You see impressive results.

Cascades

Quarterly Report 1

for the three-month periods ended March 31, 2021 and 2020

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FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the operating results and financial position of Cascades Inc. ("Cascades" or "the Corporation") and should be read in conjunction with the Corporation's Unaudited Condensed Interim Consolidated Financial Statements and accompanying notes for the three-month periods ended March 31, 2021 and 2020, together with the most recent Audited Consolidated Financial Statements. Information contained herein includes any significant developments as at May 5, 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 materials, changes in relative values of certain currencies, fluctuations in selling prices, and adverse changes in general market and industry conditions. Cascades disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required under applicable securities regulations. This MD&A also includes price indices, as well as variance and sensitivity analysis 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.

DISCONTINUED OPERATIONS

On February 15, 2021, the Boxboard Europe segment, via its ownership in Reno de Medici S.p.A., announced the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. The transaction was closed on April 30, 2021 and will result in no significant impact on net earnings in the second quarter. The operations are now presented as discontinued operations. See the "Business Highlights" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements, for all details regarding the discontinued operations. The following tables reconcile the 2020 and 2019 presentation of our consolidated results and consolidated cash flows:

	For the 3-month period ended March 31, 2020			For the 6-month period ended June 30, 2020			For the 9-month period ended September 30, 2020			For the year ended December 31, 2020		
(in millions of Canadian dollars)	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported
Consolidated results												
Sales	1,313	(48)	1,265	2,598	(95)	2,503	3,873	(134)	3,739	5,157	(176)	4,981
Cost of sales and expenses (excluding depreciation and amortization)	1,021	(40)	981	2,011	(79)	1,932	3,016	(112)	2,904	4,022	(148)	3,874
Depreciation and amortization	71	(1)	70	146	(1)	145	227	(1)	226	299	(3)	296
Selling and administrative expenses	131	(4)	127	241	(7)	234	348	(10)	338	460	(12)	448
Loss (gain) on acquisitions, disposals and others	1	—	1	2	—	2	(5)	—	(5)	(43)	—	(43)
Impairment charges and restructuring costs	—	—	—	15	—	15	31	—	31	52	(6)	46
Foreign exchange gain	—	—	—	(1)	—	(1)	—	—	—	—	—	—
Loss (gain) on derivative financial instruments	(1)	—	(1)	—	—	—	(1)	—	(1)	1	—	1
	1,223	(45)	1,178	2,414	(87)	2,327	3,616	(123)	3,493	4,791	(169)	4,622
Operating income	90	(3)	87	184	(8)	176	257	(11)	246	366	(7)	359
Financing expense	27	—	27	54	—	54	79	—	79	105	—	105
Interest expense (revenue) on employee future benefits and other liabilities	1	—	1	2	—	2	3	—	3	(7)	—	(7)
Loss on repurchase of long-term debt	—	—	—	—	—	—	6	—	6	6	—	6
Foreign exchange loss (gain) on long-term debt and financial instruments	17	—	17	8	—	8	(3)	—	(3)	(6)	—	(6)
Fair value revaluation loss on investments	—	—	—	—	—	—	—	—	—	3	—	3
Share of results of associates and joint ventures	(3)	—	(3)	(6)	—	(6)	(9)	—	(9)	(14)	—	(14)
Earnings before income taxes	48	(3)	45	126	(8)	118	181	(11)	170	279	(7)	272
Provision for income taxes	15	—	15	27	(1)	26	24	(2)	22	45	(1)	44
Net earnings from continuing operations including non-controlling interests for the period	33	(3)	30	99	(7)	92	157	(9)	148	234	(6)	228
Results from discontinued operations	—	3	3	—	7	7	—	9	9	—	6	6
Net earnings including non-controlling interests for the period	33	—	33	99	—	99	157	—	157	234	—	234
Net earnings attributable to non-controlling interests	11	—	11	23		23	32		32	36	—	36
Net earnings attributable to Shareholders for the period	22	—	22	76	—	76	125	—	125	198	—	198

	For the 3-month period ended March 31, 2020			For the 6-month period ended June 30, 2020			For the 9-month period ended September 30, 2020			For the year ended December 31, 2020		
(in millions of Canadian dollars)	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported
Consolidated net cash flow												
Cash flow from (used for):												
Operating activities	117	—	117	245	(3)	242	381	(5)	376	587	(9)	578
Investing activities	(73)	—	(73)	(115)	1	(114)	(159)	3	(156)	(203)	5	(198)
Financing activities	(58)	—	(58)	(129)	2	(127)	(155)	2	(153)	(156)	4	(152)
Change in cash from discontinued operations during the period	—	—	—	—	—	—	—	—	—	—	—	—
Net change in cash and cash equivalents during the period	(14)	—	(14)	1	—	1	67	—	67	228	—	228

	For the 3-month period ended March 31, 2019			For the 6-month period ended June 30, 2019			For the 9-month period ended September 30, 2019			For the year ended December 31, 2019		
(in millions of Canadian dollars)	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported
Consolidated results												
Sales	1,230	(44)	1,186	2,505	(86)	2,419	3,769	(123)	3,646	4,996	(159)	4,837
Cost of sales and expenses (excluding depreciation and amortization)	991	(38)	953	2,000	(75)	1,925	2,998	(107)	2,891	3,943	(138)	3,805
Depreciation and amortization	67	(1)	66	139	(2)	137	212	(3)	209	289	(3)	286
Selling and administrative expenses	104	(4)	100	215	(7)	208	320	(10)	310	453	(12)	441
Gain on acquisitions, disposals and others	(10)	—	(10)	(7)	—	(7)	(29)	—	(29)	(24)	—	(24)
Impairment charges and restructuring costs	9	—	9	10	—	10	11	—	11	78	(14)	64
Foreign exchange gain	—	—	—	(1)	—	(1)	(1)	—	(1)	(2)	—	(2)
Gain on derivative financial instruments	(3)	—	(3)	(5)	—	(5)	(4)	—	(4)	(2)	—	(2)
	1,158	(43)	1,115	2,351	(84)	2,267	3,507	(120)	3,387	4,735	(167)	4,568
Operating income	72	(1)	71	154	(2)	152	262	(3)	259	261	8	269
Financing expense	25	—	25	50	—	50	74	—	74	101	—	101
Interest expense on employee future benefits and other liabilities	14	—	14	24	—	24	48	—	48	42	—	42
Loss on repurchase of long-term debt	—	—	—	—	—	—	—	—	—	14	—	14
Foreign exchange gain on long-term debt and financial instruments	(6)	—	(6)	(7)	—	(7)	(7)	—	(7)	(6)	—	(6)
Share of results of associates and joint ventures	(2)	—	(2)	(4)	—	(4)	(6)	—	(6)	(9)	—	(9)
Earnings before income taxes	41	(1)	40	91	(2)	89	153	(3)	150	119	8	127
Provision for income taxes	8	—	8	18	—	18	30	(1)	29	19	(1)	18
Net earnings from continuing operations including non-controlling interests for the period	33	(1)	32	73	(2)	71	123	(2)	121	100	9	109
Results from discontinued operations	—	1	1	—	2	2	—	2	2	—	(9)	(9)
Net earnings including non-controlling interests for the period	33	—	33	73	—	73	123	—	123	100	—	100
Net earnings attributable to non-controlling interests	9	—	9	18		18	25		25	28	—	28
Net earnings attributable to Shareholders for the period	24	—	24	55	—	55	98	—	98	72	—	72

	For the 3-month period ended March 31, 2019			For the 6-month period ended June 30, 2019			For the 9-month period ended September 30, 2019			For the year ended December 31, 2019		
(in millions of Canadian dollars)	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported
Consolidated net cash flow												
Cash flow from (used for):												
Operating activities	52	(1)	51	140	(4)	136	297	(6)	291	460	(8)	452
Investing activities	(66)	1	(65)	(132)	2	(130)	(471)	4	(467)	(540)	4	(536)
Financing activities	12	—	12	(29)	2	(27)	195	2	197	121	3	124
Change in cash from discontinued operations during the period	—	—	—	—	—	—	—	—	—	—	1	1
Net change in cash and cash equivalents during the period	(2)	—	(2)	(21)	—	(21)	21	—	21	41	—	41

TO OUR SHAREHOLDERS

FINANCIAL HIGHLIGHTS

- Sales of $1,182 million
  (compared with $1,242 million in Q4 2020[2] (-5%) and $1,265 million in Q1 2020[2] (-7%))
- As reported (including specific items)
  - Operating income of $52 million
    (compared with $113 million in Q4 2020[2] (-54%) and $87 million in Q1 2020[2] (-40%))
  - Operating income before depreciation and amortization (OIBD)[1] of $128 million
    (compared with $183 million in Q4 2020[2] (-30%) and $157 million in Q1 2020[2] (-18%))
  - Net earnings per share of $0.22
    (compared with $0.72 in Q4 2020 and $0.24 in Q1 2020)
- Adjusted (excluding specific items)[1]
  - Operating income of $65 million
    (compared with $92 million in Q4 2020[2] (-29%) and $87 million in Q1 2020[2] (-25%))
  - OIBD of $141 million
    (compared with $162 million in Q4 2020[2] (-13%) and $157 million in Q1 2020[2] (-10%))
  - Net earnings per share of $0.29
    (compared with $0.42 in Q4 2020 and $0.42 in Q1 2020)
- Net debt[1] of $1,654 million as at March 31, 2021 (compared with $1,679 million as at December 31, 2020); Net debt to adjusted OIBD ratio[1, 3] at 2.5x unchanged from December 31, 2020.
- Adjusted free cash flow[1] of ($4) million, or ($0.04) per share, in Q1 2021, compared to $83 million, or $0.83 per share, in Q4 2020 and $55 million, or $0.58 per share, in Q1 2020.
- Total capital expenditures paid, net of disposals, of $78 million in Q1 2021, compared to $37 million in Q4 2020 and to $73 million in Q1 2020.
- Following the February 2021 announcement by Reno De Medici S.p.A. (Boxboard Europe) regarding the sale of its French virgin fibre boxboard subsidiary, financial information of this facility are now presented as discontinued operations. The transaction closed April 30, 2021.

FINANCIAL SUMMARY

SELECTED CONSOLIDATED INFORMATION

(in millions of Canadian dollars, except per share amounts)	**Q1 2021**	Q4 2020[2]	Q1 2020[2]
Sales	**1,182**	1,242	1,265
As reported			
Operating income before depreciation and amortization (OIBD)[1]	**128**	183	157
Operating income	**52**	113	87
Net earnings	**22**	73	22
per share	**$0.22**	$0.72	$0.24
Adjusted[1]			
Operating income before depreciation and amortization (OIBD)	**141**	162	157
Operating income	**65**	92	87
Net earnings	**29**	42	39
per share	**$0.29**	$0.42	$0.42
Margin (OIBD)	**11.9%**	13.0%	12.4%

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

2 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the “Discontinued Operations” section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

3 Not adjusted for discontinued operations. Please refer to the “Discontinued Operations” section.

SEGMENTED OIBD AS REPORTED

(in millions of Canadian dollars)	Q1 2021	Q4 2020[2]	Q1 2020[2]
Packaging Products			
Containerboard	**96**	150	102
Boxboard Europe	**23**	18	31
Specialty Products	**18**	15	11
Tissue Papers	**18**	27	45
Corporate Activities	**(23)**	(29)	(28)
Total before discontinued operations	**132**	181	161
Discontinued operations - Boxboard Europe	**(4)**	2	(4)
OIBD as reported	**128**	183	157

SEGMENTED ADJUSTED OIBD[1]

(in millions of Canadian dollars)	Q1 2021	Q4 2020[2]	Q1 2020[2]
Packaging Products			
Containerboard	**108**	110	99
Boxboard Europe	**23**	27	30
Specialty Products	**18**	15	12
Tissue Papers	**20**	40	45
Corporate Activities	**(24)**	(26)	(25)
Total before discontinued operations	**145**	166	161
Discontinued operations - Boxboard Europe	**(4)**	(4)	(4)
Adjusted OIBD	**141**	162	157

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

2 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

Our first quarter consolidated results highlight the dynamic and challenging business environment in view of the ongoing COVID-19 pandemic. The sequential decrease in our results was largely driven by an important contraction in retail tissue demand as customers worked through high inventory levels built up throughout 2020, and continued lower volumes in Away-from-Home. Tissue volumes were also impacted by inclement weather in the quarter, which resulted in lost production in one of the Corporation's Southern U.S. tissue plants. Conversely, the European Boxboard segment generated strong sequential sales growth in the period, the beneficial impact of which was offset by a notable increase in raw material prices and higher energy costs in the period. Solid demand levels and higher selling prices in the Containerboard segment were largely offset by transportation and raw material cost increases, and lower volume related to seasonality and scheduled maintenance downtime in the first three months of the year. Specialty Products generated strong sequential margin improvement.

