss on financial instruments.

1 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2020, compared to the year ended December 31, 2019" section for more details.*

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

The following table reconciles net earnings (loss) and net earnings (loss) per share, as per IFRS, with adjusted net earnings and adjusted net earnings per share:

(in millions of Canadian dollars, except amount per share)	NET EARNINGS (LOSS) Q4 2020	NET EARNINGS (LOSS) Q4 2019	NET EARNINGS (LOSS) PER SHARE[1] Q4 2020	NET EARNINGS (LOSS) PER SHARE[1] Q4 2019
As per IFRS	**73**	(26)	**$ 0.72**	$ (0.27)
Specific items:				
Loss (gain) on acquisitions, disposals and others	**(38)**	5	**$ (0.34)**	$ 0.04
Inventory adjustment resulting from business combination	**—**	2	**—**	$ 0.02
Impairment charges	**13**	64	**$ 0.09**	$ 0.49
Restructuring costs	**8**	3	**$ 0.05**	$ 0.02
Unrealized loss on derivative financial instruments	**2**	2	**$ 0.02**	$ 0.01
Loss on repurchase of long-term debt	**—**	14	**—**	$ 0.11
Unrealized gain on interest rate swaps and option fair value	**(11)**	(1)	**$ (0.12)**	$ (0.01)
Foreign exchange loss (gain) on long-term debt and financial instruments	**(3)**	1	**$ (0.02)**	$ 0.01
Fair value revaluation loss on investments	**3**	—	**$ 0.02**	—
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(5)**	(35)	**—**	$ (0.12)
	(31)	55	**$ (0.30)**	$ 0.57
Adjusted	**42**	29	**$ 0.42**	0.30

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

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

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
			For the 3-month period ended December 31, 2020			
Operating income (loss)	**122**	**5**	**12**	**10**	**(40)**	**109**
Depreciation and amortization	**28**	**13**	**3**	**17**	**11**	**72**
Operating income (loss) before depreciation and amortization	**150**	**18**	**15**	**27**	**(29)**	**181**
Specific items:						
Loss (gain) on acquisitions, disposals and others	**(40)**	**—**	**—**	**2**	**—**	**(38)**
Impairment charges (reversals)	**(2)**	**9**	**—**	**5**	**1**	**13**
Restructuring costs	**—**	**—**	**—**	**6**	**2**	**8**
Unrealized loss on derivative financial instruments	**2**	**—**	**—**	**—**	**—**	**2**
	(40)	**9**	**—**	**13**	**3**	**(15)**
Adjusted operating income (loss) before depreciation and amortization	**110**	**27**	**15**	**40**	**(26)**	**166**
Adjusted operating income (loss)	**82**	**14**	**12**	**23**	**(37)**	**94**

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
			For the 3-month period ended December 31, 2019			
Operating income (loss)	69	(6)	5	(21)	(48)	(1)
Depreciation and amortization	29	14	4	18	12	77
Operating income (loss) before depreciation and amortization	98	8	9	(3)	(36)	76
Specific items:						
Loss on acquisitions, disposals and others	4	—	—	—	1	5
Inventory adjustment resulting from business acquisition	—	—	—	2	—	2
Impairment charges	2	14	—	34	14	64
Restructuring costs	1	—	—	2	—	3
Unrealized loss (gain) on derivative financial instruments	1	2	—	—	(1)	2
	8	16	—	38	14	76
Adjusted operating income (loss) before depreciation and amortization	106	24	9	35	(22)	152
Adjusted operating income (loss)	77	10	5	17	(34)	75

NEAR-TERM OUTLOOK

Our near-term outlook is positive despite ongoing COVID-19 related uncertainty. Demand levels in Containerboard remain strong which, combined with recent industry price increases, are expected to help offset raw material pricing headwinds. In Tissue, stronger than expected volumes in December, usual seasonal softness in the first quarter, and unfavourable demand impact on Away-from-Home products related to COVID-19 are expected to translate into weaker sequential performance. We expect the ongoing modernization, cost management and margin improvement initiatives to partially counter softer demand factors. Near-term performance in Specialty Products is forecasted to remain stable sequentially, with higher average selling prices and good demand trends for consumer food packaging offsetting slightly higher raw material costs. Results in European Boxboard are expected to remain stable, with higher volumes and a favourable exchange rate mitigating higher forecasted raw material and energy costs. On a consolidated basis, raw material costs are expected to be a headwind for our businesses sequentially, with average OCC prices increasing in line with usual seasonal trends for the period. Prices for white recycled fibers remain stable, while those for virgin pulp are expected to increase given recent moves in index pricing. Raw materials remain readily available, and we do not foresee any changes in this regard.

Looking further ahead, 2021 will be a busy year. The highlight will be our Bear Island containerboard project, which will account for the lion's share of our capex program. We will also be finalizing modernization investments in our tissue converting operations, with all of these projects encompassed within our $450 to $475 million capital program for 2021. We expect these investments to be fully funded by solid projected cash flows for the year, in part driven by our ongoing margin improvement initiatives that are targeting net revenue management, production efficiency, organizational effectiveness and supply chain optimization. These initiatives are expected to contribute 1% annually to consolidated OIBD margins in both 2021 and 2022, regardless of external factors. As we continue to navigate the challenges and uncertainties inherent in the ongoing COVID-19 business environment, we remain focused on ensuring the health and safety of our employees, and on proactively engaging with our customers to ensure that their needs and expectations are met consistently, promptly and professionally.

CAPITAL STOCK INFORMATION

SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol "CAS". From January 1, 2020 to December 31, 2020, Cascades' share price fluctuated between $10.17 and $17.61. During the same period, 74.1 million Cascades shares were traded on the Toronto Stock Exchange. On December 31, 2020, Cascades shares closed at $14.55. This compares with a closing price of $11.21 on the same closing day last year.

SHARES OUTSTANDING

As at December 31, 2020, the Corporation's issued and outstanding capital stock consisted of 102,276,230 shares (94,245,295 as at December 31, 2019) and 2,433,090 issued and outstanding stock options (3,476,296 as at December 31, 2019). In 2020, the Corporation purchased 635,554 shares for cancellation, while 1,225,489 stock options were exercised, 184,193 stocks options were granted and 1,910 stock options were forfeited.

On October 5, 2020, the Corporation entered into an agreement with underwriters pursuant to which the Corporation issued and the underwriters purchased on a bought deal basis 7,441,000 common shares at a price of $16.80 per common share for gross proceeds of $125 million. Transactions fees amounted to $5 million before income tax recovery of $1 million. The transaction closed on October 22, 2020.

As at February 24, 2021, issued and outstanding capital stock consisted of 102,281,072 shares and 2,428,248 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The normal course issuer bid announced on March 14, 2019 enabled the Corporation to purchase for cancellation up to 1,878,456 shares between March 19, 2019 and March 18, 2020. During that period, the Corporation purchased 780,308 shares for cancellation. The current normal course issuer bid announced on March 17, 2020 enables the Corporation to purchase for cancellation up to 1,886,220 shares between March 19, 2020 and March 18, 2021. During the period between March 19, 2020 and February 24, 2021, the Corporation purchased 279,700 shares for cancellation.

DIVIDEND POLICY

On February 24, 2021, Cascades' Board of Directors declared a quarterly dividend of $0.08 per share to be paid on March 25, 2021 to shareholders of record at the close of business on March 10, 2021. On February 24, 2021, dividend yield was 2.0%.

TSX Ticker: CAS	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	**2020 Q1**	**2020 Q2**	**2020 Q3**	**2020 Q4**
Shares outstanding (in millions)[1]	95.0	94.6	94.2	94.2	93.6	93.6	94.2	94.2	**94.3**	**95.0**	**95.0**	**102.3**
Closing price[1]	$ 13.33	$ 11.77	$ 12.61	$ 10.23	$ 8.34	$ 10.54	$ 11.58	$ 11.21	**$ 12.57**	**$ 14.79**	**$ 16.84**	**$ 14.55**
Average daily volume[2]	246,940	201,563	215,882	218,696	238,606	202,448	164,371	146,157	**256,827**	**298,267**	**257,710**	**363,795**
Dividend yield[1]	1.2%	1.4%	1.3%	1.6%	1.9%	1.5%	2.8%	2.9%	**2.5%**	**2.2%**	**1.9%**	**2.2%**

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

CASCADES' SHARE PRICE FOR THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2020

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The Corporation's principal contractual obligations and commercial commitments relate to outstanding debt, capital expenditures, services agreements and obligations for its pension and post-employment benefit plans. The following table summarizes these obligations as at December 31, 2020:

CONTRACTUAL OBLIGATIONS

Payment due by period (in millions of Canadian dollars)	TOTAL	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS
Long-term debt, including capital and interest	2,647	202	1,002	1,443
Commitments for capital expenditures and intangibles assets	61	58	3	—
Services agreements and exempted leases	28	17	10	1
Pension plans and other post-employment benefits[1]	950	35	144	771
Total contractual obligations	**3,686**	**312**	**1,159**	**2,215**

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, 2020.

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, 2020, the off-balance sheet impact of the factoring of accounts receivable amounted to $56 million (€36 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.

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 $265 million and $248 million for 2020 and 2019 respectively. Aggregate sales to the Corporation from its joint-venture partners and other affiliates came to $84 million and $87 million for 2020 and 2019 respectively.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

A. NEW IFRS ADOPTED

Amendment to *IFRS 16 LEASES*

In May 2020, the IASB issued an amendment to *IFRS 16 Leases*, with the objective of providing practical relief to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic. The amendment introduces an optional practical expedients for lessees to not account for rent concessions as lease modifications if they are a direct consequence of the COVID-19 pandemic and meet certain conditions.

This amendment to *IFRS 16* was adopted effective on April 1, 2020. The Corporation was not in a position to apply any of the practical expedient to the existing contracts.

B. RECENT IFRS PRONOUNCEMENT NOT YET ADOPTED

LIBOR reform with amendments to *IFRS 9, IAS 29, IFRS 7* and *IFRS 16*

In August 2020, the IASB issued Interest Rate Benchmark Reform-Phase 2, which amends *IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures* and *IFRS 16 Leases*. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The standard will be effective on January 1, 2021 for the Corporation. The Corporation is currently evaluating the impact of this standard on its financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

In determining the recoverable amount of an asset or CGU, based on the market approach, management uses the value of comparable assets on the market. In determining the recoverable amount of an asset or CGU, based on the income approach, management uses several key assumptions, including estimated shipments levels, foreign exchange rates, revenue growth rates, operating income before depreciation (OIBD) margins, discount rates and capital expenditures.

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

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Note 26 of Audited Consolidated Financial Statements)

REVENUES, OPERATING INCOME BEFORE DEPRECIATION (OIBD) MARGINS, CASH FLOWS AND GROWTH RATES

The assumptions used were based on the Corporation's internal budget. Revenues, OIBD 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 twenty 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.

D. GOODWILL, INTANGIBLE ASSETS AND BUSINESS COMBINATIONS

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

E. FAIR VALUE OF BUSINESS COMBINATION

The Corporation makes a number of estimates when allocating fair values to the assets and liabilities acquired in a business acquisition. Fair values are estimated using valuation techniques that take into account several assumptions such as production, amount and timing of earnings and expenses, revenue growth, discount rate and capital expenditures.

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

CRITICAL JUDGMENTS REGARDING THE PANDEMIC IMPACT

As a response to the effects of the COVID-19 pandemic, the Corporation reviewed the assumptions for operating plans, valuation of property plant and equipment and accounts receivable. The exercise resulted in no additional expected credit loss for accounts receivables. The Corporation continues to closely monitor the COVID-19 situation: the duration, spread or intensity of the pandemic as it continues to evolve, along with the supply chain, market pricing and customer demand. These factors may further impact the Corporation's operating plan, its cash flows, its ability to raise funds and the valuation of its long-lived assets.

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".

The DC&P have been designed to provide reasonable assurance that important information relevant to the Corporation is communicated to the President and Chief Executive Officer and to the Vice-President and Chief Financial Officer by other people 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 DC&P of the Corporation were effective as at December 31, 2020.

The ICFR was designed to provide reasonable assurance that the financial information presented is reliable and that the financial statements were prepared according to the IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have evaluated the effectiveness of the ICFR as at December 31, 2020 based on the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework). Based on this evaluation, they have concluded that the Corporation's ICFR were effective as of the same date. During the year ended December 31, 2020, there were no changes in the Corporation's ICFR that materially affected or are reasonably likely to materially affect the Corporation's ICFR.

RISK FACTORS

As part of its ongoing business operations, the Corporation is exposed to certain market risks, including risks ensuing from changes in selling prices for its principal products, costs of raw 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.

Risks Relating to the Corporation's Business

If the Corporation does not successfully manage the demand, supply and operational challenges associated with the effects of the novel coronavirus (COVID-19) pandemic or other similar widespread public health concerns, our results will be negatively impacted.

The Corporation's business may be negatively impacted by the fear of exposure to, actual effects of, or government response to, COVID-19, such as travel restrictions, business shutdowns or limitations, shelter-in-place orders, recommendations or mandates from governmental authorities to avoid large gatherings or to self-quarantine as a result of COVID-19, or other shutdowns and restrictions. These impacts include, but are not limited to:

- Significant reductions in demand or significant volatility in demand for one or more of the Corporation's products, which may be caused by, among other things: quarantine or other travel restrictions, financial hardship, shifts in demand away from one or more of the Corporation's products, including our away-from-home products or our industrial packaging products, or consumer stockpiling activity which may result in a decrease in demand for our products in one period as a result of excessive purchases of the Corporation's products in another period; if prolonged, these events further increase the difficulty of planning for operations and may adversely impact the Corporation's results;

- Inability to meet the Corporation's customers' needs and achieve cost targets due to disruptions in the Corporation's manufacturing and supply arrangements caused by constrained workforce capacity or the loss or disruption of other significant manufacturing or supply materials such as raw materials or other finished product components, transportation, or other manufacturing and distribution capability. While the Corporation has not been required to do so to date, in the future the Corporation may be required to limit or shut down our manufacturing facilities to comply with any future, more stringent government mandates, which may adversely impact the Corporation's results;
- Failure of third parties on which the Corporation rely, including its suppliers, contract manufacturers, distributors and other contractors, to meet their obligations to the Corporation, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties or their inability to deliver goods or services based on governmental restrictions or other mandates and may adversely impact the Corporation's operations;
- Increased expenses related to the implementation of procedures to comply with governmental regulations and recommendations and maintain the health and safety of the Corporation's employees such as remote working (which, in turn, creates additional cyber security risks), health screenings and enhanced cleaning and sanitation protocols; the Corporation expects to continue to incur costs related to its mitigation efforts and it may have to enact additional, more expensive measures to continue to comply with governmental regulations and recommendations, which may become more stringent in the future, in order to ensure the health and safety of its employees; or
- Government actions in one or more of the jurisdictions in which Cascades operate, resulting in Cascades no longer having the benefits of being deemed an "essential business" (or other government actions undertaken to restrict the business activities of businesses they deem essential) and, as a result, forcing the Corporation to scale back its operations or halt them entirely, or government action resulting in any of our suppliers, contract manufacturers, distributors and other contractors no longer being deemed essential and thus impacting the Corporation's ability to deliver its products and services to its customers, which may adversely impact its operations and results.

Despite the Corporation's efforts to manage and remedy these impacts to the Corporation, their ultimate impact also depends on factors beyond its control, including the duration and severity of the COVID-19 pandemic as well as third-party actions taken to contain its spread and mitigate its public health effects. The adverse effects described above may also apply to other epidemics, pandemics and other public health emergencies.

To the extent the COVID-19 pandemic adversely affects the Corporation's business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to the Corporation's high level of indebtedness, its need to generate sufficient cash flows to service its indebtedness, and its ability to comply with the covenants contained in the agreements that govern its indebtedness.

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

The markets for some of the Corporation's products, particularly containerboard 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. In addition, in the event of depressed market prices for recycled paper, the availability of recycled paper may decrease.

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

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

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

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

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

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

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

Some of the Corporation's competitors may, at times, have lower fibre, energy and labour costs, and less restrictive environmental and governmental regulations to comply with than Cascades. For example, fully integrated manufacturers, or those whose requirements for pulp or other fibre are met fully from their internal sources, may have some competitive advantages over manufacturers that are not fully integrated, such as Cascades, in periods of relatively high raw material pricing, in that the former are able to ensure a steady source of these raw 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.

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

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

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

Cascades has customers and operations located outside Canada. In 2020, sales outside Canada, in Canadian dollars, represented approximately 68% of the Corporation's consolidated sales, including 47% in the United States. In 2020, 17% of sales from Canadian operations were made to the United States.

In addition, the Corporation's consolidated financial statements are reported in Canadian dollars, while a portion of its sales is made in other currencies, primarily the U.S. dollar and the Euro. A decrease of the Canadian dollar against the U.S. dollar or the Euro could adversely affect the Corporation's operating results and financial condition. As at December 31, 2020, the Corporation had, on a consolidated basis, total U.S. dollar-denominated debt of US$1,316 million and total Euro-denominated debt of €71 million.

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

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

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

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

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

The Corporation is also subject to the U.S. Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as well as to other applicable legislation in the United States, 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 CO2 emissions. Each unit has been allocated emission rights ("CO2 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 possibilities could have a material adverse effect on the Corporation's financial condition or operating results.

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

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

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

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

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

As at December 31, 2020, the Corporation employed approximately 11,700 employees, of whom roughly 9,054 were employees of its Canadian and United States operations, and approximately 34% of which workforce is unionized. 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 35 collective bargaining agreements in North America, 5 have expired and are currently under negotiation, 5 will expire in 2021 and 11 will expire in 2022.