Within the context of today's unpredictable business environment, we are pleased with the progress we made in our strategic initiatives and investments during the first quarter. The optimization and modernization of our Tissue platform is nearing completion, and the strategic decisions and investments made in recent years have better equipped this business to navigate the current challenging market dynamics. In Containerboard, our Bear Island conversion project is advancing on schedule and on budget, and the European Boxboard segment is expected to close its acquisition of Papelera del Principado S.A. ("Paprinsa") at the end of June 2021. We continued to focus on our margin improvement program, with these initiatives expected to contribute 1% annually to our consolidated adjusted OIBD level based on our 2019 reference year.

/s/ Mario Plourde

MARIO PLOURDE
President and Chief Executive Officer
May 5, 2021

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:

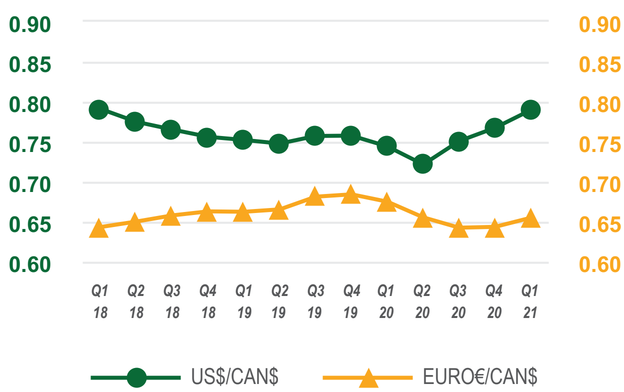
(Business segments)	Number of Facilities[1]	Q1 2021 Sales[2] (in \$M)	Q1 2021 Operating Income Before Depreciation and Amortization (OIBD)[2] (in \$M)	Q1 2021 Adjusted OIBD[2, 4] (in \$M)	Q1 2021 Adjusted OIBD Margin[2, 4] (%)
PACKAGING PRODUCTS					
Containerboard	25	503	96	108	21.5%
Boxboard Europe[3]	7	286	23	23	8.0%
Specialty Products	18	122	18	18	14.8%
TISSUE PAPERS	17	292	18	20	6.8%

BUSINESS DRIVERS

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

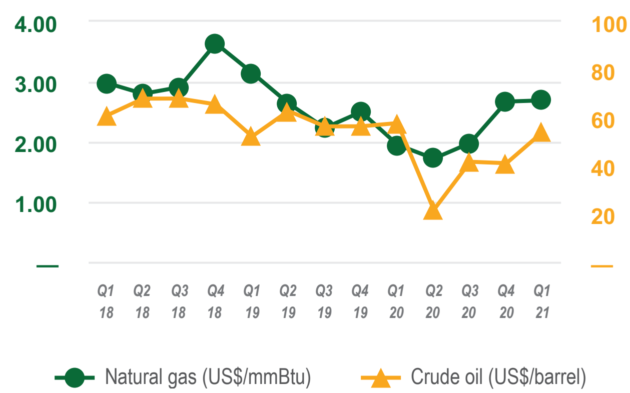
EXCHANGE RATES

Sequentially, the average value of the Canadian dollar increased by 3% compared to the US dollar and increased by 2% compared to the euro in the first quarter of 2021. On a year-over-year basis, the average value of the Canadian dollar increased by 6% compared to the US dollar and decreased by 3% compared to the euro.



ENERGY COSTS

During the quarter, the average price of natural gas increased by 1% sequentially and by 38% compared to the same period of last year. In the case of crude oil, the average price was 32% higher sequentially and 6% lower year-over-year, respectively.



					2019					2020	**2021**
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**
US\$/CAN\$ - Average rate	\$0.75	\$0.75	\$0.76	\$0.76	\$0.75	\$0.74	\$0.72	\$0.75	\$0.77	\$0.75	**\$0.79**
US\$/CAN\$ - End of period rate	\$0.75	\$0.76	\$0.76	\$0.77	\$0.77	\$0.71	\$0.74	\$0.75	\$0.79	\$0.79	**\$0.80**
EURO€/CAN\$ - Average rate	\$0.66	\$0.67	\$0.68	\$0.68	\$0.67	\$0.68	\$0.66	\$0.64	\$0.64	\$0.65	**\$0.66**
EURO€/CAN\$ - End of period rate	\$0.67	\$0.67	\$0.69	\$0.69	\$0.69	\$0.64	\$0.66	\$0.64	\$0.64	\$0.64	**\$0.68**
Natural Gas Henry Hub - US\$/ mmBtu	\$3.15	\$2.64	\$2.23	\$2.50	\$2.63	\$1.95	\$1.72	\$1.98	\$2.67	\$2.08	**\$2.69**
Crude oil (US\$/barrel)	\$52.23	\$62.84	\$56.40	\$56.45	\$56.98	\$57.78	\$21.65	\$41.67	\$41.07	\$40.54	**\$54.16**

Source: Bloomberg

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. Not adjusted for discontinued operations. Please refer to the "Discontinued Operations" section.*

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

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIALS

	2019					2020	2021	Q1 2021 vs. Q1 2020		Q1 2021 vs. Q4 2020	
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	Change	%	Change	%
Selling prices (average)											
PACKAGING PRODUCTS											
Containerboard (US$/short ton)											
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	734	715	715	715	748	723	**772**	**57**	**8%**	**24**	**3%**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	638	615	615	615	648	623	**675**	**60**	**10%**	**27**	**4%**
Boxboard Europe (euro/metric ton)											
Recycled white-lined chipboard (WLC) index[1]	671	653	661	665	654	658	**669**	**16**	**2%**	**15**	**2%**
Virgin coated duplex boxboard (FBB) index[2]	1,117	1,099	1,096	1,095	1,095	1,096	**1,091**	**(8)**	**(1%)**	**(4)**	**—**
Specialty Products (US$/short ton)											
Uncoated recycled boxboard - 20-pt. bending chip (series B)	730	710	700	700	720	708	**740**	**30**	**4%**	**20**	**3%**
TISSUE PAPERS (US$/short ton)											
Parent rolls, recycled fibres (transaction)	1,142	1,111	1,138	1,123	1,110	1,120	**1,115**	**4**	**—**	**5**	**—**
Parent rolls, virgin fibres (transaction)	1,429	1,416	1,450	1,427	1,418	1,428	**1,453**	**37**	**3%**	**35**	**2%**
Raw materials prices (average)											
RECYCLED PAPER											
North America (US$/short ton)											
Sorted residential papers, No. 56 (SRP - Northeast average)	15	8	18	30	30	21	**31**	**23**	**288%**	**1**	**3%**
Old corrugated containers, No. 11 (OCC - Northeast average)	41	36	94	58	65	63	**71**	**35**	**97%**	**6**	**9%**
Sorted office papers, No. 37 (SOP - Northeast average)	128	89	160	109	80	109	**94**	**5**	**6%**	**14**	**18%**
Europe (euro/metric ton)											
Recovered paper index[3]	76	33	82	56	76	62	**115**	**82**	**248%**	**39**	**51%**
VIRGIN PULP (US$/metric ton)											
Northern bleached softwood kraft, Canada	1,239	1,127	1,158	1,140	1,138	1,141	**1,302**	**175**	**16%**	**164**	**14%**
Bleached hardwood kraft, mixed, Canada/US	1,036	890	897	875	868	883	**1,037**	**147**	**17%**	**169**	**19%**

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.

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 the first quarters of 2021 and 2020:

LOSS ON ACQUISITIONS, DISPOSALS AND OTHERS

2020
In the first quarter, the Specialty Products segment recorded a $1 million environmental provision related to a plant in Canada, that was closed in previous year.

RESTRUCTURING COSTS

2021
In the first quarter, the Containerboard Packaging segment recorded severance charges totaling $3 million as part of margin improvement program.

In the first quarter, the Tissue Papers segment recorded additional restructuring charges and closure costs totaling $2 million related to the closure of plants in Pittston and Ransom, Pennsylvania, and Waterford, New York, USA.

DERIVATIVE FINANCIAL INSTRUMENTS

In the first quarter of 2021, the Corporation recorded an unrealized loss of $8 million, compared to an unrealized gain of $1 million in the same period of 2020, on certain derivative financial instruments not designated for hedge accounting.

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

In the first quarter of 2021, the Corporation recorded a gain of $3 million on its US$ denominated debt and related financial instruments, compared to a loss of $17 million in the same period of 2020. It includes a gain of $3 million in the first quarter of 2021, compared to a loss of $11 million in the same period of 2020, on foreign exchange forward contracts not designated for hedge accounting. On the US$ denominated long-term debt, net of our net investment hedges in the US, as well as forward exchange contracts designated as hedging instruments, there is a no impact in 2021 compared to a loss of $6 million in 2020.

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:

	For the 3-month period ended March 31, 2021						
	Including Discontinued Operations					Exclusion of Discontinued Operations[1]	As reported
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Boxboard Europe	Consolidated
Operating income (loss)	65	12	15	—	(36)	(4)	52
Depreciation and amortization	31	11	3	18	13	—	76
Operating income (loss) before depreciation and amortization	96	23	18	18	(23)	(4)	128
Specific items:							
Restructuring costs	3	—	—	2	—	—	5
Unrealized loss (gain) on derivative financial instruments	9	—	—	—	(1)	—	8
	12	—	—	2	(1)	—	13
Adjusted operating income (loss) before depreciation and amortization	108	23	18	20	(24)	(4)	141
Adjusted operating income (loss)	77	12	15	2	(37)	(4)	65

1 Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

(in millions of Canadian dollars)	As reported in 2020 Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Exclusion of Discontinued Operations[1] Boxboard Europe	As reported Consolidated
							For the 3-month period ended March 31, 2020
Operating income (loss)	74	20	8	28	(40)	(3)	87
Depreciation and amortization	28	11	3	17	12	(1)	70
Operating income (loss) before depreciation and amortization	102	31	11	45	(28)	(4)	157
Specific items:							
Loss on acquisitions, disposals and others	—	—	1	—	—	—	1
Unrealized loss (gain) on derivative financial instruments	(3)	(1)	—	—	3	—	(1)
	(3)	(1)	1	—	3	—	—
Adjusted operating income (loss) before depreciation and amortization	99	30	12	45	(25)	(4)	157
Adjusted operating income (loss)	71	19	9	28	(37)	(3)	87

1 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

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)	For the 3-month periods ended March 31, 2021	2020[1]
Net earnings attributable to Shareholders for the period	**22**	22
Net earnings attributable to non-controlling interests	**6**	11
Results from discontinued operations	**(3)**	(3)
Provision for income taxes	**8**	15
Share of results of associates and joint ventures	**(2)**	(3)
Foreign exchange loss (gain) on long-term debt and financial instruments	**(3)**	17
Financing expense and interest expense on employee future benefits	**24**	28
Operating income	**52**	87
Specific items:		
Loss on acquisitions, disposals and others	**—**	1
Restructuring costs	**5**	—
Unrealized loss (gain) on derivative financial instruments	**8**	(1)
	13	—
Adjusted operating income	**65**	87
Depreciation and amortization	**76**	70
Adjusted operating income before depreciation and amortization	**141**	157

1 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim 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:

	NET EARNINGS		NET EARNINGS PER SHARE[1]	
	For the 3-month periods ended March 31,		For the 3-month periods ended March 31,	
(in millions of Canadian dollars, except amount per share)	**2021**	2020	**2021**	2020
As per IFRS	**22**	22	**$0.22**	$0.24
Specific items:				
Loss on acquisitions, disposals and others	**—**	1	**—**	$0.01
Restructuring costs	**5**	—	**$0.03**	—
Unrealized loss (gain) on derivative financial instruments	**8**	(1)	**$0.06**	($0.01)
Foreign exchange loss (gain) on long-term debt and financial instruments	**(3)**	17	**($0.02)**	$0.18
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(3)**	—	**—**	—
	7	17	**$0.07**	$0.18
Adjusted	**29**	39	**$0.29**	$0.42

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.

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

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars)	**2021**	2020[1]
Cash flow from operating activities from continuing operations	**84**	117
Changes in non-cash working capital components	**14**	32
Depreciation and amortization	**(76)**	(70)
Net income taxes received	**(1)**	(9)
Net financing expense paid	**41**	17
Loss on acquisitions, disposals and others	**—**	(1)
Restructuring costs	**(5)**	—
Unrealized gain (loss) on derivative financial instruments	**(8)**	1
Provisions for contingencies and charges and other liabilities	**3**	—
Operating income	**52**	87
Depreciation and amortization	**76**	70
Operating income before depreciation and amortization	**128**	157

1 2020 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

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

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars, except amount per share or as otherwise mentioned)	2021	2020[1]
Cash flow from operating activities from continuing operations	**84**	117
Changes in non-cash working capital components	**14**	32
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	**98**	149
Specific items paid	**4**	—
Adjusted cash flow from operating activities from continuing operations	**102**	149
Capital expenditures, other assets[2] and lease obligations payments, net of disposals of $4 million (in the first quarter of 2020 - $1 million)	**(94)**	(84)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(12)**	(10)
Adjusted free cash flow	**(4)**	55
Adjusted free cash flow per share (in Canadian dollars)	**($0.04)**	$0.58
Weighted average basic number of shares outstanding	**102,279,404**	94,248,804

1 2020 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

2 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)	March 31, 2021	December 31, 2020
Long-term debt	**1,889**	1,949
Current portion of long-term debt	**87**	102
Bank loans and advances	**6**	12
Total debt	**1,982**	2,063
Less: Cash and cash equivalents	**328**	384
Net debt	**1,654**	1,679
Net debt of discontinued operations classified as Held for sale[1]	**11**	—
Net debt - before reclassification as Held for sale[1]	**1,665**	1,679
Adjusted OIBD including $16 million from discontinued operations in both periods (last twelve months)[1]	**659**	675
Net debt / Adjusted OIBD[1] ratio	**2.5x**	2.5x

1 Net debt / Adjusted OIBD before discontinued operations in the Boxboard Europe segment. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - FIRST QUARTER OF 2021

For the 3-month period ended March 31, 2021, consolidated sales reached $1,182 million, a decrease of $83 million, or 7%, compared to $1,265 million in the same period of 2020[1]. This decrease reflected the significant loss in volume in the Tissue Papers segment and the impact of less favourable exchange rates. This was partially mitigated by higher volume in all the Packaging Products segments and favourable price and product mix in North American Packaging Products segment.

For the 3-month period ended March 31, 2021, the Corporation recorded an operating income before depreciation and amortization (OIBD) of $128 million, compared to $157 million in the same period of 2020[1]. On an adjusted basis[2], operating income before depreciation and amortization stood at $141 million in the first quarter of 2021, compared to $157 million in the same period of 2020[1]. This largely reflects the favourable impact of higher volumes, price and product mix in our North American Packaging Products segments and lower production costs combined with increased internal sourcing of parent rolls resulting in overall lower direct costs in our Tissue Papers segment, the benefits of which were more than offset by raw material price increases in the Packaging Products segments and lower volumes in the Tissue Papers segment.

For the 3-month period ended March 31, 2021, the Corporation posted net earnings of $22 million, or $0.22 per share, compared to net earnings of $22 million, or $0.24 per share, in the same period of 2020. On an adjusted basis[2], the Corporation generated net earnings of $29 million in the first quarter of 2021, or $0.29 per share, compared to net earnings of $39 million, or $0.42 per share, in the same period of 2020.

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. The Corporation continues to monitor its credit risk due to the high level of uncertainty in the market.

FINANCIAL OVERVIEW - 2020

Annual consolidated sales reached $4,981 million in 2020[1], an increase of $144 million, or 3%, compared to 2019[1]. 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 $655 million in 2020[1], compared to $555 million in 2019[1]. On an adjusted basis[2], operating income before depreciation and amortization stood at $659 million in 2020[1], compared to $595 million in 2019[1]. This largely reflects year-over-year improved results in the Tissue Papers segment. Energy costs were lower for all segments while raw materials 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 the Packaging Products segments and positive for Tissue Papers.

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.

Following on the initiatives implemented in 2020 and new ones started in 2021, we were able to continue improving our competitiveness by achieving approximately $40 million in the first quarter of 2021 of adjusted OIBD, net of related costs to implement such initiatives. This is measured against our 2019 baseline. These benefits offset some negative impacts related to COVID-19, increased raw material costs and reduced selling prices for certain products.

1 *2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim 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:

					2019					2020	2021	LTM[9]
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	Q1	
OPERATIONAL												
Total shipments (in '000 s.t.)[1]												
Packaging Products												
Containerboard	342	363	377	365	1,447	374	360	411	399	1,544	**391**	***1,561***
Boxboard Europe	333	331	321	305	1,290	351	326	316	312	1,305	**361**	***1,315***
	675	694	698	670	2,737	725	686	727	711	2,849	**752**	***2,876***
Tissue Papers	146	155	161	167	629	181	167	145	152	645	**123**	***587***
Total before discontinued operations	821	849	859	837	3,366	906	853	872	863	3,494	**875**	***3,463***
Discontinued operations - Boxboard Europe	(39)	(39)	(34)	(34)	(146)	(43)	(42)	(35)	(38)	(158)	**(44)**	***(159)***
Total	782	810	825	803	3,220	863	811	837	825	3,336	**831**	***3,304***
Integration rate[2]												
Containerboard	59%	59%	58%	58%	58%	57%	57%	53%	55%	56%	**57%**	***56%***
Tissue Papers	76%	77%	76%	75%	76%	73%	70%	70%	79%	73%	**72%**	***73%***
Manufacturing capacity utilization rate[3]												
Packaging Products												
Containerboard	88%	91%	94%	92%	91%	98%	92%	98%	97%	96%	**97%**	***96%***
Boxboard Europe	97%	97%	95%	90%	95%	88%	81%	81%	78%	82%	**90%**	***83%***
Tissue Papers	87%	92%	93%	84%	88%	88%	87%	73%	86%	83%	**80%**	***82%***
Consolidated total	91%	93%	94%	90%	92%	92%	87%	87%	88%	89%	**91%**	***88%***
FINANCIAL												
Return on assets[4, 8]												
Packaging Products												
Containerboard	20%	20%	20%	20%	20%	20%	19%	18%	18%	18%	**19%**	
Boxboard Europe	15%	14%	14%	15%	15%	15%	17%	18%	18%	18%	**17%**	
Specialty Products	13%	16%	21%	21%	21%	20%	20%	20%	22%	22%	**23%**	
Tissue Papers	1%	2%	4%	7%	7%	9%	12%	13%	13%	13%	**11%**	
Consolidated return on assets	11.0%	11.2%	11.4%	12.0%	12.0%	12.3%	12.7%	12.8%	13.1%	13.1%	**13.0%**	
Return on capital employed[5, 8]	4.8%	4.9%	4.9%	5.4%	5.4%	5.6%	6.0%	5.9%	6.2%	6.2%	**6.0%**	
Working capital[6, 8]												
In millions of $, at end of period	500	525	502	416	416	488	494	465	365	365	**385**	
As a percentage of sales[7, 8]	10.4%	10.3%	10.3%	10.1%	10.1%	9.9%	9.7%	9.8%	9.6%	9.6%	**9.5%**	

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

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. Adjusted for discontinued operations.*

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 *Not adjusted for discontinued operations. Please refer to the "Discontinued Operations" section.*

9 *LTM (last twelve months).*

HISTORICAL FINANCIAL INFORMATION

(in millions of Canadian dollars, unless otherwise noted)	2019[2] Q1	2019[2] Q2	2019[2] Q3	2019[2] Q4	2019[2] YEAR	2020[2] Q1	2020[2] Q2	2020[2] Q3	2020[2] Q4	2020[2] YEAR	2021 Q1	LTM[3]
Sales												
Packaging Products												
Containerboard	441	462	473	451	1,827	458	454	506	500	1,918	503	1,963
Boxboard Europe	279	270	256	243	1,048	272	265	261	254	1,052	286	1,066
Specialty Products	129	135	123	105	492	113	120	117	123	473	122	482
Inter-segment sales	(4)	(3)	(4)	(3)	(14)	(3)	(5)	(4)	(6)	(18)	(7)	(22)
	845	864	848	796	3,353	840	834	880	871	3,425	904	3,489
Tissue Papers	348	377	387	397	1,509	446	424	364	381	1,615	292	1,461
Inter-segment sales and Corporate Activities	37	34	29	34	134	27	27	31	32	117	32	122
Total before discontinued operations	1,230	1,275	1,264	1,227	4,996	1,313	1,285	1,275	1,284	5,157	1,228	5,072
Discontinued operations - Boxboard Europe	(44)	(42)	(37)	(36)	(159)	(48)	(47)	(39)	(42)	(176)	(46)	(174)
Total	1,186	1,233	1,227	1,191	4,837	1,265	1,238	1,236	1,242	4,981	1,182	4,898
Operating income (loss)												
Packaging Products												
Containerboard	84	84	91	69	328	74	54	71	122	321	65	312
Boxboard Europe	18	19	14	(6)	45	20	30	19	5	74	12	66
Specialty Products	9	12	10	5	36	8	11	11	12	42	15	49
	111	115	115	68	409	102	95	101	139	437	92	427
Tissue Papers	(8)	1	34	(21)	6	28	31	3	10	72	—	44
Corporate Activities	(31)	(34)	(41)	(48)	(154)	(40)	(32)	(31)	(40)	(143)	(36)	(139)
Total before discontinued operations	72	82	108	(1)	261	90	94	73	109	366	56	332
Discontinued operations - Boxboard Europe	(1)	(1)	(1)	11	8	(3)	(5)	(3)	4	(7)	(4)	(8)
Total	71	81	107	10	269	87	89	70	113	359	52	324
Adjusted OIBD[1]												
Packaging Products												
Containerboard	104	113	118	106	441	99	94	100	110	403	108	412
Boxboard Europe	29	30	25	24	108	30	43	29	27	129	23	122
Specialty Products	14	16	16	9	55	12	17	16	15	60	18	66
	147	159	159	139	604	141	154	145	152	592	149	600
Tissue Papers	9	18	24	35	86	45	54	36	40	175	20	150
Corporate Activities	(21)	(21)	(22)	(22)	(86)	(25)	(22)	(19)	(26)	(92)	(24)	(91)
Total before discontinued operations	135	156	161	152	604	161	186	162	166	675	145	659
Discontinued operations - Boxboard Europe	(2)	(2)	(2)	(3)	(9)	(4)	(5)	(3)	(4)	(16)	(4)	(16)
Total	133	154	159	149	595	157	181	159	162	659	141	643
Adjusted OIBD / Sales (%)[2]	11.2%	12.5%	13.0%	12.5%	12.3%	12.4%	14.6%	12.9%	13.0%	13.2%	11.9%	13.1%
Net earnings (loss)	24	31	43	(26)	72	22	54	49	73	198	22	198
Adjusted[1]	13	26	28	29	96	39	58	48	42	187	29	177
Net earnings (loss) per share (in Canadian dollars)												
Basic	$0.26	$0.33	$0.45	($0.27)	$0.77	$0.24	$0.57	$0.51	$0.72	$2.04	$0.22	$2.02
Diluted	$0.26	$0.32	$0.44	($0.27)	$0.75	$0.23	$0.57	$0.50	$0.72	$2.02	$0.22	$2.01
Basic, adjusted[1]	$0.14	$0.28	$0.30	$0.30	$1.02	$0.42	$0.61	$0.50	$0.42	$1.95	$0.29	$1.82
Net earnings (loss) from continuing operations per common share (in Canadian dollars)[2]	$0.25	$0.31	$0.45	($0.15)	$0.86	$0.22	$0.51	$0.49	$0.76	$1.98	$0.20	$1.96
Cash flow from operations including discontinued operations	82	124	104	91	401	153	162	106	146	567	102	516
Cash flow from discontinued operations	(2)	(2)	(2)	(3)	(9)	(4)	(5)	(3)	(4)	(16)	(4)	(16)
Cash flow from operating activities (excluding changes in non-cash working capital components)[2]	80	122	102	88	392	149	157	103	142	551	98	500
Net debt[1]	1,878	1,861	2,070	1,963	1,963	2,212	2,077	1,982	1,679	1,679	1,654	

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

2 *2020 and 2019 have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

3 *LTM (last twelve months).*

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 2021 and 2020 results.