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

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

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

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

- two 50%-owned joint ventures with Sonoco Products Corporation, of which one is in Canada (two plants) and one is in the United States (two plants), that produce specialty paper packaging products such as headers, rolls and wrappers;
- a 57.60%-owned subsidiary, Reno de Medici S.p.A., a European manufacturer of recycled boxboard; and
- a 79.90%-owned subsidiary, Greenpac Holding LLC, a North American manufacturer of linerboard. The percentage including indirect ownership stands at 86.35% for consolidation and accounting purposes (see Note 8 of the Audited Consolidated Financial Statements for more details).

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

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

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

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

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

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

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

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

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

IFRS requires that Cascades 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.

Certain insiders of Cascades collectively own a substantial percentage of the Common Shares.

Messrs. Bernard, Laurent, Alain Lemaire and their families ("the Lemaires") collectively own a substantive percentage of the Common Shares, and there may be situations in which their interests and the interests of other holders of shares do not align. Because the Corporation's remaining 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.

If Cascades is not successful in retaining or replacing its key personnel, including its President and Chief Executive Officer, its Vice-President and Chief Financial Officer, its Chief of Strategy, Legal Affairs 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.

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

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

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

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

Climate change could negatively affect Cascades' business and operations.

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

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

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

Risks Relating to the Corporation's Indebtedness

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

The Corporation has a significant amount of debt. As at December 31, 2020, it had $1,679 million of debt outstanding on a consolidated basis, including lease obligations.

On November 26, 2019, the Corporation issued $175 million aggregate principal amount of 5.125% due in 2025, US$350 million aggregate principal amount of 5.125% due in 2026 and US$300 million aggregate principal amount of 5.375% due in 2028, totaling $1,026 million, net of transaction fees of $13 million. The Corporation used the proceeds from this offering to fund the redemption of its US$400 million of its 5.50% unsecured senior notes due in 2022 for an amount of US$405 million ($533 million) and its $250 million of its 5.50% unsecured senior notes due in 2021 for an amount of $254 million, including premiums of US$5 million ($7 million) and $4 million. The Corporation also wrote off $3 million of unamortized financing costs related to these notes.

On August 17, 2020, the Corporation issued unsecured senior notes for US$300 million ($396 million) aggregate principal amount of 5.375% due in 2028 at a price of 104.25% resulting in a US$13 million ($17 million) premium for total proceed of US$313 million ($413 million) and an effective yield of 4.69%. Transaction fees amounted to $4 million. The Corporation used the proceed from this offering to fund the redemption of its 5.75% US$200 million ($264 million) unsecured senior notes due in 2023 and paid premium of US$3 million ($4 million). The Corporation also wrote off $2 million of unamortized financing costs related to these notes.

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

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

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

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

Even though the Corporation is substantially leveraged, it and its subsidiaries will be able to incur substantial additional indebtedness in the future. Although its credit facility and the indentures governing the notes restrict the Corporation and its restricted subsidiaries from incurring additional debt, these restrictions are subject to important exceptions and qualifications. As at December 31, 2020, the Corporation had $737 million (net of letters of credit in the amount of $13 million) available on its $750 million revolving credit facility (excluding the credit facilities of its subsidiaries Greenpac Holding LLC and Reno de Medici S.p.A.). If the Corporation or its subsidiaries incur additional debt, the risks that it and they now face as a result of its leverage could intensify.

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

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

- incur debt;
- pay dividends on stock, repurchase stock or redeem subordinated debt;
- make investments;
- sell assets, including capital stock in subsidiaries;
- guarantee other indebtedness;
- enter into agreements that restrict dividends or other distributions from restricted subsidiaries (solely in the case of the Corporation's credit facility);
- enter into transactions with affiliates;
- create or assume liens securing debt;
- sell or transfer 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 joint ventures, minority investments and unrestricted subsidiaries.

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

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

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

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

The ability of the Corporation's subsidiaries to generate cash flow from operations that is sufficient to allow the Corporation to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of the Corporation's control. If the Corporation's subsidiaries do not generate sufficient cash flow from operations to satisfy the Corporation's debt obligations, Cascades may have to undertake alternative financing plans, such as refinancing or re-structuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. 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.

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

The Corporation's borrowings under its credit facility bear interest at variable rates and, accordingly, expose the Corporation to interest rate risk. If interest rates increase, our debt service obligations on our variable rate indebtedness could increase even though the amount borrowed remained the same, and our net income could decrease. The applicable margin with respect to the loans under the Corporation's credit facility is a percentage per annum equal to a reference rate plus the applicable margin. In order to manage its exposure to interest rate risk, the Corporation has entered into and may in the future enter into derivative financial instruments, typically interest rate swaps and caps, involving the exchange of floating for fixed rate interest payments. If the Corporation is unable to enter into interest rate swaps, it may adversely affect its cash flow and may impact its ability to make required principal and interest payments on its indebtedness.In addition, a transition away from LIBOR as a benchmark for establishing the applicable interest rate may affect the cost of servicing its debt under the Corporation's credit facility. The Financial Conduct Authority of the United Kingdom has announced that it plans to phase out LIBOR by the end of 2021. Although these borrowing arrangements provide for alternative base rates, such alternative base rates may or may not be related to LIBOR, and the consequences of the phase out of LIBOR cannot be entirely predicted at this time. For example, if any alternative base rate or means of calculating interest with respect to the Corporation's outstanding variable rate indebtedness leads to an increase in the interest rates incurred, it could result in an increase in the cost of such indebtedness, impact its ability to refinance some or all of its existing indebtedness or otherwise have a material adverse impact on its business, financial condition and results of operations.

Risks related to the Common Shares

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

The market price of the Common Shares may fluctuate due to a variety of factors relative to the Corporation's business, including announcements of new developments, fluctuations in the Corporation's operating results, sales of the Common Shares in the marketplace, failure to meet analysts' expectations, general conditions in all of our segments or the worldwide economy, especially in the context of the COVID-19 pandemic and related uncertainty, many of which are beyond the Corporation's control. In recent years, the Common Shares, the stock of other companies operating in the same sectors and the stock market in general have experienced significant price fluctuations, which have been unrelated to the operating performance of the affected companies. There can be no assurance that the market price of the Common Shares will not continue to experience significant fluctuations in the future, including fluctuations that are unrelated to the Corporation's performance.

Payments of Dividends

Any decisions to pay dividends on the Common Shares is subject to the discretion of the board of directors and based on, among other things, Cascades' earnings and financial requirements for operations, the satisfaction of applicable solvency testes for the declaration and payment of dividends and other conditions existing from time to time. As a result, no assurance can be given as to whether Cascades will declare and pay any dividends in the future, or the frequency or amount of any such dividend.

Potential Dilution

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

MANAGEMENT'S REPORT
TO THE SHAREHOLDERS OF CASCADES INC.

February 24, 2021

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

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

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

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

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

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

/s/ Mario Plourde
MARIO PLOURDE

PRESIDENT AND CHIEF EXECUTIVE OFFICER
KINGSEY FALLS, CANADA

/s/ Allan Hogg
ALLAN HOGG

VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER
KINGSEY FALLS, CANADA

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

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cascades Inc. and its subsidiaries (together, the Corporation) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2020 and 2019;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment Refer to note 2, Summary of significant accounting policies, note 4, Critical accounting estimates and judgments and note 26, Impairment charges and restructuring costs (gains) to the consolidated financial statements. Total net book value of property, plant and equipment amounted to $2,772 million as at December 31, 2020. Property, plant and equipment is tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the recoverable amount of an asset or cash-generating unit (CGU) is lower than its carrying amount. A CGU is the lowest level of a group of individual assets or group of assets for which there are separately identifiable cash inflows. The recoverable amount is the higher of fair value less cost of disposal and value in use of an asset or CGU. The recoverable amount of each asset or CGU is determined using the fair value less cost of disposal based on the market approach if a market exists or the income approach. Where impairment exists, the asset or CGU is written down to its recoverable amount. In determining the recoverable amount of an asset or CGU, based on the market approach, management uses the value of comparable assets on the market. In determining the recoverable amount of an asset or CGU, based on the income approach, management uses several key assumptions, including estimated shipments, foreign exchange rates, revenue growth rates, operating income before depreciation (OIBD) margins, discount rates and capital expenditures. We considered this a key audit matter due to the inherent judgment required by management in determining the recoverable amounts of assets or CGUs related to property, plant and equipment for which an indicator of impairment was identified, including the use of key assumptions. This has resulted in a high degree of subjectivity and complexity in applying audit procedures to test the recoverable amounts of assets or CGUs determined by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing the procedures.	Our approach to addressing the matter involves the following procedures, among others: • Tested how management determined the recoverable amounts of the assets or CGUs related to property, plant and equipment for which an indicator of impairment was identified, which included the following: ◦ Tested the appropriateness of the methods used and the mathematical accuracy of the fair value less costs of disposal calculations. ◦ Tested the underlying data used in the fair value less cost of disposal calculations. ◦ Tested the reasonableness of the assumptions related to estimated shipments, foreign exchange rates, revenue growth rates, OIBD margins and capital expenditures by considering (i) the budget approved by the Board of Directors (ii) the current and past performance of the CGUs, (iii) the external market and industry data, and (iv) whether these assumptions were aligned with evidence obtained in other areas of the audit. ◦ Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management based on available data of comparable companies and the reasonableness of comparable assets used in the market approach.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

/s/ PricewaterhouseCoopers LLP[1]

Montréal, Québec
February 24, 2021

1 CPA auditor, CA, public accountancy permit No. A126402

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)	NOTE	December 31, 2020	December 31, 2019
			Adjusted, Note 5
Assets			
Current assets			
Cash and cash equivalents	27	**384**	155
Accounts receivable	6	**659**	610
Current income tax assets		**23**	32
Inventories	7	**569**	598
Current portion of financial assets	16	**5**	10
		1,640	1,405
Long-term assets			
Investments in associates and joint ventures	8	**82**	80
Property, plant and equipment	9 and 14	**2,772**	2,770
Intangible assets with finite useful life	10	**160**	182
Financial assets	16	**16**	16
Other assets	11	**50**	55
Deferred income tax assets	19	**170**	153
Goodwill and other intangible assets with indefinite useful life	10	**522**	527
		5,412	5,188
Liabilities and Equity			
Current liabilities			
Bank loans and advances	27	**12**	11
Trade and other payables	12	**861**	792
Current income tax liabilities		**17**	17
Current portion of long-term debt	13 and 27	**102**	85
Current portion of provisions for contingencies and charges	15	**14**	5
Current portion of financial liabilities and other liabilities	16 and 17	**25**	137
		1,031	1,047
Long-term liabilities			
Long-term debt	13 and 27	**1,949**	2,022
Provisions for contingencies and charges	15	**57**	49
Financial liabilities	16	**6**	5
Other liabilities	17	**202**	198
Deferred income tax liabilities	19	**210**	198
		3,455	3,519
Equity			
Capital stock	20	**622**	491
Contributed surplus	21	**13**	15
Retained earnings		**1,146**	1,003
Accumulated other comprehensive loss	22	**(28)**	(17)
Equity attributable to Shareholders		**1,753**	1,492
Non-controlling interests	8	**204**	177
Total equity		**1,957**	1,669
		5,412	5,188

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

Approved by the Board of Directors

/s/ Alain Lemaire
Alain Lemaire - DIRECTOR

/s/ Michelle Cormier
Michelle Cormier - DIRECTOR

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31 (in millions of Canadian dollars, except per common share amounts and number of common shares)	NOTE	2020	2019
			Adjusted, Note 5
Sales		**5,157**	4,996
Cost of sales and expenses			
Cost of sales (including depreciation and amortization of $299 million (2019 — $289 million))	14 and 23	**4,321**	4,232
Selling and administrative expenses	23	**460**	453
Gain on acquisitions, disposals and others	5 and 25	**(43)**	(24)
Impairment charges and restructuring costs	26	**52**	78
Foreign exchange gain		**—**	(2)
Loss (gain) on derivative financial instruments	16	**1**	(2)
		4,791	4,735
Operating income		**366**	261
Financing expense	14 and 27	**105**	101
Interest expense (revenue) on employee future benefits and other liabilities	27	**(7)**	42
Loss on repurchase of long-term debt	13	**6**	14
Foreign exchange gain on long-term debt and financial instruments		**(6)**	(6)
Fair value revaluation loss on investments	8	**3**	—
Share of results of associates and joint ventures	8	**(14)**	(9)
Earnings before income taxes		**279**	119
Provision for income taxes	19	**45**	19
Net earnings including non-controlling interests for the year		**234**	100
Net earnings attributable to non-controlling interests	8	**36**	28
Net earnings attributable to Shareholders for the year		**198**	72
Net earnings per common share			
Basic		**$ 2.04**	$ 0.77
Diluted		**$ 2.02**	$ 0.75
Weighted average basic number of common shares outstanding		**95,924,835**	93,987,980
Weighted average number of diluted common shares		**97,061,136**	95,515,822

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (in millions of Canadian dollars)	NOTE	2020	2019
			Adjusted, Note 5
Net earnings including non-controlling interests for the year		**234**	100
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Translation adjustments	22		
Change in foreign currency translation of foreign subsidiaries		**(7)**	(75)
Change in foreign currency translation related to net investment hedging activities		**3**	45
Cash flow hedges	22		
Change in fair value of foreign exchange forward contracts		**—**	1
Change in fair value of interest rate swaps		**—**	(1)
Change in fair value of commodity derivative financial instruments		**2**	(2)
Recovery of (provision for) income taxes		**(2)**	1
		(4)	(31)
Items that are not released to earnings			
Actuarial loss on employee future benefits	18	**(22)**	(3)
Recovery of income taxes	19	**6**	1
		(16)	(2)
Other comprehensive income (loss)		**(20)**	(33)
Comprehensive income including non-controlling interests for the year		**214**	67
Comprehensive income attributable to non-controlling interests for the year		**43**	14
Comprehensive income attributable to Shareholders for the year		**171**	53

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

CONSOLIDATED STATEMENTS OF EQUITY

For the year ended December 31, 2020

(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 - End of previous year, as reported		**491**	**15**	**1,000**	**(17)**	**1,489**	**177**	**1,666**
Business combinations	5	**—**	**—**	**3**	**—**	**3**	**—**	**3**
Adjusted balance - Beginning of year		**491**	**15**	**1,003**	**(17)**	**1,492**	**177**	**1,669**
Comprehensive income (loss)								
Net earnings		**—**	**—**	**198**	**—**	**198**	**36**	**234**
Other comprehensive income (loss)		**—**	**—**	**(16)**	**(11)**	**(27)**	**7**	**(20)**
		—	**—**	**182**	**(11)**	**171**	**43**	**214**
Dividends		**—**	**—**	**(31)**	**—**	**(31)**	**(16)**	**(47)**
Issuance of common shares on public offering	20	**125**	**—**	**(4)**	**—**	**121**	**—**	**121**
Stock options expense		**—**	**1**	**—**	**—**	**1**	**—**	**1**
Issuance of common shares upon exercise of stock options	20	**10**	**(3)**	**—**	**—**	**7**	**—**	**7**
Redemption of common shares	20	**(4)**	**—**	**(4)**	**—**	**(8)**	**—**	**(8)**
Balance - End of year		**622**	**13**	**1,146**	**(28)**	**1,753**	**204**	**1,957**

For the year ended December 31, 2019

Adjusted, Note 5

(in millions of Canadian dollars)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Adjusted balance - Beginning of year		490	16	989	2	1,497	180	1,677
Comprehensive income (loss)								
Net earnings		—	—	72	—	72	28	100
Other comprehensive loss		—	—	—	(19)	(19)	(14)	(33)
		—	—	72	(19)	53	14	67
Dividends		—	—	(23)	—	(23)	(17)	(40)
Issuance of common shares upon exercise of stock options	20	6	(1)	—	—	5	—	5
Redemption of common shares	20	(5)	—	(4)	—	(9)	—	(9)
Disposal of a subsidiary		—	—	—	—	—	(1)	(1)
Acquisition of non-controlling interests		—	—	(31)	—	(31)	1	(30)
Balance - End of year		491	15	1,003	(17)	1,492	177	1,669

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in millions of Canadian dollars)	NOTE	**2020**	2019
			Adjusted, Note 5
Operating activities			
Net earnings attributable to Shareholders for the year		**198**	72
Adjustments for:			
Financing expense and interest expense (revenue) on employee future benefits and other liabilities	27	**98**	143
Loss on repurchase of long-term debt	13	**6**	14
Depreciation and amortization		**299**	289
Gain on acquisitions, disposals and others	5 and 25	**(43)**	(27)
Impairment charges and restructuring costs	26	**52**	68
Unrealized loss (gain) on derivative financial instruments		**1**	(2)
Foreign exchange gain on long-term debt and financial instruments		**(6)**	(6)
Provision for income taxes	19	**45**	19
Fair value revaluation loss on investments	8	**3**	—
Share of results of associates and joint ventures	8	**(14)**	(9)
Net earnings attributable to non-controlling interests	8	**36**	28
Net financing expense paid		**(79)**	(133)
Premium paid on repurchase of long-term debt	13	**(4)**	(11)
Net income taxes paid		**(9)**	(27)
Dividends received	8	**10**	9
Provisions for contingencies and charges and others liabilities	16 and 18	**(26)**	(26)
		567	401
Changes in non-cash working capital components	27	**20**	59
		587	460
Investing activities			
Disposals of associates and joint ventures	25	**3**	1
Payments for property, plant and equipment		**(250)**	(258)
Proceeds from disposals of property, plant and equipment		**55**	27
Change in intangible and other assets		**(13)**	(8)
Cash received (paid) for business combinations	5	**2**	(311)
Proceeds on disposals of a subsidiary, net of cash disposed	5	**—**	9
		(203)	(540)
Financing activities			
Bank loans and advances	27	**1**	(5)
Change in credit facilities	13 and 27	**(131)**	39
Issuance of unsecured senior notes, net of related expenses	13 and 27	**409**	1,026
Repurchase of unsecured senior notes	13 and 27	**(264)**	(776)
Increase in other long-term debt		**33**	6
Payments of other long-term debt, including lease obligations	13	**(156)**	(125)
Settlement of derivative financial instruments	16	**1**	—
Issuance of common shares on public offering, net of transaction fees	20	**120**	—
Issuance of common shares upon exercise of stock options	20	**7**	5
Redemption of common shares	20	**(8)**	(9)
Payment of other liabilities	17	**(121)**	—
Dividends paid to non-controlling interests	8	**(16)**	(17)
Dividends paid to the Corporation's Shareholders		**(31)**	(23)
		(156)	121
Change in cash and cash equivalents during the year		**228**	41
Currency translation on cash and cash equivalents		**1**	(9)
Cash and cash equivalents - Beginning of the year		**155**	123
Cash and cash equivalents - End of the year		**384**	155

The accompanying notes are an integral part of these Audited 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 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 and Specialty Products (which constitutes the Corporation’s Packaging Products) and Tissue Papers.