SIGNIFICANT FACTS AND DEVELOPMENTS

2021

- On April 30, 2021, 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 on the facility to July 7, 2025. The financial conditions remain unchanged.

- On February 15, 2021, the Boxboard Europe segment, via its ownership in Reno de Medici S.p.A., announced the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. The transaction was closed on April 30, 2021 and will result in no significant impact on net earnings in the second quarter. The operations are now presented as discontinued operations.

2020

- 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 second 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 before the end of 2021 second quarter and production capacity will be 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.

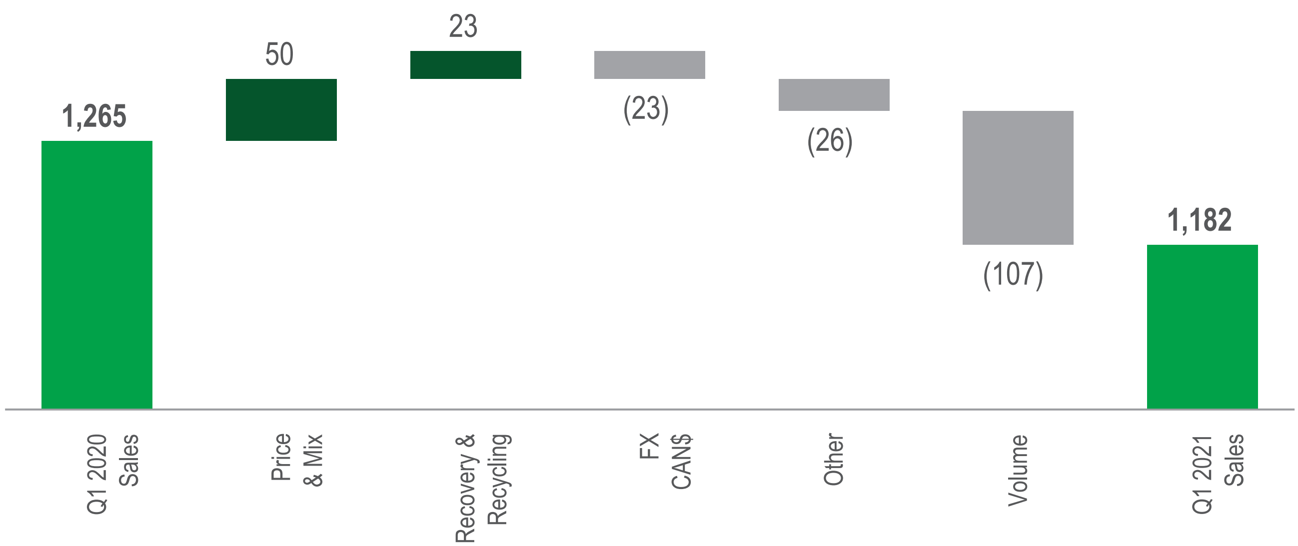
- The Corporation exercised its option to purchase the 20.20% interest in Greenpac Holding LLC ("Greenpac") held by the Caisse de dépôt et placement du Québec (CDPQ) on November 30, 2019 for an exercise price of US$93 million ($121 million). The transaction closed January 3, 2020 and increased the Corporation's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

FINANCIAL RESULTS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020

SALES

Sales of $1,182 million decreased by $83 million, or 7%, compared with the same period of 2020[1]. Higher selling prices in all segments and in Recovery & Recycling activities had a positive impact on sales. However, this was more than offset by the sharp decrease in volume of all Tissue Papers segment's markets following volatile buying patterns in both periods which led to a decrease of $154 million in sales for this segment. Volume in all Packaging segments were higher than last year. The 6% appreciation of the Canadian dollar compared to US dollar and the 3% depreciation of the Canadian dollar compared to the euro, had a net unfavourable impact on sales.

The main variances in sales in the first quarter of 2021, compared to the same period of 2020[1], are shown below:
(in millions of Canadian dollars)



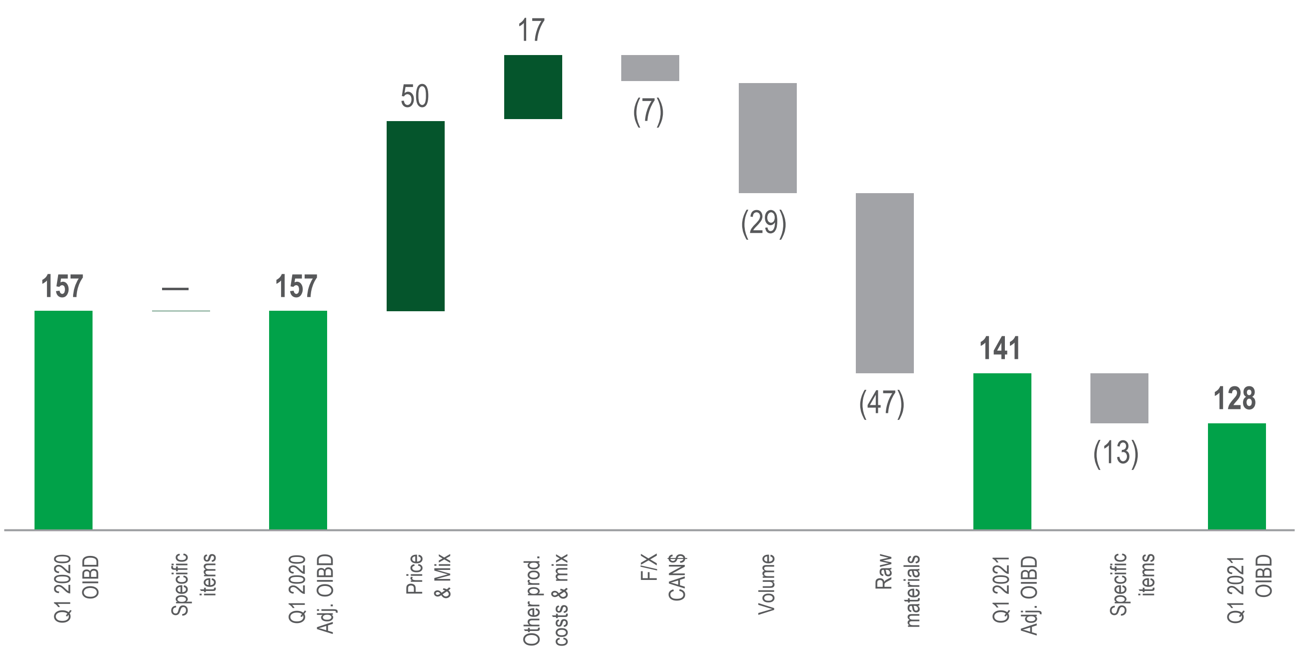
1 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an operating income before depreciation and amortization (OIBD) of $128 million in the first quarter of 2021, a decrease of $29 million, or 18%, compared to $157 million in the first quarter of 2020[2]. Specific items recorded in the first quarter of 2021 negatively impacted OIBD by $13 million, while no specific item were recorded in the same period of 2020. Excluding specific items, the $16 million adjusted OIBD decrease is mainly explained by the increase in raw material costs in all Packaging Products segments, lower volume in Tissue Papers and an unfavourable exchange rate for the North American operations. Conversely, higher average selling prices and sales mix had a positive impact for all segments. Despite the volatility of raw material prices, our Tissue Papers segment was able to offset higher recycled fibre and virgin pulp cost increases by cost improvement initiatives and lower external purchases of parent rolls. Recovery and Recycling activities included in the Corporate Activities segment added $1 million to OIBD due to better market pricing for recovered paper in 2021. Also, in 2020, the Corporation had recorded a $10 million expected credit loss provision on accounts receivable amounts in relation to the COVID-19 pandemic.

Adjusted OIBD[1] totaled $141 million in the first quarter of 2021. This compares with the $157 million generated in the first quarter of 2020[2], a decrease of $16 million, or 10%.

The main variances in OIBD in the first quarter of 2021, compared to the same period of 2020[2], 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 of the 2020 Annual report 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 the first quarters of 2021 and 2020 that adversely or positively affected its operating results[1].

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

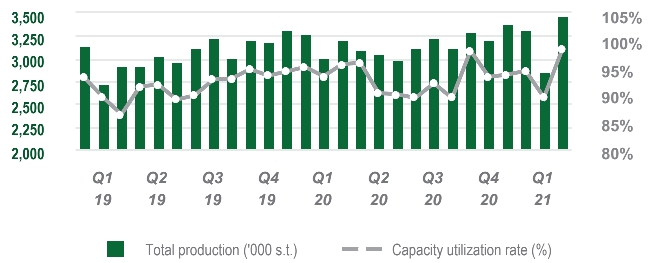
2 *2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

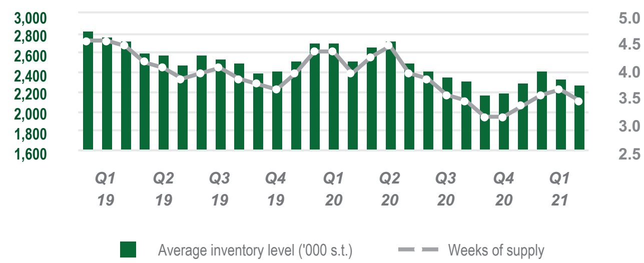
U.S. containerboard industry production and capacity utilization rate [1]

During the first quarter of 2021, total U.S. containerboard production amounted to 9.7 million short tons, a sequential decrease of 2% and a 2% increase year-over-over, respectively. The industry registered an average capacity utilization rate of 94% during the quarter.



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

The average inventory level increased 6% sequentially and decreased by 11% year-over-year during the first quarter of 2021. Inventory levels stood at approximately 2.3 million short tons at the end of March 2021, representing 3.4 weeks of supply.



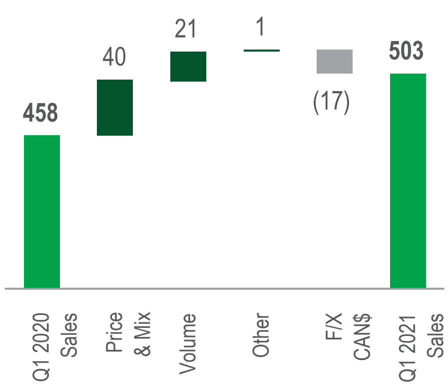
1 *Source: RISI*

2 *Source: Fibre Box Association*

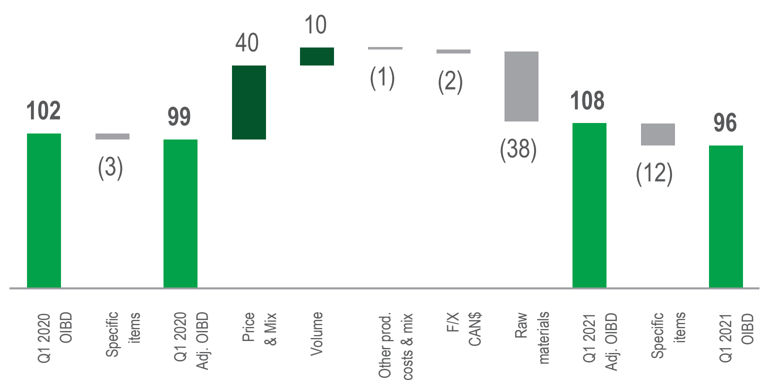
Our Performance

The main variances[1] in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the first quarter of 2021, compared to the same period of 2020, are shown below:

SALES ($M)



OIBD ($M)



The Corporation incurred certain specific items in the first quarters of 2021 and 2020 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 three-month periods ended March 31, 2021 and 2020" section for more details.*

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

	Q1 2020	Q1 2021	Change in %
Shipments[2] ('000 s.t.)	374	391	5%
Average Selling Price (CAN$/unit)	1,225	1,289	5%
Sales ($M)	458	503	10%
OIBD[1] ($M) (as reported)	102	96	-6%
% of sales	22%	19%	
(adjusted)[1]	99	108	9%
% of sales	22%	21%	
Operating income ($M) (as reported)	74	65	-12%
(adjusted)[1]	71	77	8%

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

2 Shipments do not take into account the elimination of business sector inter-segment shipments. Including 3.7 billion square feet in the first quarter of 2021 compared to 3.3 billion square feet in the same period of 2020, an increase of 9%.