	SALES TO									
	Canada		United States		Italy		Other countries		Total	
For the years ended December 31 (in millions of Canadian dollars)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Packaging Products										
Containerboard	**1,130**	1,079	**787**	746	**—**	—	**1**	2	**1,918**	1,827
Boxboard Europe	**—**	—	**—**	—	**322**	309	**730**	739	**1,052**	1,048
Specialty Products	**165**	136	**305**	304	**—**	2	**3**	50	**473**	492
Intersegment sales	**(13)**	(13)	**(5)**	(1)	**—**	—	**—**	—	**(18)**	(14)
	1,282	1,202	**1,087**	1,049	**322**	311	**734**	791	**3,425**	3,353
Tissue Papers	**278**	257	**1,336**	1,242	**—**	—	**1**	10	**1,615**	1,509
Intersegment sales and Corporate Activities	**115**	124	**2**	10	**—**	—	**—**	—	**117**	134
	1,675	1,583	**2,425**	2,301	**322**	311	**735**	801	**5,157**	4,996

	OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	
For the years ended December 31 (in millions of Canadian dollars)	**2020**	2019
		Adjusted, Note 5
Packaging Products		
Containerboard	**436**	443
Boxboard Europe	**122**	92
Specialty Products	**58**	52
	616	587
Tissue Papers	**145**	67
Corporate Activities	**(96)**	(104)
Operating income before depreciation and amortization	**665**	550
Depreciation and amortization	**(299)**	(289)
Financing expense and interest expense (revenue) on employee future benefits and other liabilities	**(98)**	(143)
Loss on repurchase of long-term debt	**(6)**	(14)
Foreign exchange gain on long-term debt and financial instruments	**6**	6
Fair value revaluation loss on investments	**(3)**	—
Share of results of associates and joint ventures	**14**	9
Earnings before income taxes	**279**	119

For the years ended December 31 (in millions of Canadian dollars)	PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT 2020	2019
Packaging Products		
Containerboard	**111**	83
Boxboard Europe	**41**	56
Specialty Products	**25**	20
	177	159
Tissue Papers	**104**	110
Corporate Activities	**26**	48
Total acquisitions	**307**	317
Proceeds from disposals of property, plant and equipment	**(55)**	(27)
Right-of-use assets acquisitions and acquisitions included in other debts	**(63)**	(50)
	189	240
Acquisitions for property, plant and equipment included in "Trade and other payables"		
Beginning of year	**46**	37
End of year	**(40)**	(46)
Payments for property, plant and equipment net of proceeds from disposals	**195**	231

(in millions of Canadian dollars)	TOTAL ASSETS December 31, 2020	December 31, 2019
		Adjusted, Note 5
Packaging Products		
Containerboard	**2,196**	2,152
Boxboard Europe	**799**	748
Specialty Products	**283**	270
	3,278	3,170
Tissue Papers	**1,314**	1,325
Corporate Activities	**821**	656
Intersegment eliminations	**(88)**	(47)
	5,325	5,104
Investments in associates and joint ventures	**82**	80
Other investments	**5**	4
	5,412	5,188

Information by geographic segment is as follows:

(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT December 31, 2020	December 31, 2019
		Adjusted, Note 5
Canada	**945**	924
United States	**1,463**	1,492
Italy	**200**	192
Other countries	**164**	162
	2,772	2,770

(in millions of Canadian dollars)	GOODWILL, CUSTOMER RELATIONSHIPS AND CLIENT LISTS, AND OTHER FINITE AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS December 31, 2020	December 31, 2019
Canada	**375**	394
United States	**275**	285
Italy	**29**	27
Other countries	**3**	3
	682	709

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1

GENERAL INFORMATION

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

The Board of Directors approved the Consolidated Financial Statements on February 24, 2021.

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.

BASIS OF MEASUREMENT

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

BASIS OF CONSOLIDATION

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

A. SUBSIDIARIES

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

The following are the principal subsidiaries of the Corporation:

	PERCENTAGE OWNED (%)	JURISDICTION
Cascades Canada ULC	100	Canada
Cascades USA Inc.	100	Delaware
Greenpac Holding LLC[1]	79.90	Delaware
Reno de Medici S.p.A. (RDM)	57.60	Italy

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

B. TRANSACTIONS AND CHANGE IN OWNERSHIP

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

C. ASSOCIATES

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

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

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

D. JOINT VENTURES

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

E. STRUCTURED ENTITIES

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

REVENUE FROM CONTRACT WITH CUSTOMERS

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

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

FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

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

CLASSIFICATION

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

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

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

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

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

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

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

EVALUATION

Financial instruments at amortized cost

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

Financial instruments at fair value

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

IMPAIRMENT

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

DERECOGNITION

Financial assets

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

Financial liabilities

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Corporation designates certain derivative financial instruments as 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 twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as current assets or liabilities.

A. FAIR VALUE HEDGE

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

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

B. CASH FLOW HEDGE

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

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

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

C. NET INVESTMENT HEDGE

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

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

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

GRANTS AND INVESTMENT TAX CREDITS

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

BORROWING COSTS

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

INTANGIBLE ASSETS

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

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

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

GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

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

IMPAIRMENT

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

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

When the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recorded immediately in the consolidated statement of earnings in the line item “Impairment charges 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 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. To determine the recoverable amount of each asset or CGU, the Corporation uses the fair value less cost of disposal calculation based on the market approach if a market exists for the asset or CGU or the income approach.

LONG-TERM DEBT

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

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

LEASES

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

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

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

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

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

PROVISIONS FOR CONTINGENCIES AND CHARGES

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

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

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

ENVIRONMENTAL RESTORATION OBLIGATIONS AND ENVIRONMENTAL COSTS

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

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

EMPLOYEE BENEFITS

The Corporation offers funded and unfunded defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans (RRSPs) that provide retirement benefit payments for most of its employees. The defined benefit pension plans are usually contributory and are based on the number of years of service and, in most cases, the average 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, 2020, a schedule of contributions is estimated to establish the minimum funding requirement. For other plans, we have used contributions from the most recent actuarial report.

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

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

Interest costs on 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, 2020, 92% of the plans were evaluated on December 31, 2019 (23% in 2018).

INCOME TAXES

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

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

FOREIGN CURRENCY TRANSLATION

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

A. FOREIGN CURRENCY TRANSACTIONS

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

B. FOREIGN OPERATIONS

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

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

Amendment to *IFRS 16 LEASES*
In May 2020, the IASB issued an amendment to *IFRS 16 Leases*, with the objective of providing practical relief to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic. The amendment introduces an optional practical expedients for lessees to not account for rent concessions as lease modifications if they are a direct consequence of the COVID-19 pandemic and meet certain conditions.

This amendment to *IFRS 16* was adopted effective on April 1, 2020. The Corporation was not in a position to apply any of the practical expedient to the existing contracts.

B. RECENT IFRS PRONOUNCEMENT NOT YET ADOPTED

LIBOR reform with amendments to *IFRS 9, IAS 29, IFRS 7* and *IFRS 16*
In August 2020, the IASB issued Interest Rate Benchmark Reform-Phase 2, which amends *IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures* and *IFRS 16 Leases*. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The standard will be effective on January 1, 2021 for the Corporation. The Corporation is currently evaluating the impact of this standard on its financial statements.

NOTE 4

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

In determining the recoverable amount of an asset or CGU, based on the market approach, management uses the value of comparable assets on the market. In determining the recoverable amount of an asset or CGU, based on the income approach, management uses several key assumptions, including estimated shipments levels, foreign exchange rates, revenue growth rates, operating income before depreciation (OIBD) margins, discount rates and capital expenditures.

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

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Note 26 of Consolidated Financial Statements)

REVENUES, OPERATING INCOME BEFORE DEPRECIATION (OIBD) MARGINS, CASH FLOWS AND GROWTH RATES

The assumptions used were based on the Corporation's internal budget. Revenues, OIBD 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 twenty 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.

D. GOODWILL, INTANGIBLE ASSETS AND BUSINESS COMBINATIONS

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

E. FAIR VALUE OF BUSINESS COMBINATION

The Corporation makes a number of estimates when allocating fair values to the assets and liabilities acquired in a business acquisition. Fair values are estimated using valuation techniques that take into account several assumptions such as production, amount and timing of earnings and expenses, revenue growth, discount rate and capital expenditures.

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

CRITICAL JUDGMENTS REGARDING THE PANDEMIC IMPACT

As a response to the effects of the COVID-19 pandemic, the Corporation reviewed the assumptions for operating plans, valuation of property plant and equipment and accounts receivable. The exercise resulted in no additional expected credit loss for accounts receivables. The Corporation continues to closely monitor the COVID-19 situation: the duration, spread or intensity of the pandemic as it continues to evolve, along with the supply chain, market pricing and customer demand. These factors may further impact the Corporation’s operating plan, its cash flows, its ability to raise funds and the valuation of its long-lived assets.

NOTE 5

A. BUSINESS COMBINATIONS

2019

Orchids Paper Products

On September 13, 2019, the Corporation acquired the assets of Orchids Paper Products Company (Orchids) for a total consideration of $307 million, which consisted of US$235 million ($311 million) in cash, less US$2 million ($2 million) for a purchase price adjustment and the settlement of a net liability of $2 million with the acquiree prior to the transaction. The Corporation recorded a bargain purchase gain on acquisition of the distressed assets of $25 million before transaction fees of $9 million.

The assets include the Barnwell, South Carolina and Pryor, Oklahoma Tissue plants. As part of the transaction, the Corporation acquired all of the outstanding units of OPP Acquisition Mexico S. de R.L. de C.V., designated as assets held-for-sale at acquisition date, which were resold the same day for US$14 million ($19 million).

This acquisition will accelerate the modernization of the Corporation's U.S. consumer product tissue platform by strengthening our operations and improving our geographic positioning.

The $15 million fair value of accounts receivables is equal to gross contractual cash flows, which were all expected to be collected at the time of the acquisition.

The purchase price allocation was finalized in 2020 and the adjustments were retroactively recorded at the date of acquisition.

Assets acquired and liabilities assumed were as follows:

	2019		
BUSINESS SEGMENT:	Tissue Papers		
ACQUIRED COMPANIES:	Orchids Paper Products		
(in millions of Canadian dollars)	Adjusted preliminary allocation as at December 31, 2019	Adjustments	Final allocation
Fair values of identifiable assets acquired and liabilities assumed:			
Accounts receivable	14	1	15
Inventories	24	—	24
Assets held-for-sale	19	—	19
Property, plant and equipment	290	3	293
Other assets	1	—	1
Total assets	348	4	352
Trade and other payables	(12)	—	(12)
Deferred income tax liabilities	(7)	(1)	(8)
Net assets acquired	329	3	332
Bargain purchase gain on acquisition	(22)	(3)	(25)
	307	—	307
Net cash paid	311	—	311
Purchase price adjustment (received in the first quarter of 2020)	(2)	—	(2)
Settlement of liability with acquiree before the transaction	(2)	—	(2)
Total consideration	307	—	307

B. DISPOSAL

2019

Cascades Europe S.A.S.

On September 30, 2019, the Corporation sold its participation of 90% in Cascades Europe S.A.S. which owns Cascades Rollpack, a cardboard packaging converter for the paper industry, for a total consideration of €10 million ($15 million), including €7 million ($10 million) of cash received as well as €4 million ($6 million) of long-term debt assumed and €1 million ($1 million) of cash balance disposed. A loss on disposal of $1 million was recorded.

Assets and liabilities at the time of disposal were as follows:

	2019
BUSINESS SEGMENT:	Specialty Products
(in millions of Canadian dollars) DISPOSAL COMPANY:	Cascades Europe S.A.S.
Assets and liabilities disposed:	
Cash and cash equivalents	1
Accounts receivable	7
Inventories	9
Property, plant and equipment	9
Total assets	26
Trade and other payables	(8)
Long-term debt	(6)
Net assets disposed	12
Non-controlling interests	(1)
Loss on disposal	(1)
Total consideration received	10

NOTE 6
ACCOUNTS RECEIVABLE

(in millions of Canadian dollars)	NOTE	2020	2019
			Adjusted, Note 5
Accounts receivable - Trade		**569**	544
Receivables from related parties	29	**33**	27
Less: expected credit loss allowance		**(14)**	(12)
Trade receivables - net		**588**	559
Other		**71**	51
		659	610

As at December 31, 2020, trade receivables of $147 million (December 31, 2019 - $131 million) were past due.

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

(in millions of Canadian dollars)	2020	2019
Balance at beginning of year	**12**	15
Provision for expected credit loss allowance	**4**	2
Receivables written off during the year as uncollectable	**(2)**	(4)
Exchange differences	**—**	(1)
Balance at end of year	**14**	12

The change in the expected credit loss allowance has been included in “Selling and administrative expenses” in the consolidated statement of earnings.

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

NOTE 7
INVENTORIES

(in millions of Canadian dollars)	2020	2019
Finished goods	**243**	295
Raw materials	**116**	105
Supplies and spare parts	**210**	198
	569	598

As at December 31, 2020, finished goods, raw materials and supplies and spare parts inventories have been adjusted to their net realizable value (NRV) requiring a provision of $9 million, $2 million and $14 million, respectively (December 31, 2019 - $8 million, $2 million and $15 million).

No reversal of previously written-down inventory occurred in 2020 or 2019. The cost of raw materials and supplies and spare parts included in “Cost of sales” amounted to $1,754 million (2019 - $1,682 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)	**2020**	2019
Investments in associates	**18**	13
Investments in joint ventures	**64**	67
	82	80

B. INVESTMENTS IN ASSOCIATES

The Corporation did not hold any significant participation in associates in 2020 and 2019.

C. INVESTMENT IN JOINT VENTURES

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

	2020-2019 PERCENTAGE EQUITY OWNED (%)	PRINCIPAL ESTABLISHMENT
Cascades Sonoco US Inc.[1]	50	Birmingham, Alabama and Tacoma, Washington, United States
Cascades Sonoco inc.[1]	50	Kingsey Falls and Berthierville, Québec, Canada
Maritime Paper Products Limited Partnership (MPPLP)[2]	40	Dartmouth, Nova Scotia, Canada
Tencorr Holdings Corporation[3]	33.33	Brampton, Ontario, Canada

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

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

(in millions of Canadian dollars)	CASCADES SONOCO US INC.	CASCADES SONOCO INC.	MARITIME PAPER PRODUCTS LIMITED PARTNERSHIP	TENCORR HOLDINGS CORPORATION
				2020
Condensed balance sheet				
Cash and cash equivalents	**3**	**2**	**7**	**12**
Current assets (other than cash and cash equivalents and current financial assets)	**18**	**22**	**23**	**19**
Long-term assets (other than long-term financial assets)	**39**	**14**	**28**	**9**
Current liabilities (other than current financial liabilities)	**9**	**7**	**6**	**25**
Current financial liabilities	**1**	**1**	**—**	**1**
Long-term liabilities (other than long-term financial liabilities)	**6**	**2**	**—**	**3**
Long-term financial liabilities	**6**	**1**	**—**	**—**
Condensed statement of earnings				
Sales	**89**	**79**	**97**	**128**
Depreciation and amortization	**5**	**2**	**3**	**1**
Financing expense	**2**	**—**	**—**	**—**
Provision for income taxes	**1**	**2**	**—**	**1**
Net earnings	**2**	**5**	**8**	**2**
Other comprehensive income (loss)				
Translation adjustment	**(1)**	**—**	**—**	**—**
Total comprehensive income	**1**	**5**	**8**	**2**
Dividends received from joint ventures	**1**	**4**	**1**	**—**

(in millions of Canadian dollars)	CASCADES SONOCO US INC.	CASCADES SONOCO INC.	MARITIME PAPER PRODUCTS LIMITED PARTNERSHIP	TENCORR HOLDINGS CORPORATION
				2019
Condensed balance sheet				
Cash and cash equivalents	2	—	3	—
Current assets (other than cash and cash equivalents and current financial assets)	26	26	23	18
Long-term assets (other than long-term financial assets)	43	16	28	10
Current liabilities (other than current financial liabilities)	10	7	4	14
Current financial liabilities	5	1	1	2
Long-term liabilities (other than long-term financial liabilities)	6	2	—	3
Long-term financial liabilities	12	1	2	—
Condensed statement of earnings				
Sales	110	91	97	132
Depreciation and amortization	5	2	3	1
Financing expense	2	—	—	—
Provision for income taxes	1	2	—	—
Net earnings	4	5	3	1
Other comprehensive income (loss)				
Translation adjustment	(2)	—	—	—
Total comprehensive income	2	5	3	1
Dividends received from joint ventures	2	5	—	—

There is no in commitment in the joint ventures (nil in 2019).

D. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

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

		2020		2019
(in millions of Canadian dollars, unless otherwise noted)	RENO DE MEDICI S.p.A.	GREENPAC HOLDING LLC	RENO DE MEDICI S.p.A.	GREENPAC HOLDING LLC
Principal establishment	Milan, Italy	New York, United States	Milan, Italy	New York, United States
Percentage of shares held by non-controlling interests (accounting basis)	**42.40%**	**13.65%**	42.05%	13.65%
Net earnings attributable to non-controlling interests	**22**	**13**	11	17
Non-controlling interests accumulated at the end of the year	**153**	**47**	125	48
Dividends paid to non-controlling interests	**2**	**14**	2	15
Condensed balance sheet				
Cash and cash equivalents	**98**	**28**	59	36
Current assets (other than cash and cash equivalents and current financial assets)	**292**	**127**	295	105
Current financial assets	**—**	**3**	—	3
Long-term assets (other than long-term financial assets)	**412**	**520**	397	569
Long-term financial assets	**—**	**8**	—	11
Current liabilities (other than current financial liabilities)	**246**	**60**	246	37
Current financial liabilities	**33**	**11**	39	9
Long-term liabilities (other than long-term financial liabilities)	**77**	**1**	72	—
Long-term financial liabilities	**80**	**126**	94	167
Condensed statement of earnings				
Sales	**1,052**	**438**	1,048	438
Depreciation and amortization	**48**	**39**	47	38
Provision for income taxes	**19**	**—**	14	—
Net earnings	**51**	**95**	23	100
Condensed cash flow				
Cash flows from operating activities	**110**	**143**	95	136
Cash flows used for investing activities	**(35)**	**(6)**	(42)	(5)
Cash flows used for financing activities	**(41)**	**(142)**	(39)	(131)

In November 2019, the Corporation exercised its call option and repurchased the CDPQ (Caisse de dépôt et placement du Québec) 20.20% participation in Greenpac of $121 million. The consideration has been paid on January 3, 2020 and was accounted in other liabilities as at December 31, 2019. With this additional participation, the Corporation's direct ownership in Greenpac increased to 79.90% from 59.70% whereas indirect ownership, through our 53% participation in Containerboard Partners (Ontario) Inc., remained at 6.40%. For accounting purposes, the CDPQ participation was accounted for as a liability because of the put option associated with it. With the exercise of the call option, the CDPQ put option became void and the 20.20% participation was treated as equity for accounting purposes. The combined effect of the participation buyout and designation of it as equity decreased the minority interest share to 13.65% from 17.11%.

E. NON-SIGNIFICANT ASSOCIATES AND JOINT VENTURES

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

(in millions of Canadian dollars)	**2020**	2019
Non-significant associates	**18**	13
Non-significant joint ventures	**13**	18
	31	31

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

(in millions of Canadian dollars)	**2020**	2019
Non-significant associates	**3**	—
Non-significant joint ventures	**3**	3
	6	3

The Corporation received dividends of $4 million from these associates and joint ventures as at December 31, 2020 (December 31, 2019 - $2 million).

The Corporation recorded a fair value revaluation loss on investments of $3 million from a joint venture as at December 31, 2020.

NOTE 9

PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars)	NOTE	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	AUTOMOTIVE EQUIPMENT	OTHERS	RIGHT-OF-USE ASSETS (Note 14)	TOTAL
As at January 1, 2019								
Cost		175	950	3,445	115	333	123	5,141
Accumulated depreciation and impairment		—	401	2,002	74	124	35	2,636
Net book amount		175	549	1,443	41	209	88	2,505
Year ended December 31, 2019 (Adjusted, Note 5)								
Opening net book amount		175	549	1,443	41	209	88	2,505
Additions		—	35	52	10	174	46	317
Disposals		—	(1)	(24)	(1)	(3)	(3)	(32)
Depreciation		—	(36)	(153)	(11)	(14)	(42)	(256)
Business disposal	5	—	(6)	(3)	—	—	—	(9)
Business combinations	5	—	—	312	—	—	—	312
IFRS 16 adjustment		—	—	—	—	—	87	87
Impairment charges	26	—	(8)	(38)	—	(5)	—	(51)
Others		13	68	(23)	6	(75)	—	(11)
Exchange differences		(7)	(18)	(53)	(1)	(8)	(5)	(92)
Closing net book amount		181	583	1,513	44	278	171	2,770
As at December 31, 2019 (Adjusted, Note 5)								
Cost		181	978	3,548	123	454	243	5,527
Accumulated depreciation and impairment		—	395	2,035	79	176	72	2,757
Net book amount		181	583	1,513	44	278	171	2,770
Year ended December 31, 2020								
Opening net book amount		**181**	**583**	**1,513**	**44**	**278**	**171**	**2,770**
Additions		**—**	**18**	**92**	**11**	**124**	**62**	**307**
Disposals		**—**	**(1)**	**(2)**	**—**	**(1)**	**(4)**	**(8)**
Depreciation		**—**	**(21)**	**(174)**	**(12)**	**(11)**	**(48)**	**(266)**
Impairment charges	26	**(2)**	**—**	**(25)**	**—**	**—**	**—**	**(27)**
Others		**—**	**23**	**91**	**—**	**(114)**	**—**	**—**
Exchange differences		**3**	**(4)**	**(3)**	**1**	**(1)**	**—**	**(4)**
Closing net book amount		**182**	**598**	**1,492**	**44**	**275**	**181**	**2,772**
As at December 31, 2020								
Cost		**184**	**1,006**	**3,624**	**131**	**393**	**285**	**5,623**
Accumulated depreciation and impairment		**2**	**408**	**2,132**	**87**	**118**	**104**	**2,851**
Net book amount		**182**	**598**	**1,492**	**44**	**275**	**181**	**2,772**

Other property, plant and equipment include buildings and machinery and equipment in the process of construction or installation with a book value of $188 million (December 31, 2019 - $203 million) and deposits on purchases of machinery and equipment amounting to $15 million (December 31, 2019 - $2 million).

In 2020, $1 million (2019 - $3 million) of interest incurred on qualifying assets was capitalized. The weighted average capitalization rate on funds borrowed in 2020 was 4.86% (2019 - 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, 2019								
Cost		158	218	34	410	551	7	558
Accumulated amortization and impairment		65	105	32	202	3	—	3
Net book amount		93	113	2	208	548	7	555
Year ended December 31, 2019								
Opening net book amount		93	113	2	208	548	7	555
Additions		8	—	2	10	—	—	—
Impairment charges	26	—	—	—	—	(14)	(1)	(15)
Amortization		(19)	(13)	(1)	(33)	—	—	—
Exchange differences		(1)	(2)	—	(3)	(13)	—	(13)
Closing net book amount		81	98	3	182	521	6	527
As at December 31, 2019								
Cost		165	216	36	417	538	7	545
Accumulated amortization and impairment		84	118	33	235	17	1	18
Net book amount		81	98	3	182	521	6	527
Year ended December 31, 2020								
Opening net book amount		**81**	**98**	**3**	**182**	**521**	**6**	**527**
Additions		**10**	**—**	**—**	**10**	**—**	**—**	**—**
Amortization		**(19)**	**(13)**	**(1)**	**(33)**	**—**	**—**	**—**
Others		**—**	**—**	**1**	**1**	**—**	**(1)**	**(1)**
Exchange differences		**1**	**(1)**	**—**	**—**	**(4)**	**—**	**(4)**
Closing net book amount		**73**	**84**	**3**	**160**	**517**	**5**	**522**
As at December 31, 2020								
Cost		**176**	**215**	**9**	**400**	**526**	**6**	**532**
Accumulated amortization and impairment		**103**	**131**	**6**	**240**	**9**	**1**	**10**
Net book amount		**73**	**84**	**3**	**160**	**517**	**5**	**522**

NOTE 11
OTHER ASSETS

(in millions of Canadian dollars)	NOTE	**2020**	2019
Long-tem notes receivable		**7**	1
Other investments		**5**	4
Other assets		**25**	23
Employee future benefits	18	**15**	29
		52	57
Less: Current portion, included in accounts receivables		**(2)**	(2)
		50	55

NOTE 12
TRADE AND OTHER PAYABLES

(in millions of Canadian dollars)	NOTE	2020	2019
Trade payables		**593**	589
Payables to related parties	29	**8**	4
Provisions for volume rebates		**72**	70
Accrued expenses		**188**	129
		861	792

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

(in millions of Canadian dollars)	NOTE	2020	2019
Balance at beginning of year		**70**	50
Provision for volume rebates		**131**	124
Business combinations	5	**—**	1
Volume rebates payments		**(128)**	(103)
Exchange differences		**(1)**	(2)
Balance at end of year		**72**	70

NOTE 13
LONG-TERM DEBT

(in millions of Canadian dollars)	NOTE	MATURITY	2020	2019
Revolving credit facility, nil as at December 31, 2020 (December 31, 2019 - consists of $108 million and US$11 million)	13(d)	2023	**—**	123
5.75% Unsecured senior notes of US$200 million repurchased in 2020	13(a)	2023	**—**	260
5.125% Unsecured senior notes of $175 million	13(c)	2025	**175**	175
5.125% Unsecured senior notes of US$350 million	13(c)	2026	**445**	455
5.375% Unsecured senior notes of US$600 million (including net unamortized premium of $16 million) (December 31, 2019 - US$300 million)	13(a) (c)	2028	**780**	390
Term loan of US$165 million, interest rate of 2.25% as at December 31, 2020		2025	**210**	221
Lease obligations of subsidiaries	13(e)		**167**	153
Other debts of subsidiaries			**39**	39
Lease obligations without recourse to the Corporation	13(e)		**35**	35
Other debts without recourse to the Corporation	13(b)		**217**	272
			2,068	2,123
Less: Unamortized financing costs			**17**	16
Total long-term debt			**2,051**	2,107
Less:				
Current portion of lease obligations of subsidiaries			**36**	28
Current portion of other debts of subsidiaries			**23**	14
Current portion of lease obligations without recourse to the Corporation			**12**	11
Current portion of other debts without recourse to the Corporation			**31**	32
			102	85
			1,949	2,022

a. On August 17, 2020, the Corporation issued unsecured senior notes for US$300 million ($396 million) aggregate principal amount of 5.375% due in 2028 at a price of 104.25% resulting in a US$13 million ($17 million) premium for total proceed of US$313 million ($413 million) and an effective yield of 4.69%. Transaction fees amounted to $4 million. The Corporation used the proceed from this offering to fund the redemption of its 5.75% US$200 million ($264 million) unsecured senior notes due in 2023 and paid premium of US$3 million ($4 million). The Corporation also wrote off $2 million of unamortized financing costs related to these notes.

Issuance proceed was used as follows:

(in millions of Canadian dollars)	**2020**
Debt issuance	**396**
Premium received on debt issuance	**17**
Offering fees	**(4)**
Repurchase of 2023 Notes	**(264)**
Premium paid on repurchase of long-term debt	**(4)**
Decrease of credit facility and increase in cash and cash equivalent	**141**

b. On December 11, 2020, Greenpac entered into an agreement with its lenders to extend and amend its credit facilities. The amended credit agreement still provides Greenpac with a revolving credit of US$50 million while the principal of the term loan was reduced, with cash on hand and utilization of the revolving line of credit, to US$75 million, from US$122 million at the time of the amendment. The term of the amended credit agreement is extended to December 2023. The financing terms and conditions remain essentially unchanged.

c. On November 26, 2019, the Corporation issued $175 million aggregate principal amount of 5.125% due in 2025, US$350 million aggregate principal amount of 5.125% due in 2026 and US$300 million aggregate principal amount of 5.375% due in 2028, totaling $1,026 million, net of transaction fees of $13 million. The Corporation used the proceeds from this offering to fund the redemption of its US$400 million of its 5.50% unsecured senior notes due in 2022 for an amount of US$405 million ($533 million) and its $250 million of its 5.50% unsecured senior notes due in 2021 for an amount of $254 million, including premiums of US$5 million ($7 million) and $4 million. The Corporation also wrote off $3 million of unamortized financing costs related to these notes.

Issuance proceeds were used as follows:

(in millions of Canadian dollars)	2019
Debt issuance	1,039
Offering fees	(13)
Repurchase of 2021 and 2022 Notes	(776)
Premium paid on repurchase of long-term debt	(11)
Decrease of credit facility	239

d. On May 31, 2019, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million revolving credit facility. The amendment extends the term of the facility to July 2023. The financial conditions remain unchanged.

As at December 31, 2020, accounts receivable and inventories totaling approximately $798 million (December 31, 2019 - $785 million) as well as property, plant and equipment totaling approximately $246 million (December 31, 2019 - $230 million) were pledged as collateral for the Corporation's revolving credit facility.

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

NOTE 14
LEASES

a. The consolidated balance sheets include, in "Property, plant and equipment", the amounts hereunder as right-of-use assets relating to leases. 2020 and 2019 right-of-use assets under *IFRS16* are split as follows:

(in millions of Canadian dollars)	**2020**	2019
Buildings	**129**	109
Machinery and equipment	**10**	10
Automotive equipment	**42**	52
Net book amount	**181**	171

Additions to the right-of-use assets during the 2020 financial year were $62 million (2019 - $46 million).

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

(in millions of Canadian dollars)	**2020**	2019
Depreciation and amortization of right-of-use assets (included in "Cost of sales")		
Buildings	**22**	17
Machinery and equipment	**3**	2
Automotive equipment	**23**	23
	48	42
Financing expense (included in "Financing expense")	**9**	9

Expenses relating to short-term leases, low-value assets and variable lease payments not included in lease obligation amount to $3 million in 2020 (2019 - $3 million).

c. The total cash outflow for leases in 2020 was $56 million (2019 - $51 million).

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

NOTE 15
PROVISIONS FOR CONTINGENCIES AND CHARGES

(in millions of Canadian dollars)	ENVIRONMENTAL RESTORATION OBLIGATIONS	ENVIRONMENTAL COSTS	LEGAL CLAIMS	SEVERANCES	OTHERS	TOTAL PROVISIONS
As at January 1, 2019	17	16	3	2	10	48
Additional provision	—	1	—	8	1	10
Payments	—	(1)	(1)	(5)	(2)	(9)
Revaluation	1	4	—	—	—	5
Unwinding of discount	1	—	—	—	—	1
Other	—	—	—	1	(1)	—
Exchange differences	(1)	—	—	—	—	(1)
As at December 31, 2019	18	20	2	6	8	54
Additional provision	**—**	**3**	**2**	**13**	**4**	**22**
Payments	**—**	**(1)**	**(1)**	**(10)**	**(3)**	**(15)**
Revaluation	**4**	**4**	**—**	**—**	**1**	**9**
Unwinding of discount	**1**	**—**	**—**	**—**	**—**	**1**
As at December 31, 2020	**23**	**26**	**3**	**9**	**10**	**71**

Analysis of total provisions:

(in millions of Canadian dollars)	**2020**	2019
Long-term	**57**	49
Current	**14**	5
	71	54

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, mostly related to contract disputes, environmental and product warranty claims, and labor issues. While the final outcome with respect to legal actions outstanding or pending as at December 31, 2020 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 lead the working group and they are developing a site management plan relating to the sediment quality adjacent to Thunder Bay's lagoon. Several meetings have been held during the past years with the MOE and Environment Canada and a management plan based on sediment dredging has been proposed by a third party consultant. Both governments are looking at this proposal with stakeholders to agree on this remediation action plan that would likely be implemented in the coming years.

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

NOTE 16
FINANCIAL INSTRUMENTS

16.1 FAIR VALUE OF FINANCIAL INSTRUMENTS
The classification of financial instruments as at December 31, 2020 and 2019, along with the respective carrying amounts and fair values, is as follows:

		2020		2019	
(in millions of Canadian dollars)	NOTE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets at fair value through profit or loss					
Derivatives	16.4	**21**	**21**	22	22
Equity investments		**1**	**1**	—	—
Financial liabilities at fair value through profit or loss					
Derivatives	16.4	**(8)**	**(8)**	(3)	(3)
Financial liabilities at amortized cost					
Long-term debt		**(2,051)**	**(2,137)**	(2,107)	(2,159)
Derivatives designated as hedge					
Asset derivatives		**—**	**—**	4	4
Liability derivatives		**(7)**	**(7)**	(10)	(10)

16.2 DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS
The fair value of a financial instrument is the amount of consideration that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date.

(i) The fair value of cash and cash equivalents, accounts receivable, notes receivable, bank loans and advances, trade and other payables and provisions 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 is quoted on the Toronto Stock Exchange and classified as level 1.

(iii) The fair value of long-term debt and some other liabilities is based on observable market data and on the calculation of discounted cash flows. Discount rates were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for the credit market liquidity conditions and are classified as levels 1 and 3.

(iv) The fair value of derivative instruments, which include forward contracts, swap agreements and embedded derivatives accounted for separately, is calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and forward foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date and are classified as level 2. The fair value of derivative instruments reflect the estimated amounts that the Corporation would receive or pay to settle the contracts at the reporting date.

16.3 HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE
The following table presents information about the Corporation's financial assets and financial liabilities measured at fair value on a recurring basis as at December 31, 2020 and 2019 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.

(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)
				2020
Financial assets				
Equity investments	**1**	**1**	**—**	**—**
Derivative financial assets	**21**	**—**	**21**	**—**
	22	**1**	**21**	**—**
Financial liabilities				
Derivative financial liabilities	**(15)**	**—**	**(15)**	**—**
	(15)	**—**	**(15)**	**—**

(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)
				2019
Financial assets				
Derivative financial assets	26	—	26	—
	26	—	26	—
Financial liabilities				
Derivative financial liabilities	(13)	—	(13)	—
	(13)	—	(13)	—

16.4 FINANCIAL RISK MANAGEMENT

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

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

Summary

(in millions of Canadian dollars)		ASSETS			LIABILITIES		**2020**
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	16.4 A (i)	**—**	**3**	**3**	**(8)**	**(5)**	**(13)**
Price risk	16.4 A (ii)	**5**	**13**	**18**	**—**	**—**	**—**
Interest risk	16.4 A (iii)	**—**	**—**	**—**	**(1)**	**(1)**	**(2)**
		5	**16**	**21**	**(9)**	**(6)**	**(15)**

(in millions of Canadian dollars)		ASSETS			LIABILITIES		2019
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	16.4 A (i)	5	—	5	(2)	(3)	(5)
Price risk	16.4 A (ii)	4	16	20	(3)	(1)	(4)
Interest risk	16.4 A (iii)	1	—	1	(2)	(1)	(3)
Other risk	16.4 A (iv)	—	—	—	(1)	—	(1)
		10	16	26	(8)	(5)	(13)

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, Spain 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 twelve months and to hedge 0% to 75% for the subsequent twenty-four months. The Corporation may designate these foreign exchange forward contracts as a cash flow hedge of future anticipated sales, cost of sales, interest expense and repayment of long-term debt denominated in foreign currencies. Gains or losses from these derivative financial instruments designated as hedges are recorded in “Accumulated other comprehensive income” net of related income taxes and are reclassified to earnings as adjustments to sales, cost of sales, interest expense or foreign exchange loss (gain) on long-term debt in the period in which the respective hedged item affected earnings.