3 Including sales to other partners in Greenpac.

Shipments increased by 17,000 s.t., or 5%, in the first quarter of 2021 compared to the same period of 2020. This reflects a 17,000 s.t., or 9%, increase in shipments from converting activities which outperformed the Canadian market which increased by 8% and the US market which increased by 4%. Our containerboard parent roll external shipments remained stable compared to the same period of 2020. Consequently, the mill integration rate of 57% during the first quarter of 2021 remained stable compared to the same period of 2020. Including sales to other partners[3], the integration rate was 71% in 2021, up from 69% in the same period of 2020.

The average selling price denominated in Canadian dollars increased by 7% for parent rolls and by 2% for converted products. The 6% average appreciation of the Canadian dollar compared to the US dollar had a net negative impact on average selling prices during the period and partly offset these increases.

Sales increased by $45 million, or 10%, in the first quarter of 2021, compared to the same period of 2020. The higher average selling price and the favourable sales mix added $29 million and $11 million, respectively, to sales. Higher volume added $21 million to sales. These benefits were partly offset by the 6% average appreciation of the Canadian dollar against the US dollar which negatively impacted sales by $17 million.

Operating income before depreciation and amortization (OIBD) decreased by $6 million, or 6%, in the first quarter of 2021, compared to the same period of 2020. Excluding specific items[1] in both years, the $9 million, or 9%, increase reflects a higher average selling price and a favourable mix of products sold, which had a combined positive impact of $40 million. The 5% increase in volume added $10 million to profitability. Higher costs of raw materials subtracted $38 million and the 6% appreciation in the Canadian dollar subtracted another $2 million. Higher variable and fixed costs were offset by lower SG&A expense as a credit loss provision related to COVID-19 was recorded in 2020.

The segment incurred some specific items[1] in the first quarters of 2021 and 2020 that affected OIBD[1].

PACKAGING PRODUCTS - BOXBOARD EUROPE

Discontinued operations

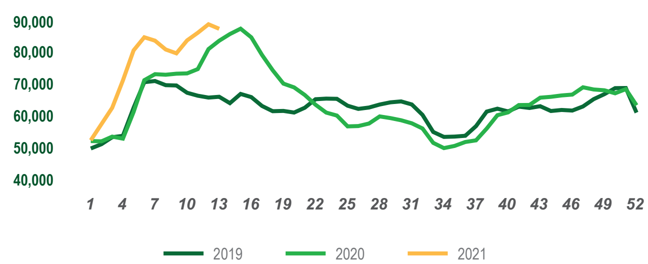
On February 15, 2021, the Boxboard Europe segment, via its ownership in Reno de Medici S.p.A., announced the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. The transaction was closed on April 30, 2021 and will result in no significant impact on net earnings in the second quarter. The operations are now presented as discontinued operations. See the "Discontinued Operations" and "Business Highlights" sections and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements, for all details regarding the discontinued operations.

Our Industry

European industry order inflow of coated boxboard [1]

In Europe, order inflows of white-lined chipboard (WLC) totaled approximately 985,000 tonnes in the first quarter of 2021, an increase of 15% compared to the same period of 2020 and of 17% compared to the previous quarter.

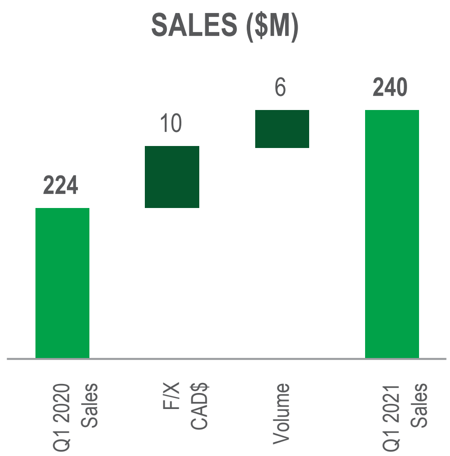
Coated recycled boxboard industry's order inflow from Europe
(White-lined chipboard (WLC) - 5-week weekly moving average)

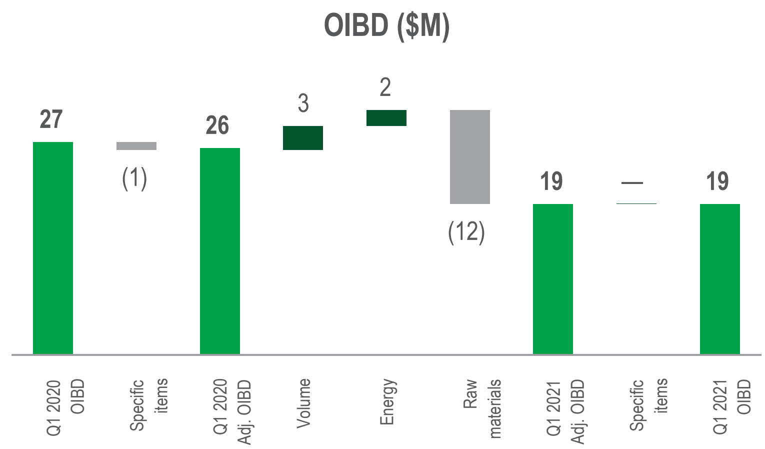


1 Source: CEPI Cartonboard

Our Performance[1]

The main variances[2] in sales and operating income before depreciation and amortization for the Boxboard Europe segment in the first quarter of 2021, compared to the same period of 2020, are shown below:





The Corporation incurred certain specific items in the first quarters of 2021 and 2020 that adversely or positively affected its operating results[3].

1 *2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

2 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the three-month periods ended March 31, 2021 and 2020" section for more details.*

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

	Q1 2020[1]	Q1 2021	Change in %
Shipments[3] ('000 s.t.)	308	317	3%
Average Selling Price[4] (CAN$/unit)	706	728	3%
(euro€/unit)	476	477	—
Sales ($M)	224	240	7%
OIBD[2] ($M) (as reported)	27	19	-30%
% of sales	12%	8%	
(adjusted)[2]	26	19	-27%
% of sales	12%	8%	
Operating income ($M) (as reported)	17	8	-53%
(adjusted)[2]	16	8	-50%

1 Shipments, average selling price and consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

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

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

4 Average selling price is a weighted average of recycled and converted boxboard shipments.

Recycled boxboard shipments increased by 8,000 s.t., or 3%, in the first quarter of 2021 compared to the same period of 2020, while converted products shipments increased by 1,000 s.t., or 20%.

The average selling price remained stable in euro in the first quarter of 2021, but increased in Canadian dollars year-over-year as a result of the 3% average depreciation of the Canadian dollar compared to the euro. Compared to the first quarter of 2020, the average selling price of recycled boxboard decreased by €1, while the average selling price of converted boxboard increased by €14, or 2%.

Sales increased by $16 million, or 7%, in the first quarter of 2021 compared to the same period of 2020[1], reflecting the 3% average depreciation of the Canadian dollar compared to the euro, which contributed $10 million, and higher volumes described above, which added $6 million to sales during the period.

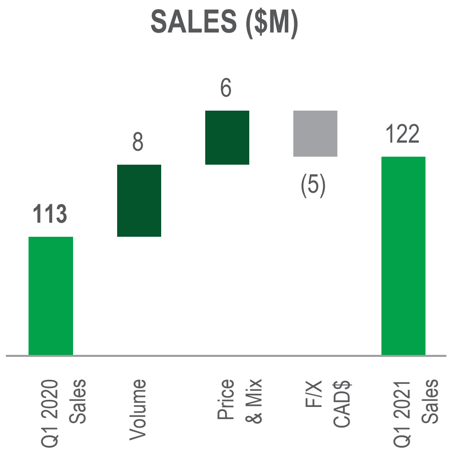
Operating income before depreciation and amortization (OIBD) decreased by $8 million, or 30%, in the first quarter of 2021 compared to the same period of 2020[1]. Excluding specific items[2] in both periods, the $7 million, or 27%, decrease is attributable to higher recycled fibres costs, which deducted $12 million in the OIBD. This was partially offset by energy and carbon tax credits received, creating a $2 million favourable impact and higher volume which added $3 million.

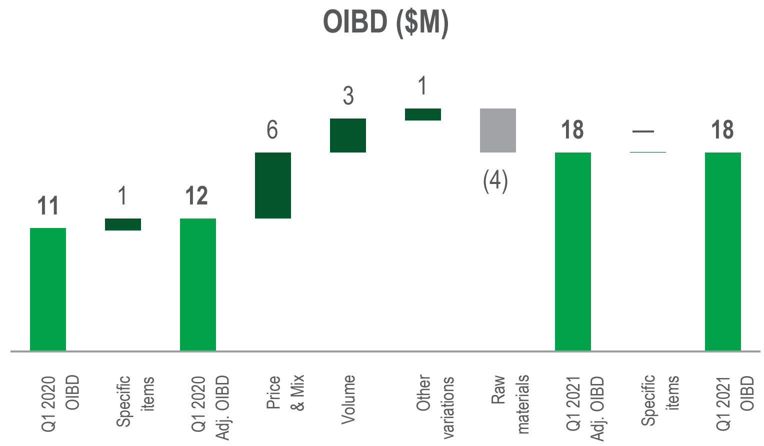
The segment incurred some specific items[2] in the first quarter of 2020 that affected OIBD[2].

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Performance

The main variances[1] in sales and operating income before depreciation and amortization for the Specialty Products segment in the first quarter of 2021, compared to the same period of 2020, are shown below:





The Corporation incurred certain specific items in the first quarters of 2021 and 2020 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 three-month periods ended March 31, 2021 and 2020" section for more details.*

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

	Q1 2020	Q1 2021	Change in %
Sales ($M)	113	122	8%
OIBD[1] ($M) (as reported)	11	18	64%
% of sales	10%	15%	
(adjusted)[1]	12	18	50%
% of sales	11%	15%	
Operating income ($M) (as reported)	8	15	88%
(adjusted)[1]	9	15	67%

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

Sales increased by $9 million, or 8%, in the first quarter of 2021 compared to the same period of 2020. Increased volume, higher average selling price and a favourable sales mix increased sales levels by $14 million in the period. These were partly offset by the 6% average appreciation of the Canadian dollar compared to the US dollar which decreased sales by $5 million.

Operating income before depreciation and amortization (OIBD) increased by $7 million, or 64%, in the first quarter of 2021 compared to the same period of 2020. Excluding specific items[1], the adjusted OIBD increased by $6 million, or 50%. This strong performance is a result of higher overall volumes and realized spreads, which added $5 million, as well as lower selling, general and administrative, direct labour and maintenance costs, which had a positive impact of $2 million. These were partially offset by a less favourable exchange rate, which negatively impacted results by $1 million.

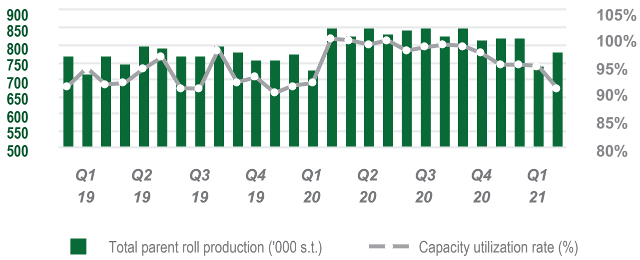
The segment incurred some specific items[1] in the first quarter of 2020 that affected OIBD[1].

TISSUE PAPERS

Our Industry

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

During the first quarter of 2021, parent roll production amounted to 2.3 million tons, down 6% sequentially remained stable compared to the same period last year. The average capacity utilization rate for the quarter stood at 94%, down by 3% sequentially and by 1% compared to the first quarter of 2020.



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

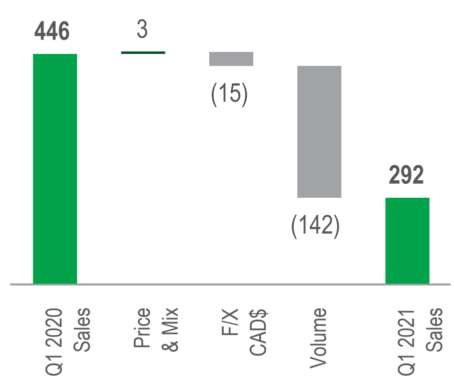
Shipments in the Away-from-Home market increased 5% sequentially and decreased 7% year-over-year in the first quarter of 2021. Shipments in the Retail market decreased by 9% compared to the previous quarter and by 5% versus the same period of 2020, amid the COVID-19 volatility of buying patterns of customers.

1 Source: RISI

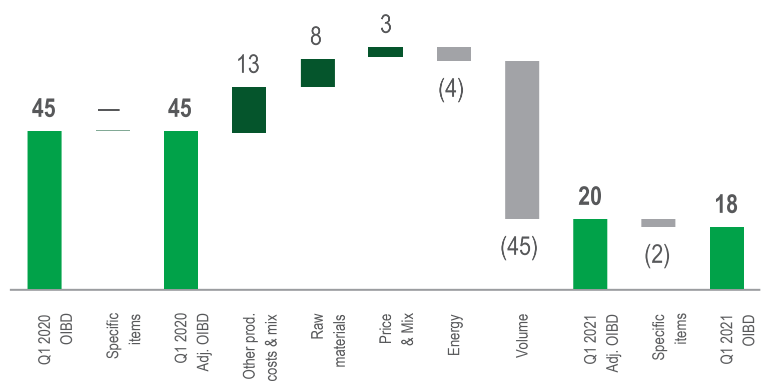
Our Performance

The main variances[1] in sales and operating income before depreciation and amortization for the Tissue Papers segment in the first quarter of 2021, compared to the same period of 2020, are shown below:

SALES ($M)



OIBD ($M)



The Corporation incurred certain specific items in the first quarters of 2021 and 2020 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 three-month periods ended March 31, 2021 and 2020" section for more details.

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

	Q1 2020	Q1 2021	Change in %
Shipments[2] ('000 s.t.)	181	123	-32%
Average Selling Price (CAN$/unit)	2,466	2,372	-4%
Sales ($M)	446	292	-35%
OIBD[1] ($M) (as reported)	45	18	-60%
% of sales	10%	6%	
(adjusted)[1]	45	20	-56%
% of sales	10%	7%	
Operating income ($M) (as reported)	28	—	-100%
(adjusted)[1]	28	2	-93%

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

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

Following strong demand in 2020 and recent customer inventory management in 2021, the Tissue market faced important volume contraction in the first quarter of 2021. External manufacturing shipments decreased by 11,000 s.t., or 29%, in the first quarter of 2021 compared to the same period of 2020. The integration rate reached 72% during the period, compared to 73% in the same period of 2020. Converted product shipments decreased by 47,000 s.t., or 33%, from the year-ago period. This is the result of lower demand in both the Consumer Products (-23%) and the Away-from-Home (-39%) markets, and reflects volatility in buying patterns of customers since the beginning of COVID-19 making year-over-year comparisons difficult.

The 4% decrease of the average selling price was primarily due to the 6% average appreciation of the Canadian dollar compared to the US dollar, and by a higher proportion of sales attributable to parent rolls. These were offset by a favourable mix of converted products sold and price increase initiatives.

Sales decreased by $154 million, or 35% in the first quarter of 2021 compared to the same period of 2020. This was driven by lower volumes and by an impact of $15 million related to the less favourable exchange rate. The net impact of higher selling prices and mix of customers and products sold added $3 million to sales.

Operating income before depreciation and amortization (OIBD) decreased by $27 million, or 60%, in the first quarter of 2021 compared to the same period of 2020. Excluding specific items[1] in both years, the adjusted OIBD decreased by $25 million, or 56%, and is mainly due to lower volumes for $45 million and higher energy costs of $4 million. Lower variable and fixed costs following network optimizations, asset base modernization and margin improvement initiatives undertaken over the last few years as well as lower SG&A expense, due to a credit loss provision recorded in 2020 related to COVID-19, partly offsetting the decrease in OIBD for a total of $13 million. Despite higher raw material prices of recycled fibres and virgin pulp, lower external purchases of parent rolls led to net improvement in raw material cost of $8 million. Better pricing and favourable mix of converted products sold added $3 million to OIBD.

The segment incurred some specific items[1] in the first quarter of 2021 that affected OIBD[1].

CORPORATE ACTIVITIES

Corporate Activities incurred some specific items[1] in the first quarters of 2021 and 2020 that affected OIBD[1]. Corporate Activities registered an adjusted OIBD[1] loss of $24 million in the first quarter of 2021, compared to a loss of $25 million in the same period of 2020. The better performance of our Recovery and Recycling activities, due to improved market pricing of recycled fibre, had a year-over-year positive OIBD variance of $2 million. The corporate costs in the current period were relatively stable.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to $3 million in the first quarter of 2021, compared to $2 million in the same period of 2020. For more details on stock-based compensation, please refer to Note 21 of the 2020 Audited Consolidated Financial Statements.

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense increased by $6 million to $76 million in the first quarter of 2021, compared to $70 million in the same period of 2020[2]. The increase is mainly attributable to the capital expenditure investments completed during the last twelve months and a reduction of the useful life of some equipments following ongoing review.

FINANCING EXPENSE AND INTEREST EXPENSE ON EMPLOYEE FUTURE BENEFITS

The financing expense and interest expense on employee future benefits amounted to $24 million in the first quarter of 2021, compared to $28 million in the same period of 2020[2], a decrease of $4 million. The variance is mainly attributable to lower interest rates and reduced use of the credit lines due to improved cash flows, long-term debt refinancing and share issuance in 2020.

PROVISION FOR INCOME TAXES

In the first quarter of 2021, the Corporation recorded an income tax provision of $8 million, which compares to an income tax provision of $15 million in the same period of 2020[2].

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 21% to 28%. The weighted-average applicable tax rate was 25.03% in the first quarter of 2021.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to $2 million in the first quarter of 2021, compared to $3 million in the same period of 2020. Refer to Note 8 of the 2020 Audited Consolidated Financial Statements for more information on associates and joint ventures.

RESULTS FROM DISCONTINUED OPERATIONS

Results from discontinued operations amounted to $3 million in the first quarter of 2021, compared to $3 million in the same period of 2020[2]. Results from discontinued operations attributable to Shareholders amounted to $2 million in the first quarter of 2021, compared to $2 million in the same period of 2020[2]. Refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for all details on results from discontinued operations.

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

2 2020 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

Cash flows from operating activities from continuing operations generated $84 million in the first quarter of 2021, compared to $117 million generated in the same period of 2020[1]. Changes in non-cash working capital components used $14 million of liquidity in the first quarter of 2021, compared to $32 million used in the same period of 2020[1]. Significant efforts were deployed in accounts receivable and accounts payable to reduce working capital requirements. However, these efforts were offset by the seasonal volume rebates and prepaid payments occurring in the first quarter. As at March 31, 2021, average LTM working capital as a percentage of LTM sales stood at 9.5%, compared to 9.6% as at December 31, 2020[2].

Cash flow from operating activities from continuing operations, excluding changes in non-cash working capital components, stood at $98 million in the first quarter of 2021, compared to $149 million in the same period of 2020[1]. This cash flow measurement is relevant to the Corporation's ability to pursue its capital expenditure program and reduce its indebtedness.

The Corporation paid $41 million of financing expense in the first quarter of 2021, compared to $17 million in the same period of 2020. The variance is mainly explained by an interest payment of $23 million normally planned for January 2020 but was done in December 2019 following the redemption of unsecured senior notes.

The Corporation also received $1 million of net income taxes in the first quarter of 2021, compared to $9 million in the same period of 2020.

In the first quarter of 2021, the Corporation paid $4 million for severances and other restructuring costs related to closures and margin improvement initiatives.

INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investing activities from continuing operations used $82 million in the first quarter of 2021, compared to $73 million used in the same period of 2020[1].

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars)	**2021**	2020
Total acquisitions	**81**	56
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	**1**	27
Right-of-use assets acquisitions and acquisitions included in other debts	**—**	(9)
Payments for property, plant and equipment	**82**	74
Proceeds from disposals of property, plant and equipment	**(4)**	(1)
Payments for property, plant and equipment net of proceeds from disposals	**78**	73

1 *2020 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

2 *Not adjusted for discontinued operations. Please refer to the "Discontinued Operations" section.*

New capital expenditure projects, including right-of-use assets, by segment in the first quarter of 2021 were as follows:
(in millions of Canadian dollars)

The major capital projects that were initiated, are in progress or were completed in the first quarter of 2021 are as follows:

CONTAINERBOARD PACKAGING

- Bear Island assets in Virginia, USA for site preparation before conversion of equipment to recycled containerboard manufacturing.
- Investment in converting assets as part of the strategic repositioning of our containerboard platform in Ontario, Canada, following the announced closure of our Etobicoke plant.
- Investment in a second semi-automatic laminator at our Schenectady, NY, USA converting plant to add capacity and better serve the increasing demand for our industrial packaging strategic market in the US North East region.

BOXBOARD EUROPE

- Investment in a new steam boiler at Santa Giustina plant in Italy to improve energy consumption and production quantity and quality.

SPECIALTY PRODUCTS

- Investment in equipments to improve reliability and quality of USA moulded pulp assets.

TISSUE PAPERS

- Investment in new converting lines and equipments to complete the modernization plan of our asset platform.

PROCEEDS FROM DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

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

In the first quarter of 2021, the Boxboard Europe segment received $4 million from the sale of the land of a closed plant.

CHANGE IN INTANGIBLE AND OTHER ASSETS

In the first quarter of 2021, the Corporation invested $3 million, compared to $2 million in the same period of 2020, for its ERP information technology system and other software developments. In 2021, the Corporation invested an additional $1 million for other assets, including deposits.

CASH RECEIVED IN BUSINESS COMBINATIONS

In the first quarter of 2020, the Corporation received a purchase price adjustment of US$2 million ($2 million) related to the Orchids Paper Products acquisition concluded in September 2019.

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

Financing activities from continuing operations used $51 million in liquidity in the first quarter of 2021, compared to $58 million used in the same period of 2020[1], including $8 million ($7 million in 2020) of dividend payments to the Corporation's Shareholders.

1 *2020 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

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

The Corporation issued 4,842 shares at an average price of $14.28 as a result of the exercise of stock options in the first quarter of 2021, representing an aggregate amount of less than $1 million (in the same period of 2020 - $3 million for 461,557 common shares issued at an average price of $5.84).

The Corporation purchased no share for cancellation in the first quarter of 2021 (in the same period of 2020 - $5 million for 445,354 common shares for cancellation purchased at an average price of $11.53).

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 $4 million in the first quarter of 2021 ($3 million in the same period of 2020). These payments are the result of dividends paid to the non-controlling shareholders of Greenpac and/or Reno de Medici.

CASH FLOWS FROM DISCONTINUED OPERATIONS

Refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for all details on cash flow from discontinued operations.