In 2020, approximately 17% 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, 2020 and 2019:

				2020
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt and Net Investment Hedge				
Derivatives at fair value through profit or loss and classified in Foreign exchange loss (gain) on long-term debt:				
Currency option to sell € for CAN$	**1.6000**	**December 2021**	**€ 1 to 25**	**(1)**
Currency option to sell US$ for CAN$	**1.3290**	**July 2023**	**US$ 50 to 122**	**3**
Foreign exchange forward contracts to buy US$ for CAN$	**1.3290**	**July 2023**	**US$ 102**	**(6)**
				(4)
Net investment hedge				
Foreign exchange forward contracts to to sell € for CAN$	**1.5273**	**December 2021**	**€ 145**	**(6)**
Forecasted sales and purchases				
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$	**1.2833**	**0 to 12 months**	**US$ 42**	**—**
Currency option instruments to sell US$ for CAN$	**1.3350**	**0 to 12 months**	**US$ 5**	**—**
Currency option instruments to buy US$ for CAN$	**1.2710**	**0 to 12 months**	**US$ 18.5**	**—**
				—
				(10)

	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
				2019
Repayment of long-term debt and Net Investment Hedge				
Derivatives at fair value through profit or loss and classified in Foreign exchange loss (gain) on long-term debt:				
Currency option to buy € for CAN$	1.4740	December 2020	€ 4 to 49	1
Currency option instruments to sell US$ for CAN$	1.3290	July 2023	US$ 29 to 129	—
Cross-currency swap US$ for CAN$	1.3290	July 2023	US$ 102	(4)
				(3)
Net investment hedge				
Cross-currency swap CAN$ for €	1.4740	December 2020	€ 145	3
Forecasted sales and purchases				
Derivatives at fair value through profit or loss and classified in Loss on derivative financial instruments:				
Foreign exchange forward contracts to buy € for US$	1.1215	0 to 12 months	€ —	—
Currency option instruments to sell US$ for CAN$	1.3257	0 to 12 months	US$ 30 to 53	—
Currency option instruments to buy € for US$	1.0985	0 to 12 months	€ 2 to 3	—
Currency option instruments to sell US$ for CAN$	1.3375	13 to 36 months	US$ 5 to 10	—
				—
				—

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 2020, 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 and amortization 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 and amortization 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 2020, if the Canadian dollar had strengthened by $0.01 against the euro with all other variables held constant, operating income before depreciation and amortization 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, 2020 and 2019. 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, 2020 and 2019, with the hedging instruments being the long-term debt denominated in US dollars.

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

			2020			2019
(in millions of Canadian dollars)	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
10% change in the CAN$/US$ rate	**83**	**83**	**—**	71	71	—
10% change in the CAN$/euro rate	**21**	**16**	**5**	17	15	2

ii. Price risk

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

The fair value of these contracts is as follows:

			2020
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in "Cost of sales"			
Natural gas:			
US portfolio	**1,470.923 mmBtu**	**2021 to 2025**	**—**
			—

			2019
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in "Cost of sales"			
Electricity	39,420 MW	2020	—
Derivatives designated as cash flow hedges and reclassified in "Cost of sales" (effective portion)			
Natural gas:			
US portfolio	1,805,600 mmBtu	2020 to 2024	(2)
			(2)

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, 2020 was an asset of $7 million (2019 - $7 million). Greenpac also has an agreement to purchase steam that includes an embedded derivative with a positive fair value of $11 million as at December 31, 2020 (2019 - $13 million).

The European operations of the Corporation entered into energy contracts designated as derivatives at fair value through profit or loss, with a nil fair value in 2020 (2019 a loss of $2 million).

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

The table below shows the effect of changes in the price of natural gas and electricity as at December 31, 2020 and 2019. 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, 2020 and 2019, with the hedging instruments being derivative commodity contracts.

Consolidated commodity consumption: Price change effect before tax:

			2020			2019
(in millions of Canadian dollars[1])	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
US$30/s.t. change in commercial pulp price	**12**	**—**	**12**	9	—	9
US$1/mmBTU. change in natural gas price	**11**	**2**	**9**	12	2	10
US$1/MWh change in electricity price	**2**	**—**	**2**	2	—	2

1 Sensitivity calculated with an exchange rate of 1.30 CAN$/US$ for 2020 and 1.30 CAN$/US$ for 2019.

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, 2020, approximately 18% (2019 - 15%) of the Corporation's long-term debt was at variable rates.

Based on the outstanding long-term debt as at December 31, 2020, the impact on interest expense of a 1% change in rate would be approximately $4 million (impact on net earnings is approximately $3 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 €39 million and are maturing from 2021 to 2024. Greenpac swaps are contracted to fix the interest rate on a notional amount of US$25 million maturing in 2021. Some of these swaps have decreasing notional amount to match expected debt level. Fair value of these agreements is a liability of $2 million as at December 31, 2020 (December 31, 2019 - $3 million).

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

(in millions of Canadian dollars)	**2020**	2019
Unrealized loss (gain) on derivative financial instruments	**1**	(2)

B. CREDIT RISK

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

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

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less loss allowance. An expected credit loss allowance of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Each trades receivable is evaluated considering the collection historic to identify impairment. The amount of the expected credit loss allowance represents the estimated credit loss. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recorded in the consolidated statement of earnings in “Selling and administrative expenses”. When a trade receivable is not collectible, it is written off against the loss allowance. Subsequent recoveries of amounts previously written off are credited against “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, 2020.

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, 2020 and 2019:

						2020
(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	**12**	**12**	**12**	**—**	**—**	**—**
Trade and other payables	**861**	**861**	**861**	**—**	**—**	**—**
Term loan	**210**	**232**	**11**	**11**	**210**	**—**
Unsecured senior notes	**1,384**	**1,888**	**73**	**73**	**393**	**1,349**
Lease obligations of subsidiaries	**167**	**212**	**43**	**32**	**60**	**77**
Other debts of subsidiaries	**39**	**42**	**17**	**6**	**12**	**7**
Lease obligations without recourse to the Corporation	**35**	**36**	**12**	**6**	**10**	**8**
Other debts without recourse to the Corporation	**217**	**225**	**34**	**36**	**153**	**2**
Derivative financial liabilities	**15**	**15**	**9**	**—**	**6**	**—**
	2,940	**3,523**	**1,072**	**164**	**844**	**1,443**

						2019
(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	11	11	11	—	—	—
Trade and other payables	792	792	792	—	—	—
Revolving credit facility	123	139	5	5	129	—
Term loan	221	279	15	15	46	203
Unsecured senior notes	1,280	1,739	68	68	449	1,154
Lease obligations of subsidiaries	153	207	36	31	56	84
Other debts of subsidiaries	39	40	8	8	22	2
Lease obligations without recourse to the Corporation	35	37	12	10	9	6
Other debts without recourse to the Corporation	272	275	32	187	55	1
Derivative financial liabilities	13	13	8	2	3	—
	2,939	3,532	987	326	769	1,450

As at December 31, 2020, the Corporation had unused credit facilities of $901 million (December 31, 2019 - $794 million), net of outstanding letters of credit of $22 million (December 31, 2019 - $27 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, 2020, the off-balance sheet impact of the factoring of accounts receivable amounted to $56 million (€36 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.

STOCK-BASED COMPENSATION

The Corporation entered into an agreement to hedge the share price volatility related to its Deferred Share Units and Performance Share Unit plans. As at December 31, 2020, the agreement's notional amount was 566,000 shares at a price of $14.60 (December 31, 2019 - notional amount : 566,000, share price: $12.44). The fair value as at December 31, 2020 was a liability less than a million dollars (December 31, 2019 - liability: $1 million).

NOTE 17
OTHER LIABILITIES

(in millions of Canadian dollars)	NOTE	2020	2019
Employee future benefits	18	189	179
Consideration payable for the purchase of the CDPQ participation in Greenpac	8	—	120
Other	21	29	28
		218	327
Less: Current portion		(16)	(129)
		202	198

As at December 31, 2020, the balance on the line “Other” includes an amount of $5 million (December 31, 2019 - $3 million) pertaining to a call option granted by the Corporation to one of the minority shareholders of Falcon Packaging LLC.

As at December 31, 2019, the line “Other” included an amount of $13 million representing the fair value of a one time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project. White Birch notified the Corporation that it would not exercise the option and therefore the liability extinguished. The Corporation recorded a gain of $13 million on the reversal of the liability, accounted for in the consolidated statement of earnings in “Interest expense (revenue) on employee future benefits and other liabilities”.

In November 2019, the Corporation exercised its call option and repurchased the CDPQ (Caisse de dépôt et placement du Québec) 20.20% participation in Greenpac of $121 million. The consideration has been paid on January 3, 2020.

NOTE 18
EMPLOYEE FUTURE BENEFITS

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

(in millions of Canadian dollars)	NOTE	2020	2019
Consolidated balance sheet obligations for			
Defined pension benefits	18 A	69	47
Post-employment benefits other than defined benefit pension plans	18 B	105	103
Net long-term liabilities on consolidated balance sheet		174	150
Expenses recorded in consolidated statement of earnings for			
Defined pension benefits		8	7
Defined contribution benefits		33	29
Post-employment benefits other than defined benefit pension plans		5	6
		46	42
Consolidated other comprehensive income remeasurements for			
Defined pension benefits	18 A	19	(5)
Post-employment benefits other than defined benefit pension plans	18 B	3	8
		22	3

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 defined benefit pension plans over the year is as follows:

(in millions of Canadian dollars)	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSETS	TOTAL	IMPACT OF MINIMUM FUNDING REQUIREMENT (ASSET CEILING)	TOTAL
As at January 1, 2019	480	(445)	35	20	55
Current service cost	5	—	5	—	5
Interest expense (income)	17	(16)	1	1	2
Impact on consolidated profit or loss	22	(16)	6	1	7
Remeasurements					
Return on plan assets, excluding amounts included in interest income	—	(35)	(35)	—	(35)
Loss from change in financial assumptions	42	—	42	—	42
Experience loss	1	—	1	—	1
Change in asset ceiling, excluding amounts included in interest expense	—	—	—	(13)	(13)
Impact of remeasurements on consolidated other comprehensive income (loss)	43	(35)	8	(13)	(5)
Exchange differences	(2)	—	(2)	—	(2)
Contributions					
Employers	—	(8)	(8)	—	(8)
Plan participants	1	(1)	—	—	—
Benefit payments	(31)	31	—	—	—
As at December 31, 2019	513	(474)	39	8	47
Current service cost	**5**	**—**	**5**	**—**	**5**
Interest expense (income)	**15**	**(13)**	**2**	**—**	**2**
Business closures	**1**	**—**	**1**	**—**	**1**
Impact on consolidated profit or loss	**21**	**(13)**	**8**	**—**	**8**
Remeasurements					
Return on plan assets, excluding amounts included in interest income	**—**	**(28)**	**(28)**	**—**	**(28)**
Loss from change in demographic assumptions	**2**	**—**	**2**	**—**	**2**
Loss from change in financial assumptions	**38**	**—**	**38**	**—**	**38**
Experience loss	**2**	**—**	**2**	**—**	**2**
Change in asset ceiling, excluding amounts included in interest expense	**—**	**—**	**—**	**5**	**5**
Impact of remeasurements on consolidated other comprehensive income (loss)	**42**	**(28)**	**14**	**5**	**19**
Exchange differences	**2**	**—**	**2**	**—**	**2**
Contributions					
Employers	**—**	**(7)**	**(7)**	**—**	**(7)**
Plan participants	**1**	**(1)**	**—**	**—**	**—**
Benefit payments	**(28)**	**28**	**—**	**—**	**—**
As at December 31, 2020	**551**	**(495)**	**56**	**13**	**69**

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

(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL 2020
Present value of funded obligations	**469**	**10**	**—**	**479**
Fair value of plan assets	**488**	**7**	**—**	**495**
Deficit (surplus) of funded plans	**(19)**	**3**	**—**	**(16)**
Impact of minimum funding requirement (asset ceiling)	**13**	**—**	**—**	**13**
Present value of unfunded obligations	**36**	**—**	**36**	**72**
Liabilities on consolidated balance sheet	**30**	**3**	**36**	**69**

(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL 2019
Present value of funded obligations	436	10	—	446
Fair value of plan assets	467	7	—	474
Deficit (surplus) of funded plans	(31)	3	—	(28)
Impact of minimum funding requirement (asset ceiling)	8	—	—	8
Present value of unfunded obligations	36	—	31	67
Liabilities on consolidated balance sheet	13	3	31	47

The significant actuarial assumptions are as follows:

	2020			2019		
	CANADA	UNITED STATES	EUROPE	CANADA	UNITED STATES	EUROPE
Discount rate obligation (ending period)	**2.50%**	**2.00%**	**0.50%**	3.10%	2.90%	0.90%
Discount rate obligation (beginning period)	**3.10%**	**2.90%**	**0.90%**	3.80%	3.90%	1.90%
Discount rate (current service cost)	**2.70%**	**2.00%**	**0.50%**	3.20%	2.90%	0.90%
Salary growth rate	**Between 2.00% and 2.50%**	**N/A**	**N/A**	Between 2.25% and 2.75%	N/A	N/A
Inflation rate	**2.00%**	**N/A**	**1.50%**	2.25%	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 92% of all pension plans, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2020	2019
Retiring at the end of the reporting period		
Male	**21.9**	21.8
Female	**24.3**	24.2
Retiring 20 years after the end of the reporting period		
Male	**22.9**	22.9
Female	**25.2**	25.2

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%**	**(3.00%)**	**3.20%**
Salary growth rate	**0.25%**	**0.40%**	**(0.30%)**

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

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

(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	2020 %
Cash and short-term investments	**5**	**—**	**—**	**5**	**1.0%**
Bonds					
Canadian bonds	**55**	**42**	**—**	**97**	**19.6%**
Shares					
Canadian shares	**29**	**—**	**—**	**29**	
Foreign shares	**5**	**—**	**—**	**5**	
	34	**—**	**—**	**34**	**6.9%**
Mutual funds					
Foreign bond mutual funds	**—**	**7**	**—**	**7**	
Canadian equity mutual funds	**8**	**1**	**—**	**9**	
Foreign equity mutual funds	**—**	**50**	**—**	**50**	
Alternative investments funds	**—**	**25**	**—**	**25**	
	8	**83**	**—**	**91**	**18.4%**
Other					
Insured annuities	**—**	**268**	**—**	**268**	
	—	**268**	**—**	**268**	**54.1%**
	102	**393**	**—**	**495**	

(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	2019 %
Cash and short-term investments	4	—	—	4	0.8%
Bonds					
Canadian bonds	84	51	—	135	28.5%
Shares					
Canadian shares	28	—	—	28	
Foreign shares	5	—	—	5	
	33	—	—	33	7.0%
Mutual funds					
Money market funds	—	1	—	1	
Foreign bond mutual funds	—	7	—	7	
Canadian equity mutual funds	7	1	—	8	
Foreign equity mutual funds	—	42	—	42	
Alternative investments funds	—	25	—	25	
	7	76	—	83	17.5%
Other					
Insured annuities	—	219	—	219	
	—	219	—	219	46.2%
	128	346	—	474	

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. The Corporation has purchased annuity contracts of an approximate value of $268 million to fulfill future benefits payments.

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

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

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

				2020
(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of unfunded obligations	**79**	**4**	**22**	**105**
Liabilities on consolidated balance sheet	**79**	**4**	**22**	**105**

				2019
(in millions of Canadian dollars)	CANADA	UNITED STATES	EUROPE	TOTAL
Present value of unfunded obligations	77	4	22	103
Liabilities on consolidated balance sheet	77	4	22	103

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, 2019	99	—	99
Current service cost	2	—	2
Interest expense	3	—	3
Plan changes	1	—	1
Impact on consolidated profit or loss	6	—	6
Remeasurements			
Loss from change in financial assumptions	6	—	6
Experience loss (gain)	2	—	2
Impact of remeasurements on consolidated other comprehensive income (loss)	8	—	8
Exchange differences	(2)	—	(2)
Benefit payments	(8)	—	(8)
As at December 31, 2019	103	—	103
Current service cost	**2**	**—**	**2**
Interest expense	**2**	**—**	**2**
Post-employment variation	**1**	**—**	**1**
Impact on consolidated profit or loss	**5**	**—**	**5**
Remeasurements			
Loss from change in financial assumptions	**4**	**—**	**4**
Experience loss (gain)	**(1)**	**—**	**(1)**
Impact of remeasurements on consolidated other comprehensive income (loss)	**3**	**—**	**3**
Exchange differences	**1**	**—**	**1**
Benefit payments	**(7)**	**—**	**(7)**
As at December 31, 2020	**105**	**—**	**105**

The method of accounting, assumptions relating to discount rate and life expectancy, and the frequency of valuations for post-employment benefits are similar to those used for defined benefit pension plans, with the addition of actuarial assumptions relating to the long-term increase in health care costs of 4.81% a year on average (2019 - 4.89%).

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 %**	**(2.30)%**	**2.50 %**
Salary growth rate	**0.25 %**	**0.40 %**	**(0.40)%**
Health care cost increase	**1.00 %**	**1.40 %**	**(1.30)%**

	INCREASE / DECREASE BY ONE YEAR IN ASSUMPTION
Life expectancy	**1.30 %**

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

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

Asset volatility

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

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

As at December 31, 2020, 57% of the plan's invested assets are in fixed income. As at December 31, 2020, the total value of insured annuities is $268 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, 2020, the aggregate net surplus of the Corporation’s funded pension plans (mostly in Canada) amounted to $16 million (a surplus of $28 million as at December 31, 2019). Current agreed expected service contributions amount to $4 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 $4 million in 2021.

The weighted average duration of the defined benefit obligation is 12 years (2019 - 11 years).

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

(in millions of Canadian dollars)	ONE YEAR	TWO YEARS	BETWEEN THREE AND FIVE YEARS	BETWEEN SIX AND TEN YEARS	TOTAL
Pension benefits	**29**	**29**	**88**	**679**	**825**
Post-employment benefits other than defined benefit pension plans	**6**	**6**	**21**	**92**	**125**
As at December 31, 2020	**35**	**35**	**109**	**771**	**950**

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, 2020.

NOTE 19

INCOME TAXES

a. The provision for income taxes is as follow:

(in millions of Canadian dollars)	**2020**	2019
Current taxes	**27**	21
Deferred taxes	**18**	(2)
	45	19

b. The provision for 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)	**2020**	2019
Provision for income taxes based on the combined basic Canadian and provincial income tax rate	**74**	31
Adjustment for income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	**(3)**	(2)
Prior years reassessment	**(5)**	3
Change in future income taxes resulting from enacted tax rate change	**(1)**	—
Permanent differences	**(12)**	(3)
Change in deferred income tax assets relating to capital tax losses	**(8)**	(11)
Change in temporary differences	**—**	3
Other	**—**	(2)
	(29)	(12)
Provision for income taxes	**45**	19

Weighted average income tax rate for the year ended December 31, 2020 was 25.35% (2019 - 25.50%).

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

(in millions of Canadian dollars)	**2020**	2019
Foreign currency translation related to hedging activities	**2**	(1)
Actuarial loss on post-employment benefit obligations	**(6)**	(1)
Recovery of income taxes	**(4)**	(2)

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)	**2020**	2019
		Adjusted, Note 5
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**331**	312
Deferred income tax liabilities:		
Deferred income tax liabilities to be used after more than twelve months	**371**	357
	(40)	(45)

When taking into consideration the offsetting of balances within the same tax jurisdiction, the net deferred tax liability of $40 million is presented on the consolidated balance sheet as $170 million of “Deferred income tax asset” and $210 million of “Deferred income tax liabilities”.

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

(in millions of Canadian dollars)	NOTE	**2020**	2019
			Adjusted, Note 5
Balance at beginning of year		**(45)**	(67)
Through consolidated statement of earnings		**(18)**	2
Variance of income tax credit, net of related income tax		**15**	11
Through consolidated statement of comprehensive income		**4**	2
Through business combinations	5	**—**	(8)
Acquisition of non controlling interest		**—**	8
IFRS 16 adjustment		**—**	3
Others		**2**	(2)
Exchange differences		**2**	6
Balance at end of year		**(40)**	(45)

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

DEFERRED INCOME TAX ASSET

(in millions of Canadian dollars)	NOTE	RECOGNIZED TAX BENEFIT ARISING FROM INCOME TAX LOSSES	EMPLOYEE FUTURE BENEFITS	EXPENSE ON RESEARCH	UNUSED TAX CREDITS	FINANCIAL INSTRUMENTS AND OTHER LIABILITIES	LONG TERM DEBT FINANCE LEASES	OTHERS	TOTAL
As at January 1, 2019		105	27	5	42	2	—	47	228
Through consolidated statement of earnings		27	1	5	(1)	7	28	(2)	65
Variance of income tax credit		—	—	—	11	—	—	—	11
Through consolidated statement of comprehensive income		—	(1)	—	—	—	5	—	4
Through business combinations	5	—	—	—	—	—	(6)	—	(6)
Acquisition of non-controlling interest		—	—	—	—	(1)	9	—	8
IFRS 16 adjustment		—	—	—	—	—	3	—	3
Others		—	—	—	—	—	(1)	—	(1)
As at December 31, 2019		132	27	10	52	8	38	45	312
Through consolidated statement of earnings		**6**	**3**	**—**	**(2)**	**(8)**	**—**	**(4)**	**(5)**
Variance of income tax credit		**—**	**—**	**—**	**15**	**—**	**—**	**—**	**15**
Through consolidated statement of comprehensive income		**—**	**6**	**—**	**—**	**—**	**—**	**—**	**6**
Others		**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
Exchange differences		**2**	**—**	**—**	**—**	**—**	**—**	**—**	**2**
As at December 31, 2020		**140**	**36**	**10**	**65**	**—**	**38**	**42**	**331**

DEFERRED INCOME TAX LIABILITIES

(in millions of Canadian dollars)	NOTE	PROPERTY, PLANT AND EQUIPMENT	FOREIGN EXCHANGE LOSS ON LONG-TERM DEBT	INTANGIBLE ASSETS	INVESTMENTS	OTHERS	TOTAL
							Adjusted, Note 5
As at January 1, 2019		220	2	56	16	1	295
Through consolidated statement of earnings		71	(2)	(7)	1	—	63
Through consolidated statement of comprehensive income		—	2	—	—	—	2
Through business combinations	5	2	—	—	—	—	2
Others		—		—	—	1	1
Exchange differences		(6)	—	—	—	—	(6)
As at December 31, 2019 (Adjusted, Note 5)		287	2	49	17	2	357
Through consolidated statement of earnings		**25**	**4**	**(14)**	**(1)**	**(1)**	**13**
Through consolidated statement of comprehensive income		**—**	**2**	**—**	**—**	**—**	**2**
Others		**—**	**—**	**—**	**—**	**(1)**	**(1)**
As at December 31, 2020		**312**	**8**	**35**	**16**	**—**	**371**

g. The Corporation has recognized accumulated losses for income tax purposes amounting to approximately $557 million, which may be carried forward to reduce taxable income in future years. The future tax benefit of $140 million resulting from the deferral of these losses has been recognized in the accounts as a deferred income tax asset. Deferred income tax assets are recognized for tax loss carry forward to the extent that the realization of the related tax benefits through future taxable profits is probable.

NOTE 20

CAPITAL STOCK

A. CAPITAL MANAGEMENT

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

(in millions of Canadian dollars)	2020	2019
		Adjusted, Note 5
Cash and cash equivalents	**(384)**	(155)
Bank loans and advances	**12**	11
Long-term debt, including current portion	**2,051**	2,107
	1,679	1,963
Total equity	**1,957**	1,669
Total capital	**3,636**	3,632

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 (2020 - $1,773 million; 2019 - $1,782 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 (2020 - $507 million; 2019 - $398 million). Excluded from net earnings are the share of results of equity investments and gains or losses from non-recurring items. Financing expense is calculated as interest and financial charges determined in accordance with IFRS plus any capitalized interest, but excluding the amortization of deferred financing costs, up-front and financing costs and unrealized gains or losses arising from hedging agreements. It also excludes any gains or losses on the translation of long-term debt denominated in a foreign currency. The consolidated interest coverage ratio to incur additional debt is calculated as defined in the Senior notes indentures dated November 26, 2019.

As at December 31, 2020, the funded debt-to-capitalization ratio stood at 47.47% and the interest coverage ratio was 5.47x. The Corporation is in compliance with the ratio requirements of its lenders.

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

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

The Corporation historically invests between $150 million and $250 million annually on purchases of property, plant and equipment, excluding major strategic projects. These amounts are carefully reviewed during the course of the year in relation to operating results and strategic actions approved by the Board of Directors. These investments, combined with annual maintenance, enhance the stability of the Corporation's business units and improve cost competitiveness through new technology and improved process procedures.

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

B. ISSUED AND OUTSTANDING

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

		2020		2019	
	NOTE	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS
Balance at beginning of year		**94,245,295**	**491**	94,163,515	490
Common shares issued on public offering	20 D	**7,441,000**	**125**	—	—
Common shares issued on exercise of stock options	20 D	**1,225,489**	**10**	1,048,434	6
Redemption of common shares	20 C	**(635,554)**	**(4)**	(966,654)	(5)
Balance at end of year		**102,276,230**	**622**	94,245,295	491

C. REDEMPTION OF COMMON SHARES

In 2020, in the normal course of business, the Corporation renewed its redemption program of a maximum of 1,886,220 common shares with the Toronto Stock Exchange, said shares representing approximately 2% of issued and outstanding common shares. The redemption authorization is valid from March 19, 2020 to March 18, 2021. In 2020, the Corporation redeemed 635,554 common shares under this program for an amount of $8 million (2019 - $9 million for 966,654 common shares).

D. COMMON SHARE ISSUANCE

On October 5, 2020, the Corporation entered into an agreement with underwriters pursuant to which the Corporation issued and the underwriters purchased on a bought deal basis 7,441,000 common shares at a price of $16.80 per common share for gross proceeds of $125 million. Transactions fees amounted to $5 million before income tax recovery of $1 million. The transaction closed on October 22, 2020.

The Corporation issued 1,225,489 common shares upon the exercise of options for an amount of $7 million (2019 - $5 million for 1,048,434 common shares issued).

E. NET EARNINGS PER COMMON SHARE

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

	2020	2019
		Adjusted, Note 5
Net earnings available to common shareholders (in millions of Canadian dollars)	**198**	72
Weighted average number of basic common shares outstanding (in millions)	**96**	94
Weighted average number of diluted common shares outstanding (in millions)	**97**	96
Basic net earnings per common share (in Canadian dollars)	**$ 2.04**	$ 0.77
Diluted net earnings per common share (in Canadian dollars)	**$ 2.02**	$ 0.75

As at December 31, 2020, no stock option had an antidilutive effect (2019 - 543,676). As of February 24, 2021, no common share had been redeemed by the Corporation since the beginning of the 2021 financial year.

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

	2020	2019
Dividends declared per common share (in Canadian dollars)	**$ 0.32**	$ 0.24

NOTE 21

STOCK-BASED COMPENSATION

A. OPTIONS

Under the terms of a share option plan adopted on December 15, 1998, amended on March 15, 2013, and approved by Shareholders on May 8, 2013, a remaining balance of 1,558,724 common shares is specifically reserved for issuance to officers and key employees of the Corporation. Each option will expire at a date not to exceed 10 years following the grant date of the option. The exercise price of an option shall not be lower than the market value of the share at the date of grant, determined as the average of the closing price of the share on the Toronto Stock Exchange on the five trading days preceding the date of grant. The terms for exercising the options are 25% of the number of shares under option within twelve months after the first anniversary date of grant, and up to an additional 25% every twelve months after the second, third and fourth anniversaries of grant date. Options cannot be exercised if the market value of the share at 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 2020 (2019 - $1 million).

Changes in the number of options outstanding as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Balance at beginning of year	**3,476,296**	**7.24**	4,409,358	6.45
Granted	**184,193**	**13.95**	200,354	11.97
Exercised	**(1,225,489)**	**5.89**	(1,048,434)	4.43
Forfeited	**(1,910)**	**12.39**	(84,982)	11.96
Balance at end of year	**2,433,090**	**8.42**	3,476,296	7.24
Options exercisable - at end of year	**1,981,675**	**7.36**	3,005,435	6.46

The weighted average share price at the time of exercise of the options was $13.20 (2019 - $11.25).

The following options were outstanding as at December 31, 2020:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE		
YEAR GRANTED	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	EXPIRATION DATE
2011	**199,984**	**6.26**	**199,984**	**6.26**	**2021**
2012	**365,879**	**4.46**	**365,879**	**4.46**	**2022**
2013	**304,203**	**5.18**	**304,203**	**5.18**	**2022 - 2023**
2014	**300,030**	**6.10**	**300,030**	**6.10**	**2022 - 2024**
2015	**291,095**	**7.66**	**291,095**	**7.66**	**2022 - 2025**
2016	**246,592**	**9.75**	**246,592**	**9.75**	**2022 - 2026**
2017	**199,652**	**14.28**	**150,937**	**14.28**	**2021 - 2027**
2018	**150,342**	**12.39**	**75,111**	**12.39**	**2022 - 2028**
2019	**191,528**	**11.97**	**47,844**	**11.97**	**2022 - 2029**
2020	**183,785**	**13.95**	**—**	**—**	**2030**
	2,433,090		**1,981,675**		

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 $4.01 (2019 - $3.17) as at the date of grant of each option issued to employees:

	2020	2019
Grant date share price	**$ 14.13**	$ 12.03
Exercise price	**$ 13.95**	$ 11.97
Risk-free interest rate	**0.50%**	1.50%
Expected dividend yield	**2.26%**	2.66%
Expected life of options	**6 years**	6 years
Expected volatility	**37%**	35%

B. SHARE PURCHASE PLAN

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

The shares are purchased on the market on a predetermined date each month. For the year ended December 31, 2020, the Corporation's contribution to the plan amounted to $1 million (2019 - $1 million).

C. PERFORMANCE SHARE UNIT PLAN

The Corporation has a Performance Share Unit (PSU) Plan for the benefit of officers and key employees, allowing them to receive a portion of their annual compensation in the form of PSUs. A PSU is a notional unit equivalent in value to the Corporation's common share. Periodically, the number of PSUs forming part of the award shall be adjusted depending upon the three-year average return on capital employed 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, 2020, the Corporation had a total of 626,324 PSUs outstanding (2019 - 573,372 PSUs), for a fair value of $3 million (2019 - less than $1 million). In 2020, the Corporation made payment of less than $1 million in relation to PSUs (2019 - nil).

D. DEFERRED SHARE UNIT PLAN

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

The DSU expense and the related liability are recorded at the grant date. The liability is adjusted periodically to reflect any variation in the market value of the common shares. As at December 31, 2020, the Corporation had a total of 684,454 DSUs outstanding (2019 - 607,193 DSUs), representing a liability of $12 million (2019 - $9 million). In 2020, the Corporation made payment of $2 million in relation to DSUs (2019 - nil). On January 15, 2021, the Corporation issued 62,457 DSUs.

NOTE 22

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(in millions of Canadian dollars)	TRANSLATION ADJUSTMENTS	NET CHANGES IN CASH FLOW HEDGES	TOTAL
Year ended December 31, 2019			
Opening net book amount	2	—	2
Other comprehensive income (loss)	(17)	(2)	(19)
Closing net book amount	(15)	(2)	(17)
Year ended December 31, 2020			
Opening net book amount	**(15)**	**(2)**	**(17)**
Other comprehensive income (loss)	**(13)**	**2**	**(11)**
Closing net book amount	**(28)**	**—**	**(28)**

NOTE 23

COST OF SALES BY NATURE

(in millions of Canadian dollars)	2020	2019
Raw materials	1,754	1,682
Wages and employee benefits expenses	831	812
Energy	298	327
Delivery	533	525
Depreciation and amortization	299	289
Other	606	597
	4,321	4,232

SELLING AND ADMINISTRATIVE EXPENSES BY NATURE

(in millions of Canadian dollars)	2020	2019
Wages and employee benefits expenses	349	332
Information technology	26	34
Publicity and marketing	15	15
Other	70	72
	460	453

NOTE 24

EMPLOYEE BENEFITS EXPENSES

(in millions of Canadian dollars)	NOTE	2020	2019
Wages and employee benefits expenses	23	1,180	1,144
Share options granted to directors and employees	21 A	1	1
Pension costs - defined benefit plans	18	8	7
Pension costs - defined contribution plans	18	33	29
Post-employment benefits other than defined benefit pension plans	18	5	6
		1,227	1,187

In 2020, the Corporation received $3 million from “Canada Emergency Wage Subsidy” grant program, that was accounted for in “Wages and employee benefits expenses”.

KEY MANAGEMENT COMPENSATION

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

(in millions of Canadian dollars)	2020	2019
Salaries and other short-term benefits	14	11
Post-employment benefits	2	1
Share-based payments	7	5
	23	17

NOTE 25
GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2020

(in millions of Canadian dollars)	PACKAGING PRODUCTS CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Gain on disposal of an equity investment	**—**	**—**	**(3)**	**(3)**	**—**	**—**	**(3)**
Gain on disposal of assets	**(45)**	**—**	**—**	**(45)**	**(2)**	**—**	**(47)**
Environmental provisions	**—**	**—**	**5**	**5**	**2**	**—**	**7**
	(45)	**—**	**2**	**(43)**	**—**	**—**	**(43)**

2019

Adjusted, Note 5

(in millions of Canadian dollars)	NOTE	PACKAGING PRODUCTS CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Loss (gain) on business acquisitions and disposals and related transaction fees	5	—	—	1	1	(25)	9	(15)
Gain on reversal liabilities and gain on settlement of litigation		(10)	—	—	(10)	—	(5)	(15)
Loss on disposal of assets		2	—	—	2	—	—	2
Environmental provisions		—	—	—	—	—	4	4
		(8)	—	1	(7)	(25)	8	(24)

2020

The Containerboard Packaging segment recorded a $40 million gain from the sale of a building and the land of Etobicoke, Ontario, Canada, Containerboard Packaging facility.

The Containerboard Packaging segment recorded a $5 million gain following the release of the escrow amount pertaining to the sale of a building in 2018 located in Maspeth, New York, USA.

The Specialty Products segment recorded a $5 million environmental provision related to plants in Canada, that were closed in the previous years.

The Specialty Products segment also recorded a $3 million gain on the sale of a non significant associate investment.

The Tissue Papers segment recorded a $2 million gain from the sale of assets and a $2 million environmental provision related to closed plants in the USA.