CONSOLIDATED FINANCIAL POSITION

AS AT MARCH 31, 2021 AND DECEMBER 31, 2020 AND 2019

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

(in millions of Canadian dollars, unless otherwise noted)	March 31, 2021	December 31, 2020[4]	December 31, 2019[4]
Cash and cash equivalents	**328**	384	155
Working capital[1, 4]	**385**	365	416
As a percentage of sales[2, 4]	**9.5%**	9.6%	10.1%
Total assets	**5,317**	5,412	5,188
Total debt[3]	**1,982**	2,063	2,118
Net debt[3] (total debt less cash and cash equivalents)	**1,654**	1,679	1,963
Net debt[3] of discontinued operations classified as Held for sale	**11**	—	—
Net debt[3] - Before reclassification as Held for sale	**1,665**	1,679	1,963
Equity attributable to Shareholders	**1,773**	1,753	1,492
Non-controlling interests	**197**	204	177
Total equity	**1,970**	1,957	1,669
Total equity and net debt[3]	**3,624**	3,636	3,632
Ratio of net debt[3]/(total equity and net debt[3])	**45.9%**	46.2%	54.0%
Shareholders' equity per share (in Canadian dollars)	**$17.34**	$17.14	$15.83

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.*

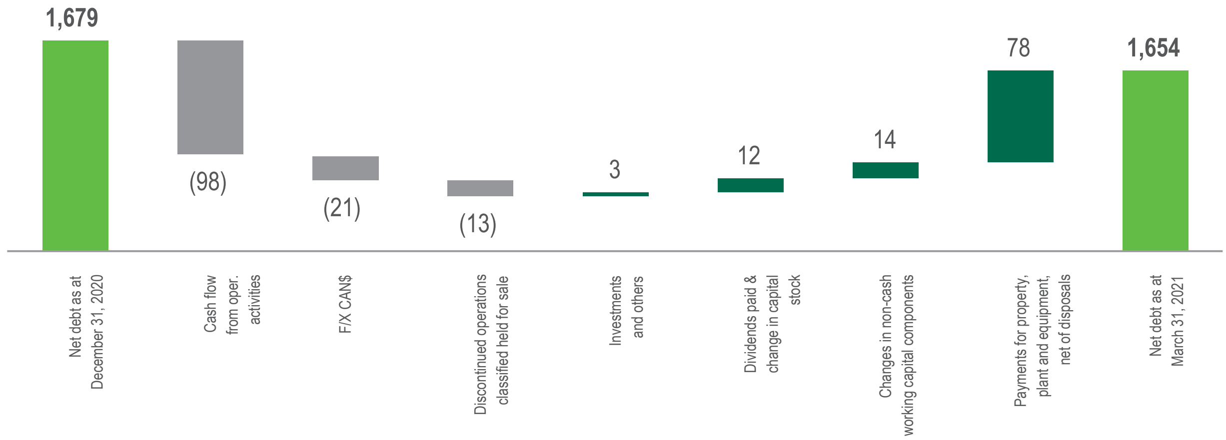
4 *Not adjusted for discontinued operations. Please refer to the "Discontinued Operations" section.*

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 the first quarter of 2021 are shown below, with the applicable financial ratios included.
(in millions of Canadian dollars)



675	Adjusted OIBD[1, 2] (last twelve months)	**659**
2.5x	Net debt/Adjusted OIBD[1, 2]	**2.5x**

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

2 *Net debt / Adjusted OIBD before discontinued operations in the Boxboard Europe segment. Please refer to the "Discontinued Operations" section and Note 4 of the 2021 first quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.*

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 March 31, 2021, 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 March 31, 2021 are comprised as follows: $194 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and $134 million in unrestricted subsidiaries, mainly Greenpac and Reno de Medici.

NEAR-TERM OUTLOOK

In light of continued uncertainty regarding the COVID-19 pandemic, we are maintaining a cautiously optimistic view for our near-term performance. Sequential results from our Tissue business are expected to remain stable, with performance over the longer-term expected to improve as consumer tissue demand normalizes once inventories are re-balanced, Away-from-Home demand increases as the economy and businesses reopen, and benefits are realized from the high single digit price increase announced for consumer and Away-from-Home tissue products beginning in the third quarter. We expect near-term Containerboard performance to reflect good demand and cumulative benefits from announced price increases, counterbalanced by raw material price inflation and planned maintenance downtime at our two Niagara Falls facilities in the second quarter. Near-term results for the Specialty Products are forecasted to remain stable sequentially, with higher volume and average selling prices offsetting slightly higher raw material costs. Lastly, sequential performance from the European Boxboard segment is expected to remain stable as good volumes and higher average selling price as a result of announced price increases should mitigate higher raw material costs.

More broadly speaking, we are focused on advancing our Bear Island containerboard project, and finalizing modernization investments in our tissue converting operations. These investments will be fully funded by projected operational cash flows for the year. We continue to remain vigilant on ensuring the health and safety of our employees, and on actively working with our customers to meet their evolving needs and expectations.

CAPITAL STOCK INFORMATION

SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol "CAS". From January 1, 2021 to March 31, 2021, Cascades' share price fluctuated between $14.16 and $18.18. During the same period, 21.2 million Cascades shares were traded on the Toronto Stock Exchange. On March 31, 2021, Cascades shares closed at $15.73. This compares with a closing price of $12.57 on the same closing day last year.

SHARES OUTSTANDING

As at March 31, 2021, the Corporation's issued and outstanding capital stock consisted of 102,281,072 shares (94,271,498 as at March 31, 2020) and 2,424,535 issued and outstanding stock options (3,004,739 as at March 31, 2020). In 2021, 4,842 stock options were exercised and 3,713 stock options were forfeited.

As at May 5, 2021, issued and outstanding capital stock consisted of 102,281,072 shares and 2,423,824 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The normal course issuer bid announced on March 17, 2020 enabled the Corporation to purchase for cancellation up to 1,878,456 shares between March 19, 2020 and March 18, 2021. During that period, the Corporation purchased 279,700 shares for cancellation. The current normal course issuer bid announced on March 17, 2021 enables the Corporation to purchase for cancellation up to 2,045,621 shares between March 19, 2021 and March 18, 2022. During the period between March 19, 2021 and May 5, 2021, the Corporation purchased no share for cancellation.

DIVIDEND POLICY

On May 5, 2021, Cascades' Board of Directors declared a quarterly dividend of $0.08 per share to be paid on June 3, 2021 to shareholders of record at the close of business on May 19, 2021. On May 5, 2021, dividend yield was 2.2%.

				2019				2020	**2021**
TSX Ticker: CAS	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Shares outstanding (in millions)[1]	93.6	93.6	94.2	94.2	94.3	95.0	95.0	102.3	**102.3**
Closing price (in Canadian dollars)[1]	$8.34	$10.54	$11.58	$11.21	$12.57	$14.79	$16.84	$14.55	**$15.73**
Average daily volume[2]	238,606	202,448	164,371	146,157	256,827	298,267	257,710	363,795	**342,616**
Dividend yield[1]	1.9%	1.5%	2.8%	2.9%	2.5%	2.2%	1.9%	2.2%	**2.0%**

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, 2019 TO MARCH 31, 2021 (in Canadian dollars)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

For all the details for this section, please refer to the notes to the Unaudited Condensed Interim Consolidated Financial Statements.

CONTROLS AND PROCEDURES

EVALUATION OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL 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 March 31, 2021.

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 March 31, 2021 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 three-month period ended March 31, 2021, 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.

Pages 57 to 66 of our Annual Report for the year ended December 31, 2020 contain a discussion of the key areas of the Corporation's business risks and uncertainties and its mitigating strategies. This information on business risks and enterprise risk management remains substantially unchanged. Please refer to our Annual Report for further details.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	NOTE	March 31, 2021	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents		**328**	384
Accounts receivable		**621**	659
Current income tax assets		**22**	23
Inventories		**577**	569
Current portion of financial assets	7	**11**	5
Assets classified as held for sale	4	**64**	—
		1,623	1,640
Long-term assets			
Investments in associates and joint ventures		**85**	82
Property, plant and equipment	5	**2,730**	2,772
Intangible assets with finite useful life		**155**	160
Financial assets	7	**9**	16
Other assets		**46**	50
Deferred income tax assets		**151**	170
Goodwill and other intangible assets with indefinite useful life		**518**	522
		5,317	5,412
Liabilities and Equity			
Current liabilities			
Bank loans and advances		**6**	12
Trade and other payables		**822**	861
Current income tax liabilities		**21**	17
Current portion of long-term debt	6	**87**	102
Current portion of provisions for contingencies and charges		**13**	14
Current portion of financial liabilities and other liabilities	7	**19**	25
Liabilities classified as held for sale	4	**48**	—
		1,016	1,031
Long-term liabilities			
Long-term debt	6	**1,889**	1,949
Provisions for contingencies and charges		**58**	57
Financial liabilities	7	**7**	6
Other liabilities		**177**	202
Deferred income tax liabilities		**200**	210
		3,347	3,455
Equity			
Capital stock		**622**	622
Contributed surplus		**13**	13
Retained earnings		**1,172**	1,146
Accumulated other comprehensive loss		**(34)**	(28)
Equity attributable to Shareholders		**1,773**	1,753
Non-controlling interests		**197**	204
Total equity		**1,970**	1,957
		5,317	5,412

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

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	NOTE	For the 3-month periods ended March 31, 2021	2020
Sales		**1,182**	1,265
Cost of sales and expenses			
Cost of sales (including depreciation and amortization of $76 million (2020 — $70 million))		**1,008**	1,051
Selling and administrative expenses		**108**	127
Loss on acquisitions, disposals and others		**—**	1
Restructuring costs	9	**5**	—
Foreign exchange loss		**1**	—
Loss (gain) on derivative financial instruments		**8**	(1)
		1,130	1,178
Operating income		**52**	87
Financing expense		**23**	27
Interest expense on employee future benefits		**1**	1
Foreign exchange loss (gain) on long-term debt and financial instruments		**(3)**	17
Share of results of associates and joint ventures		**(2)**	(3)
Earnings before income taxes		**33**	45
Provision for income taxes		**8**	15
Net earnings from continuing operations including non-controlling interests for the period		**25**	30
Results from discontinued operations	4	**3**	3
Net earnings including non-controlling interests for the period		**28**	33
Net earnings attributable to non-controlling interests		**6**	11
Net earnings attributable to Shareholders for the period		**22**	22
Net earnings from continuing operations per share			
Basic		**$0.20**	$0.22
Diluted		**$0.20**	$0.21
Net earnings per common share			
Basic		**$0.22**	$0.24
Diluted		**$0.22**	$0.23
Weighted average basic number of common shares outstanding		**102,279,404**	94,248,804
Weighted average number of diluted common shares		**103,437,340**	95,523,990
Net earnings attributable to Shareholders:			
Continuing operations		**20**	20
Discontinued operations	4	**2**	2
Net earnings		**22**	22

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the 3-month periods ended March 31,	
(in millions of Canadian dollars) (unaudited)	NOTE	**2021**	2020
Net earnings including non-controlling interests for the period		**28**	33
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Translation adjustments			
Change in foreign currency translation of foreign subsidiaries		**(33)**	101
Change in foreign currency translation of foreign subsidiaries from discontinued operations	4	**(1)**	1
Change in foreign currency translation related to net investment hedging activities		**21**	(59)
Cash flow hedges			
Change in fair value of interest rate swaps		**—**	(1)
Change in fair value of commodity derivative financial instruments		**1**	—
Recovery of income taxes		**(3)**	—
		(15)	42
Items that are not released to earnings			
Actuarial loss on employee future benefits		**17**	10
Recovery of income taxes		**(5)**	(3)
		12	7
Other comprehensive income (loss)		**(3)**	49
Comprehensive income including non-controlling interests for the period		**25**	82
Comprehensive income (loss) attributable to non-controlling interests for the period		**(3)**	23
Comprehensive income attributable to Shareholders for the period		**28**	59
Comprehensive income attributable to Shareholders:			
Continuing operations		**27**	56
Discontinued operations	4	**1**	3
Comprehensive income		**28**	59

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

CONSOLIDATED STATEMENTS OF EQUITY

For the 3-month period ended March 31, 2021

(in millions of Canadian dollars) (unaudited)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of period	**622**	**13**	**1,146**	**(28)**	**1,753**	**204**	**1,957**
Comprehensive income (loss)							
Net earnings	**—**	**—**	**22**	**—**	**22**	**6**	**28**
Other comprehensive income (loss)	**—**	**—**	**12**	**(6)**	**6**	**(9)**	**(3)**
	—	**—**	**34**	**(6)**	**28**	**(3)**	**25**
Dividends	**—**	**—**	**(8)**	**—**	**(8)**	**(4)**	**(12)**
Balance - End of period	**622**	**13**	**1,172**	**(34)**	**1,773**	**197**	**1,970**

For the 3-month period ended March 31, 2020

(in millions of Canadian dollars) (unaudited)	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of period	491	15	1,003	(17)	1,492	177	1,669
Comprehensive income							
Net earnings	—	—	22	—	22	11	33
Other comprehensive income	—	—	7	30	37	12	49
	—	—	29	30	59	23	82
Dividends	—	—	(7)	—	(7)	(3)	(10)
Issuance of common shares upon exercise of stock options	4	(1)	—	—	3	—	3
Redemption of common shares	(3)	—	(2)	—	(5)	—	(5)
Balance - End of period	492	14	1,023	13	1,542	197	1,739