2019

The lease on our Bear Island facility in Virginia was terminated by the lessee. As such, the Containerboard Packaging segment recorded a gain of $10 million following the reversal of liabilities related to lease incentives to the lessee and to accrued carrying costs. In the wake of the lease termination, the segment recorded a loss of $4 million following the sale of newsprint equipments no longer needed.

The Containerboard Packaging segment also recorded a gain of $2 million from the sale of a building and piece of land of a closed plant.

The Specialty Products segment concluded the sale of its two plants in France which convert cardboard into packaging for the paper industry, and recorded a loss of $1 million. See Note 5 for more details.

The Tissue Papers segment recorded a gain of $25 million following the acquisition Orchids Paper Products Company activities. The Corporate Activities incurred $9 million in fees as part of the Orchids acquisition. See Note 5 for more details.

An environmental provision of $4 million related to a plant sold and for which the Corporation retained environmental responsibility was recorded by the Corporate Activities.

The Corporate Activities also recorded a gain of $5 million on the settlement of litigation in compensation for a flooding that occurred years ago at our fine paper mill in St-Jérôme, Québec, Canada, which has since been sold.

NOTE 26
IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

A. IMPAIRMENT CHARGES ON SPARE PARTS AND ON PROPERTY, PLANT AND EQUIPMENT

The Corporation recorded impairment charges totaling $39 million in 2020 and $69 million in 2019. The recoverable amount of CGUs was determined using a fair value less cost of disposal model based on the income approach, unless otherwise indicated. Level 2 inputs are used to measure fair value. Impairments are detailed as follows:

	PACKAGING PRODUCTS						**2020**
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Spare parts	**—**	**—**	**—**	**—**	**12**	**—**	**12**
Property, plant and equipment	**6**	**9**	**—**	**15**	**11**	**1**	**27**
	6	**9**	**—**	**15**	**23**	**1**	**39**

	PACKAGING PRODUCTS						2019
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Spare parts	—	—	1	1	2	—	3
Property, plant and equipment	5	13	—	18	33	—	51
Goodwill and other intangible assets with indefinite useful life	—	1	—	1	—	14	15
	5	14	1	20	35	14	69

2020

The Containerboard Packaging segment recorded an impairment charge of $6 million on some equipment as part of the network optimization and profitability improvement initiatives.

The Boxboard Europe segment recorded an impairment charge of $9 million on some assets as their recoverable amount was lower than their carrying amount. Recoverable amount of the assets was based on their fair value less cost of disposal.

The Tissue Papers segment recorded an impairment charge of $13 million on the assets of certain plants as their recoverable amount was lower than the carrying amount due to and the current declining demand in the Away-from-Home market due to the COVID-19 pandemic.

The Tissue Papers segment also recorded an impairment charge of $10 million on some assets as part of the network optimization and profitability improvement initiatives.

The Corporate Activities recorded an impairment charge of $1 million related to renewable energy assets.

2019

As a result of the lease termination on the Bear Island facility, described in Note 25, the Containerboard Packaging segment recorded an impairment charge of $5 million on some assets that will not be used in the future.

The Boxboard Europe segment recorded an impairment charge of $13 million on the assets of its La Rochette mill, as their recoverable amount was lower than their carrying amount. Sustained production inefficiencies led to insufficient profitability to support the carrying value of the assets. Recoverable amount of the assets was based on their fair value less cost of disposal.

The Specialty Products segment incurred an impairment charge of $1 million on spare parts stemming from the closure of the Trois-Rivières, Québec, Canada, plant that manufactured felt backing for flooring.

The Tissue Papers segment recorded an impairment charge of $5 million on unused assets following the reassessment of its recoverable amount based on estimated selling price.

The recoverable value of some equipment and spare parts of the Arizona and Waterford, USA, converting facilities, was reviewed by the Tissue Papers segment triggering an impairment charge of $7 million. The closures of these facilities were completed during the second quarter of 2020.

The Tissue Papers segment recorded impairment charges totaling $23 million on the assets of the Waterford, New York, USA and Kingman, Arizona, USA tissue converting facilities, as their recoverable amount was lower than their carrying amount. Sustained production inefficiencies led to insufficient profitability to support the carrying value of the assets. Recoverable amount of the assets was based on their fair value less cost of disposal.

B. IMPAIRMENT CHARGES ON 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 $472 million is allocated to the Containerboard segment;
- Specialty Products segment goodwill is allocated to the partitioning activities sub-segment for $3 million;
- Tissue Papers segment goodwill of $36 million is allocated to the Tissue Papers segment;
- Boxboard Europe segment goodwill of $7 million is allocated to the segment;
- Boxboard Europe segment water rights of $4 million are allocated to the segment.

Annually, the Corporation must test all of its goodwill for impairment, however reliance can be put on the quantitative calculation previously done, if following criteria 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 the Containerboard Packaging and Tissue Papers segments.

2019

The Boxboard Europe segment recorded an impairment charge of $1 million on intangible assets.

The Corporate Activities recorded an impairment charge of $14 million on the goodwill and intangible assets of its Recovery and Recycling activities. The recoverable amount was established based on the fair market value of the property, plant and equipment.

C. RESTRUCTURING COSTS

Restructuring costs are detailed as follows:

							2020
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Restructuring costs	**4**	**—**	**—**	**4**	**7**	**2**	**13**

							2019
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Restructuring costs	1	—	1	2	7	—	9

2020

The Containerboard Packaging segment recorded restructuring charges totaling $3 million as part of the network optimization and profitability improvement initiatives.

The Containerboard Packaging segment also recorded restructuring charges totaling $3 million following the announcement of the closure of its Etobicoke, Ontario, Canada, converting facility which is expected to permanently close no later than August 31, 2021.

The Containerboard Packaging segment also recorded a gain of $2 million as a reversal of a contingency related to plant sold in prior years.

The Tissue Papers segment recorded restructuring charges totaling $4 million as part of the network optimization and profitability improvement initiatives.

The Tissue Papers segment recorded restructuring charges totaling $3 million following the announcement of the closure of plants in Pittson and Ransom, Pennsylvania, and Waterford, New York, USA.

The Corporate Activities recorded restructuring charges totaling $2 million as part of profitability improvement initiatives.

2019

The Containerboard Packaging segment recorded $1 million of severance costs related to changes in the management teams of certain plants.

The Specialty Products segment recorded $1 million of restructuring costs stemming from the closure of the Trois-Rivières, Québec, Canada, plant that manufactured felt backing for flooring.

The Tissue Papers segment recorded $5 million of restructuring costs related to the closure of two tissue paper machines and facilities in Ontario, Canada and changes in the segment's senior management. As well, restructuring costs of $2 million related to the closure of the Arizona and Waterford, USA, converting facilities were recorded. The closures of these facilities were completed during the second quarter of 2020.

NOTE 27

ADDITIONAL INFORMATION

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

(in millions of Canadian dollars)	**2020**	2019
Accounts receivable	**(51)**	76
Current income tax assets	**10**	(3)
Inventories	**30**	3
Trade and other payables	**50**	(19)
Current income tax liabilities	**(19)**	2
	20	59

B. FINANCING EXPENSE AND INTEREST EXPENSE (REVENUE) ON EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES

(in millions of Canadian dollars)	NOTE	**2020**	2019
Interest on long-term debt (including lease obligations interests)	14(b)	**95**	91
Interest income		**(1)**	(1)
Amortization of financing costs		**4**	4
Other interest and banking fees		**7**	7
Interest expense on employee future benefits		**4**	6
Interest expense (revenue) other liabilities		**(11)**	36
		98	143

Interest expense (revenue) other liabilities

In 2020, the Corporation recorded an unrealized gain of $13 million, compared to an unrealized loss of $1 million in 2019, on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project, that was not exercised.

In 2020, the Corporation also recorded an unrealized loss of $2 million pertaining to a call option granted by the Corporation to one of the minority shareholders of Falcon Packaging LLC.

In 2019, the expense is mainly attributable to the fair value revaluation recognized on the CDPQ put option in the Greenpac investment, which amounted to $35 million due to Greenpac's improving financial performance during the year.

C. TOTAL NET DEBT FROM FINANCING ACTIVITIES

(in millions of Canadian dollars)	NOTE	CASH AND CASH EQUIVALENT	BANK LOANS AND ADVANCES	LONG-TERM DEBT	NET DEBT
As at January 1, 2019		(123)	16	1,876	1,769
Cash flow					
Change in cash and cash equivalents		(41)	—	—	(41)
Bank loans and advances		—	(5)	—	(5)
Change in credit facilities		—	—	39	39
Issuance of unsecured senior notes, net of financing costs	13	—	—	1,026	1,026
Repurchase of unsecured senior notes	13	—	—	(776)	(776)
Increase in other long-term debt		—	—	6	6
Payments of other long-term debt, including lease obligations		—	—	(125)	(125)
Non-cash changes					
IFRS 16 adjustment		—	—	99	99
Business disposal	5	—	—	(6)	(6)
Foreign exchange translation on long-term debt and financial instruments		—	—	(43)	(43)
Right-of-use assets acquisitions and acquisitions included in other debts		—	—	50	50
Amortization of financing costs		—	—	4	4
Write off of unamortized financing costs following repurchase of unsecured senior notes		—	—	3	3
Other		—	—	2	2
Exchange differences		9	—	(48)	(39)
As at December 31, 2019		(155)	11	2,107	1,963
Cash flow					
Change in cash and cash equivalents		**(228)**	**—**	**—**	**(228)**
Bank loans and advances		**—**	**1**	**—**	**1**
Change in credit facilities		**—**	**—**	**(131)**	**(131)**
Issuance of unsecured senior notes, net of financing costs	13	**—**	**—**	**409**	**409**
Repurchase of unsecured senior notes	13	**—**	**—**	**(264)**	**(264)**
Increase in other long-term debt		**—**	**—**	**33**	**33**
Payments of other long-term debt, including lease obligations		**—**	**—**	**(156)**	**(156)**
Non-cash changes					
Foreign exchange translation on long-term debt and financial instruments		**—**	**—**	**(17)**	**(17)**
Right-of-use assets acquisitions and acquisitions included in other debts		**—**	**—**	**65**	**65**
Right-of-use assets disposals		**—**	**—**	**(3)**	**(3)**
Amortization of financing costs		**—**	**—**	**3**	**3**
Write off of unamortized financing costs following repurchase of unsecured senior notes		**—**	**—**	**2**	**2**
Other		**—**	**—**	**7**	**7**
Exchange differences		**(1)**	**—**	**(4)**	**(5)**
As at December 31, 2020		**(384)**	**12**	**2,051**	**1,679**

NOTE 28
COMMITMENTS

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

			2020			2019
(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	SERVICE AGREEMENTS AND EXEMPTED LEASES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	SERVICE AGREEMENTS AND EXEMPTED LEASES
No later than one year	**50**	**8**	**17**	48	9	4
Later than one year but no later than five years	**2**	**1**	**10**	—	3	6
More than five years	**—**	**—**	**1**	—	—	2
	52	**9**	**28**	48	12	12

Preliminary agreements for the acquisition

On September 30, 2020, the Boxboard Europe segment, through its equity ownership in Reno de Medici S.p.A., announced that it had signed four preliminary agreements for the acquisition of 100% of the share capital of Papelera del Principado S.A. ("Paprinsa") and three smaller adjoining companies, in Spain. The deals cover the acquisition of one of the main European players of the coated chipboard industry for a price based on the enterprise value that can vary between €27 million ($42 million) and €33 million ($51 million). The transaction is expected to close in the first quarter of 2021.

NOTE 29
RELATED PARTY TRANSACTIONS

The Corporation entered into the following transactions with related parties:

(in millions of Canadian dollars)	JOINT VENTURES	ASSOCIATES
For the year ended December 31, 2020		
Sales to related parties	**191**	**74**
Purchases from related parties	**34**	**50**
For the year ended December 31, 2019		
Sales to related parties	176	72
Purchases from related parties	32	55

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, 2020**	December 31, 2019
Receivables from related parties		
Joint ventures	**10**	8
Associates	**23**	19
Payables to related parties		
Joint ventures	**5**	3
Associates	**3**	1

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.

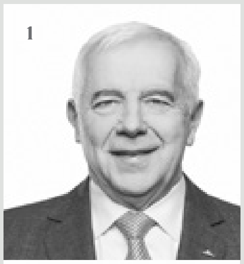
NOTE 30
EVENT AFTER THE REPORTING PERIOD

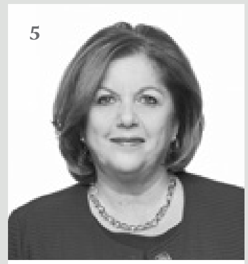
On February 15, 2021, Reno de Medici S.p.A, a subsidiary of the Corporation in the Boxboard Europe segment, announced the signature of a put option for the sale of its French subsidiary, which produces virgin fiber-based boxboard. The transaction is expected to close at the end of the second quarter of 2021 and total enterprise value is set at €29 million ($45 million). The transaction will not result in significant gain or loss on disposal and will result in discontinued operations.

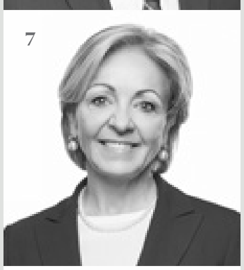
Board of Directors

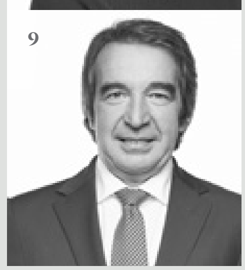
Cascades' Board of Directors (BoD) and management believe that quality corporate governance helps ensure that the Corporation is run efficiently and that investor confidence is maintained. In order to stay the course in this regard, Cascades regularly reviews its governance practices to remain in compliance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

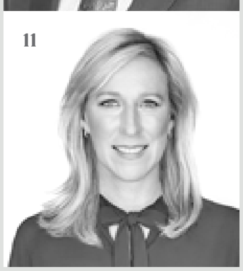
The composition of the Board of Directors must be carefully determined since its responsibilities include ensuring good corporate governance, among other things. Cascades draws on the expertise of a highly experienced team of directors and recognizes the importance of independent directors. As of December 31, 2020, nine of the thirteen Board members were independent. They meet at least once yearly without the presence of non-independent directors or senior managers. New Board members are also offered an orientation and training program, to familiarize themselves with Cascades' activities as well as the issues and challenges it faces.

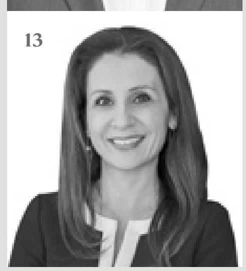












1 Alain Lemaire
Executive Chairman
of the Board
Kingsey Falls, Québec Canada
Director since 1967
Non-independent

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 Élise Pelletier
Director of Companies
Sutton, Québec Canada
Director since 2012
Independent

5 Sylvie Vachon
Director of Companies
Longueuil, Québec Canada
Director since 2013
Independent

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

7 Michelle Cormier
Operating Partner, Wynnchurch
Capital Canada
Montréal, Québec Canada
Director since 2016
Independent

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

9 Patrick Lemaire
Director of Companies
Kingsey Falls, Québec Canada
Director since 2016
Non-independent

10 Hubert T. Lacroix
Strategic Counsel, Blake,
Cassels & Graydon LLP
Westmount, Québec Canada
Director since 2019
Independent

11 Mélanie Dunn
President and CEO, Cossette
Montréal, Québec Canada
Director since 2019
Independent

12 Nelson Gentiletti
Director of Companies
Kirkland, Québec Canada
Director since 2019
Independent

13 Elif Lévesque
Chief Financial Officer, Nomad
Royalty Company Ltd
Montréal, Québec Canada
Director since 2019
Independent

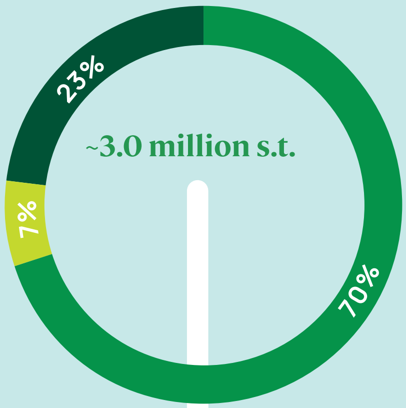
HISTORICAL FINANCIAL INFORMATION - 10 YEARS

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.

	2020	2019
Highlights - Consolidated Results		
Sales	**5,157**	4,996
Cost of sales and expenses	**4,482**	4,392
Adjusted operating income before depreciation and amortization (OIBD adjusted)	**675**	604
Depreciation and amortization	**299**	289
Adjusted operating income	**376**	315
Financing expense and interest expense on employee future benefits	**98**	143
Foreign exchange loss (gain) on long-term debt and financial instruments	**(6)**	(6)
Specific items	**19**	68
	265	110
Provision for (recovery of) income taxes	**45**	19
Share of results of associates and joint ventures	**(14)**	(9)
Net earnings (loss) attributable to non-controlling interests	**36**	28
Net earnings (loss)	**198**	72
Net earnings (loss) per common share	**$ 2.04**	$ 0.77
Highlights - Consolidated Cash Flow		
Cash flow generated by operating activities	**587**	460
Cash flow from operations	**567**	401
per common share	**$ 5.91**	$ 4.27
Payments for property, plant and equipment net of proceeds from disposals	**195**	231
Business combinations and cash from a joint venture	**2**	(311)
Proceed from business disposals	**—**	9
Net change in long-term debt	**109**	(170)
Dividends on common shares	**31**	23
per common share	**$ 0.32**	$ 0.24
Dividend yield	**2.20%**	2.10%
Highlights - Consolidated Balance Sheet (As at December 31)		
Current assets less current liabilities	**609**	358
Property, plant & equipment	**2,772**	2,770
Total assets	**5,412**	5,188
Total long-term debt	**2,051**	2,107
Non-controlling interests	**204**	177
Shareholders' equity	**1,753**	1,492
per common share	**$ 17.14**	$ 15.84
Stock Market Highlights		
Shares issued and outstanding (in millions)	**102.3**	94.2
Trading volume (in millions)	**74.1**	47.1
Market capitalization	**1,488**	1,056
Closing price	**$ 14.55**	$ 11.21
High	**$ 17.61**	$ 13.33
Low	**$ 10.17**	$ 7.87
Key Financial Ratios		
Net earnings (loss)/sales	**3.80%**	1.40%
Sales/total assets	**1.00x**	1.00x
Total assets/average Shareholders' equity	**3.30x**	3.50x
Return on Shareholders' equity	**12.20%**	4.80%
Return on total assets (OIBD/average total assets)	**12.70%**	11.90%
OIBD/sales	**13.10%**	12.10%
OIBD/interest	**6.90x**	4.20x
Current assets less current liabilities/sales	**11.80%**	7.20%
Net debt/OIBD	**2.50x**	3.30x
Total debt/total debt + Shareholders' equity	**54.10%**	58.70%
Price to earnings	**7.10x**	14.60x
Price to book value	**0.80x**	0.70x

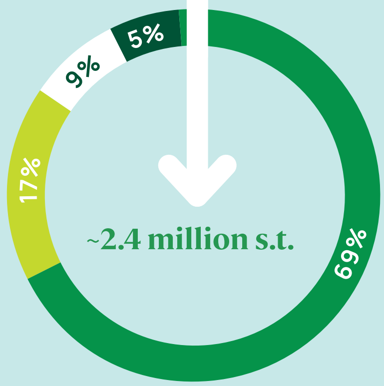
2018	2017	2016	2015	2014	2013	2012	2011
4,649	4,321	4,001	3,885	3,953	3,849	3,645	3,760
4,160	3,928	3,598	3,462	3,595	3,497	3,341	3,517
489	393	403	423	358	352	304	243
244	215	192	190	183	182	199	186
245	178	211	233	175	170	105	57
99	97	93	97	108	115	115	100
4	(23)	(22)	91	30	(2)	(8)	(4)
12	(298)	(10)	99	191	28	33	(148)
130	402	150	(54)	(154)	29	(35)	109
48	(81)	45	39	(11)	12	(4)	27
(11)	(39)	(32)	(37)	—	3	(2)	(14)
36	15	2	9	4	3	(7)	(3)
57	507	135	(65)	(147)	11	(22)	99
$ 0.60	$ 5.35	$ 1.42	$ (0.69)	$ (1.57)	$ 0.11	$ (0.23)	$ 1.03
373	173	372	270	250	232	199	115
361	260	316	307	251	226	154	121
$ 3.82	$ 2.75	$ 3.34	$ 3.25	$ 2.67	$ 2.41	$ 1.64	$ 1.26
253	178	177	156	172	136	141	110
(100)	9	16	—	—	—	14	60
—	—	—	(40)	(36)	—	—	(292)
(94)	179	153	100	88	(30)	(54)	143
15	15	15	15	15	15	15	15
$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16
1.60%	1.20%	1.30%	1.30%	2.30%	2.30%	3.90%	3.60%
421	356	299	398	308	414	295	400
2,505	2,117	1,635	1,625	1,592	1,684	1,659	1,703
4,948	4,427	3,813	3,848	3,673	3,831	3,694	3,728
1,876	1,576	1,566	1,744	1,596	1,579	1,475	1,407
180	146	90	96	110	113	116	136
1,506	1,455	984	867	893	1,081	978	1,029
$ 15.99	$ 15.32	$ 10.41	$ 9.10	$ 9.48	$ 11.52	$ 10.42	$ 10.87
94.2	95.0	94.5	95.3	94.2	93.9	93.9	94.6
54.9	57.5	43.5	39.7	45.0	25.2	20.2	33.8
963	1,294	1,144	1,211	661	646	385	419
$ 10.23	$ 13.62	$ 12.10	$ 12.71	$ 7.02	$ 6.88	$ 4.10	$ 4.43
$ 16.55	$ 18.20	$ 13.67	$ 13.00	$ 7.60	$ 6.92	$ 5.18	$ 7.75
$ 9.54	$ 11.43	$ 7.72	$ 6.49	$ 5.64	$ 4.07	$ 3.85	$ 3.51
1.20%	11.70%	3.40%	(1.70%)	(3.70%)	0.30%	(0.60%)	2.60%
0.90x	1.00x	1.00x	1.00x	1.10x	1.00x	1.00x	1.00x
3.30x	3.60x	4.10x	4.40x	3.70x	3.70x	3.70x	3.30x
3.90%	41.60%	14.60%	(7.40%)	(14.90%)	1.10%	(2.20%)	8.70%
10.40%	9.50%	10.50%	11.20%	9.50%	9.40%	8.20%	6.50%
10.50%	9.10%	10.10%	10.90%	9.10%	9.10%	8.30%	6.50%
4.90x	4.10x	4.30x	4.40x	3.30x	3.10x	2.60x	2.40x
9.10%	8.20%	7.50%	10.20%	7.80%	10.80%	8.10%	10.60%
3.60x	3.90x	3.80x	4.10x	4.50x	4.60x	5.00x	6.10x
55.70%	52.50%	61.80%	67.30%	64.80%	60.20%	61.40%	59.30%
17.10x	2.50x	8.50x	N/A	N/A	62.50x	N/A	4.30x
0.60x	0.90x	1.20x	1.40x	0.70x	0.60x	0.40x	0.40x

Raw Materials



Fibre Consumed, Purchased or Brokered by Cascades in North America[1]

- Recycled fibre used by Cascades — 70%
- Pulp used by Cascades — 7%
- Fibre sold externally — 23%



Fibre Consumed by Cascades in North America

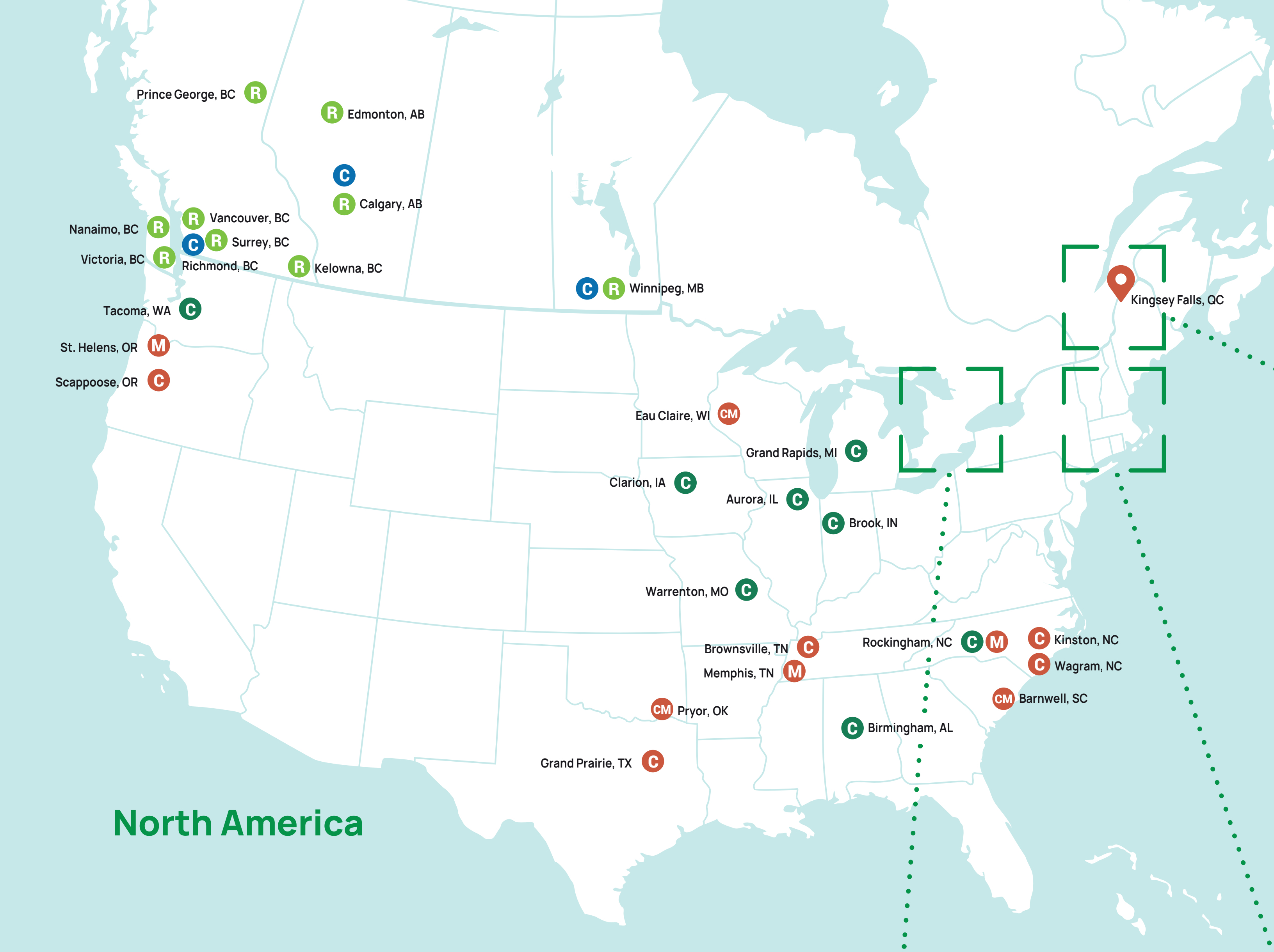
- Brown recycled fibre — 69%
- White recycled fibre — 17%
- Pulp — 9%
- Groundwood recycled fibre — 5%

In Europe, Reno de Medici uses approximately 1.3 M s.t. of additional recycled and virgin fibres in its annual production of boxboard[2].

In addition, a total of approximately 440,000 s.t. of wood chips were used in the North American and Boxboard Europe[2] operations in 2020.

[1] Including associates and joint ventures.
[2] Via our 57.6% equity position in Reno de Medici S.p.A.

Cascades Worldwide[1]



Legend

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

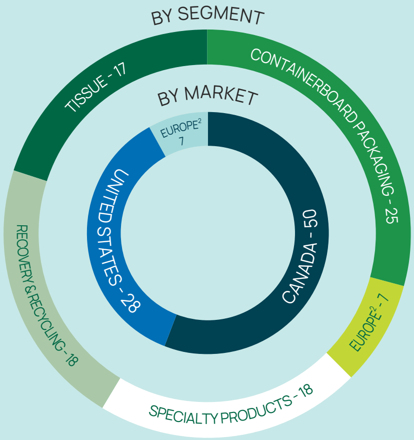
M	Manufacturing facility
C	Converting facility
CM	Converting and manufacturing facility
R	Recovery facility

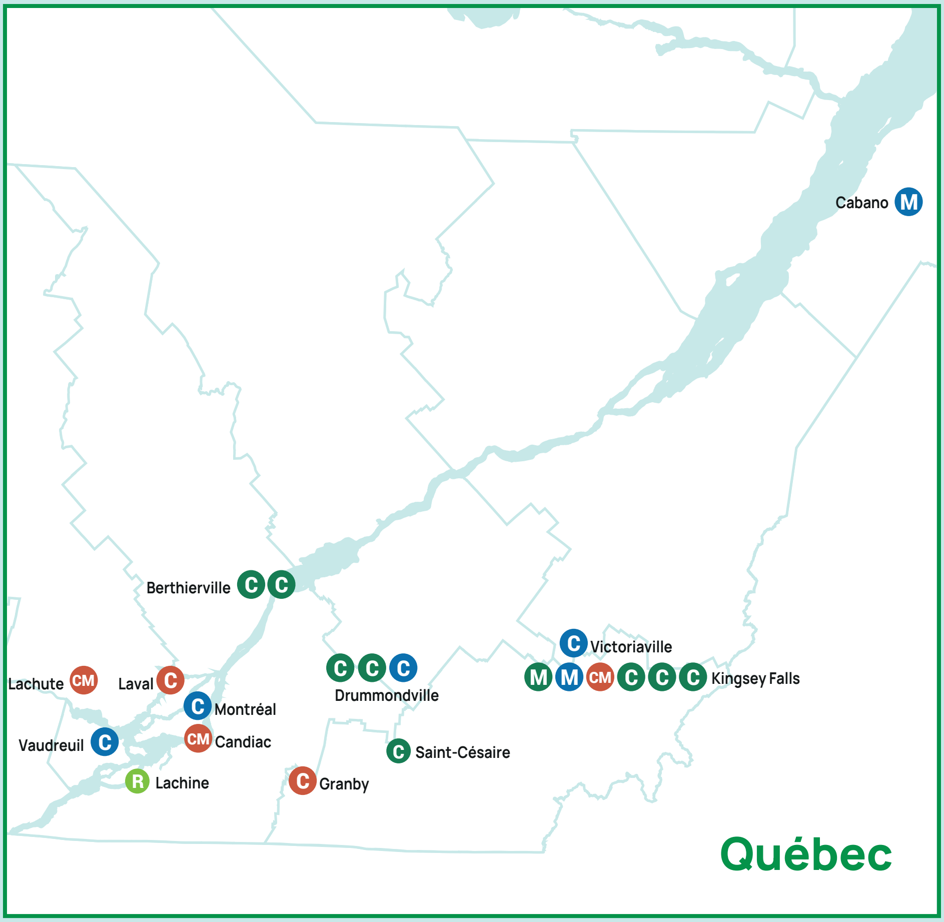
1 Including main associates and joint ventures.
2 Via our 57.6% equity ownership in Reno de Medici S.p.A., a public Italian company.

85[1]
facilities across Canada,
the US and Europe

11,700
employees
in 6 countries

Production Facilities[1]

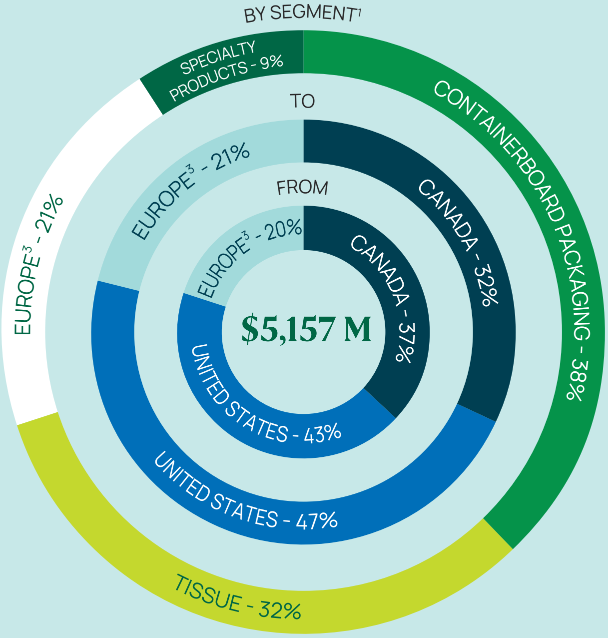




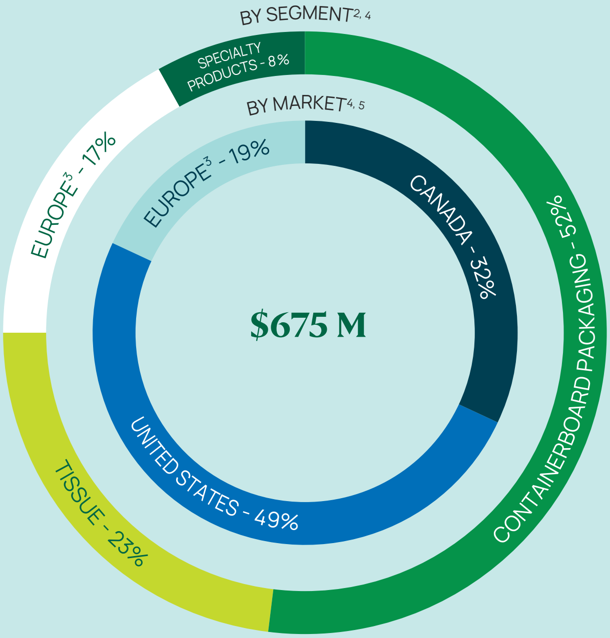
1 Including associates and joint ventures.
2 Via our 57.6% equity ownership in Reno de Medici S.p.A., a public Italian company.

Overview of our Results

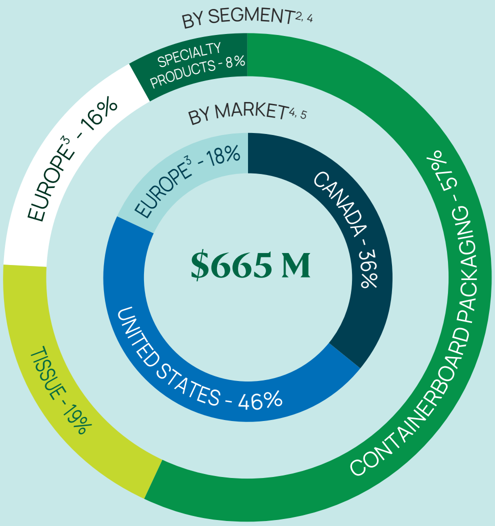
SALES[2]



ADJUSTED OIBD[2,4]



OIBD[2,4]



1 Before inter-segment sales and corporate activities.
2 Percentage excluding corporate activities.
3 Via our 57.6% equity ownership in Reno de Medici S.p.A. (at December 31, 2020), a public Italian company.
4 Please refer to the "Forward-looking Statements" and "Supplemental Information on Non-IFRS Measures" sections for more details.
5 Including corporate activities.

Cascades
Source of possibilities

cascades.com

Printed on **Rolland Enviro™ Satin**, 60 lb. Text and **Rolland Enviro™ Print**, 80 lb. The cover is certified Processed Chlorine Free and is made from 100% post-consumer fibre. All papers are certified FSC® and EcoLogo and are made using renewable biogas energy.

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Photography: **Brühmüller photographe**

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