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	NOTE	For the 3-month periods ended March 31, 2021	2020
Operating activities from continuing operations			
Net earnings attributable to Shareholders for the period		**22**	22
Results from discontinued operations	4	**(3)**	(3)
Results from discontinued operations attributable to non-controlling interests	4	**1**	1
Net earnings from continuing operations		**20**	20
Adjustments for:			
Financing expense and interest expense on employee future benefits		**24**	28
Depreciation and amortization		**76**	70
Loss on acquisitions, disposals and others		**—**	1
Restructuring costs	9	**5**	—
Unrealized loss (gain) on derivative financial instruments		**8**	(1)
Foreign exchange loss (gain) on long-term debt and financial instruments		**(3)**	17
Provision for income taxes		**8**	15
Share of results of associates and joint ventures		**(2)**	(3)
Net earnings attributable to non-controlling interests		**5**	10
Net financing expense paid		**(41)**	(17)
Net income taxes received		**1**	9
Provisions for contingencies and charges and other liabilities		**(3)**	—
		98	149
Changes in non-cash working capital components		**(14)**	(32)
		84	117
Investing activities from continuing operations			
Payments for property, plant and equipment		**(82)**	(74)
Proceeds from disposals of property, plant and equipment		**4**	1
Change in intangible and other assets		**(4)**	(2)
Cash received from business combinations		**—**	2
		(82)	(73)
Financing activities from continuing operations			
Bank loans and advances		**(6)**	(2)
Change in credit facilities		**—**	97
Payments of other long-term debt, including lease obligations		**(33)**	(20)
Issuance of common shares upon exercise of stock options		**—**	3
Redemption of common shares	8	**—**	(5)
Payment of other liabilities		**—**	(121)
Dividends paid to non-controlling interests		**(4)**	(3)
Dividends paid to the Corporation's Shareholders		**(8)**	(7)
		(51)	(58)
Change in cash and cash equivalents during the period from continuing operations		**(49)**	(14)
Change in cash during the period from discontinued operations	4	**(1)**	—
Net change in cash and cash equivalents during the period		**(50)**	(14)
Currency translation on cash and cash equivalents		**(6)**	12
Cash and cash equivalents - Beginning of the period		**384**	155
Cash and cash equivalents - End of the period		**328**	153

The accompanying notes are an integral part of these Unaudited Interim Condensed 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. Inter-segment 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 its most recent Audited Consolidated Financial Statements for the year ended December 31, 2020.

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									
	For the 3-month periods ended March 31,									
	Canada		United States		Italy		Other countries		Total	
(in millions of Canadian dollars) (unaudited)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Packaging Products										
Containerboard	**299**	260	**204**	197	**—**	—	**—**	1	**503**	458
Boxboard Europe	**—**	—	**—**	—	**91**	81	**195**	191	**286**	272
Specialty Products	**47**	35	**75**	76	**—**	—	**—**	2	**122**	113
Inter-segment sales	**(4)**	(3)	**(3)**	—	**—**	—	**—**	—	**(7)**	(3)
	342	292	**276**	273	**91**	81	**195**	194	**904**	840
Tissue Papers	**57**	70	**235**	375	**—**	—	**—**	1	**292**	446
Inter-segment sales and Corporate Activities	**31**	26	**1**	1	**—**	—	**—**	—	**32**	27
	430	388	**512**	649	**91**	81	**195**	195	**1,228**	1,313
Discontinued operations — Boxboard Europe	**—**	—	**—**	—	**(10)**	(9)	**(36)**	(39)	**(46)**	(48)
	430	388	**512**	649	**81**	72	**159**	156	**1,182**	1,265

	OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	
	For the 3-month periods ended March 31,	
(in millions of Canadian dollars) (unaudited)	**2021**	2020
Packaging Products		
Containerboard	**96**	102
Boxboard Europe	**23**	31
Specialty Products	**18**	11
	137	144
Tissue Papers	**18**	45
Corporate Activities	**(23)**	(28)
Operating income before depreciation and amortization before discontinued operations	**132**	161
Discontinued operations — Boxboard Europe	**(4)**	(4)
Operating income before depreciation and amortization	**128**	157
Depreciation and amortization	**(76)**	(70)
Financing expense and interest expense on employee future benefits	**(24)**	(28)
Foreign exchange gain (loss) on long-term debt and financial instruments	**3**	(17)
Share of results of associates and joint ventures	**2**	3
Earnings before income taxes	**33**	45

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars) (unaudited)	**2021**	2020
Packaging Products		
Containerboard	**54**	16
Boxboard Europe	**7**	5
Specialty Products	**8**	5
	69	26
Tissue Papers	**8**	24
Corporate Activities	**4**	6
Total acquisitions	**81**	56
Proceeds from disposals of property, plant and equipment	**(4)**	(1)
Right-of-use assets acquisitions and acquisitions included in other debts	**—**	(9)
	77	46
Acquisitions for property, plant and equipment included in "Trade and other payables"		
Beginning of period	**40**	46
End of period	**(39)**	(19)
Payments for property, plant and equipment net of proceeds from disposals	**78**	73

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(tabular amounts in millions of Canadian dollars)

NOTE 1
GENERAL INFORMATION

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

The Board of Directors approved the Unaudited Condensed Interim Consolidated Financial Statements on May 5, 2021.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Unaudited Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS) applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The Unaudited Condensed Interim Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements for the year ended December 31, 2020, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part I of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting, which incorporates IFRS as issued by the IASB.

The accounting policies applied in these Unaudited Condensed Interim Consolidated Financial Statements are the same as those applied in the Audited Consolidated Financial Statements for the year ended December 31, 2020. Also, income taxes in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings or losses for each jurisdiction.

NOTE 3
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Unaudited Condensed Interim Consolidated Financial Statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

As a response to the effects of the COVID-19 pandemic, the Corporation continues to review 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 ($10 million in the first quarter of 2020) and no property, plant and equipment impairment (nil in the first quarter of 2020). 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.

Further information on critical accounting estimates and judgments is detailed in the Audited Consolidated Financial Statements as at and for the year ended December 31, 2020.

NOTE 4
DISCONTINUED OPERATIONS

2021
Boxboard Europe

On February 15, 2021, the Boxboard Europe segment, via its ownership in Reno de Medici S.p.A., announced the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. The transaction was closed on April 30, 2021 and will result in no significant impact on net earnings in the second quarter. Selling price is €11 million and includes a cash settlement of €5 million ($7 million) and a purchase price balance of €6 million ($9 million) to be paid no later than three years after the closing. The acquirer will also assume long-term debt and cash included in the table below.

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

(in millions of Canadian dollars) BUSINESS SEGMENT:	BOXBOARD EUROPE
Cash	**2**
Accounts receivable	**15**
Inventories	**24**
Property, plant and equipment	**20**
Other assets	**3**
Total assets	**64**
Trade and other payables	**29**
Long-term debt	**13**
Other liabilities	**6**
Total liabilities	**48**
Net assets classified as held for sale	**16**

CONSOLIDATED NET EARNINGS FROM DISCONTINUED OPERATIONS

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars)	**2021**	2020
Results from the discontinued operations		
Sales	**46**	48
Cost of sales and expenses (excluding depreciation and amortization)	**42**	44
Depreciation and amortization	**—**	1
Earnings before income taxes	**4**	3
Provision for income taxes	**1**	—
Results from discontinued operations	**3**	3
Results from discontinued operations attributable to non-controlling interest	**(1)**	(1)
Results from discontinued operations attributable to Shareholders	**2**	2
Results from discontinued operations per common share		
Basic and diluted	**$0.02**	$0.02

CONSOLIDATED CASH FLOWS FROM DISCONTINUED OPERATIONS

	For the 3-month periods ended March 31,	
(in millions of Canadian dollars)	**2021**	2020
Net cash flow from discontinued operations		
Cash flow from (used for):		
Operating activities	**1**	—
Cash classified as held for sale	**(2)**	—
	(1)	—

NOTE 5
RIGHT-OF-USE ASSETS

The Consolidated Balance Sheets include $162 million as at March 31, 2021 ($181 million as at December 31, 2020) of right-of-use assets relating to leases in “Property, plant and equipment”.

NOTE 6
LONG-TERM DEBT

(in millions of Canadian dollars)	MATURITY	March 31, 2021	December 31, 2020
Revolving credit facility unused as at March 31, 2021 (December 31, 2020 - unused)	6(a)	—	—
5.125% Unsecured senior notes of $175 million	2025	175	175
5.125% Unsecured senior notes of US$350 million	2026	440	445
5.375% Unsecured senior notes of US$600 million (including net unamortized premium of $16 million)	2028	770	780
Term loan of US$165 million, interest rate of 2.21% as at March 31, 2021	2025	207	210
Lease obligations with recourse to the Corporation		153	167
Other debts with recourse to the Corporation		37	39
Lease obligations without recourse to the Corporation		25	35
Other debts without recourse to the Corporation		186	217
		1,993	2,068
Less: Unamortized financing costs		17	17
Total long-term debt		1,976	2,051
Less:			
Current portion of lease obligations with recourse to the Corporation		32	36
Current portion of other debts with recourse to the Corporation		14	23
Current portion of lease obligations without recourse to the Corporation		10	12
Current portion of other debts without recourse to the Corporation		31	31
		87	102
		1,889	1,949

a. On April 30, 2021, 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 on the facility to July 7, 2025. The financial conditions remain unchanged.

b. As at March 31, 2021, the long-term debt had a fair value of $2,050 million (December 31, 2020 – $2,137 million).

NOTE 7
FINANCIAL INSTRUMENTS

DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as 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 approximates their carrying amounts due to their relatively short maturities.
(ii) The fair value of investment in shares is based on observable market data and is quoted on the Toronto Stock Exchange and classified as level 1.
(iii) The fair value of long-term debt and some other liabilities is based on observable market data and on the calculation of discounted cash flows. Discount rates were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for the credit market liquidity conditions and are classified as levels 1 and 3.
(iv) The fair value of derivative instruments, which include forward contracts, swap agreements and embedded derivatives accounted for separately, is calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and forward foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date and are classified as level 2. The fair value of derivative instruments reflects the estimated amounts that the Corporation would receive or pay to settle the contracts at the reporting date.

HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents information about the Corporation's financial assets and financial liabilities measured at fair value on a recurring basis as at March 31, 2021 and December 31, 2020 and indicates the fair value hierarchy of the Corporation's valuation techniques to determine such fair value. Three levels of inputs that may be used to measure fair value are:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect Management's estimates of assumptions that market participants would use in pricing the asset or liability.

For commodity derivative financial instruments and foreign currency forward contracts, the Corporation classifies the fair value measurement as level 2, as they are based mainly on observable market data. The fair value of commodity derivative financial instruments is determined using expected future cash flows based on observable data and notional quantity, with the resulting value discounted using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable. The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the measurement date, with the resulting value discounted back to present values using a curve that reflects the credit risk of the Corporation or the counterparty, as applicable.

				As at March 31, 2021
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	**1**	**1**	**—**	**—**
Derivative financial assets	**20**	**—**	**20**	**—**
	21	**1**	**20**	**—**
Financial liabilities				
Derivative financial liabilities	**9**	**—**	**9**	**—**
	9	**—**	**9**	**—**

				As at December 31, 2020
(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	1	1	—	—
Derivative financial assets	21	—	21	—
	22	1	21	—
Financial liabilities				
Derivative financial liabilities	(15)	—	(15)	—
	(15)	—	(15)	—

NOTE 8

CAPITAL STOCK

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 was valid from March 19, 2020 to March 18, 2021. During the period between January 1, 2021 and March 18, 2021, the Corporation redeemed no common share under this program.

In 2021, in the normal course of business, the Corporation renewed its redemption program of a maximum of 2,045,621 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, 2021 to March 18, 2022. During the period between March 19, 2021 and March 31, 2021, the Corporation redeemed no common share under this program.

NOTE 9

RESTRUCTURING COSTS

For the 3-month period ended March 31, 2021, the Corporation recorded the following restructuring costs:

	For the 3-month period ended March 31, 2021						
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Restructuring costs	3	—	—	3	2	—	5

First quarter

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

The Tissue Papers segment recorded additional restructuring charges and closure costs totaling $2 million related to the closure of plants in Pittston and Ransom, Pennsylvania, and Waterford, New York, USA.

NOTE 10

COMMITMENTS

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 second quarter of 2021.

Capital expenditures

Major capital expenditures contracted at the end of the reporting date but not yet incurred total $31 million.

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

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