Cascades

Source of Possibilities

Quarterly Report 2

for the three-month and six-month periods ended June 30, 2020

TABLE OF CONTENTS

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 and six-month periods ended June 30, 2020 and 2019, together with the most recent Audited Consolidated Financial Statements. Information contained herein includes any significant developments as at August 5, 2020, the date on which the MD&A was approved by the Corporation’s Board of Directors. For additional information, readers are referred to the Corporation’s Annual Information Form (“AIF”), which is published separately. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

The financial information contained herein, including tabular amounts, is expressed in Canadian dollars, unless otherwise specified, and is prepared in accordance with International Financial Reporting Standards (IFRS), unless otherwise specified. Unless otherwise specified or if required by context, the terms “we”, “our” and “us” refer to Cascades Inc. and all of its subsidiaries, joint ventures and associates.

This MD&A is intended to provide readers with information that Management believes is necessary for an understanding of Cascades' current results and to assess the Corporation's future prospects. Consequently, certain statements herein, including statements regarding future results and performance, are forward-looking statements within the meaning of securities legislation, based on current expectations. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, decreases in demand for the Corporation's products, prices and availability of raw 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.

TO OUR SHAREHOLDERS

FINANCIAL HIGHLIGHTS

- Sales of $1,285 million
  (compared with $1,313 million in Q1 2020 (-2%) and $1,275 million in Q2 2019 (+1%))
- As reported (including specific items)
  - Operating income of $94 million
    (compared with $90 million in Q1 2020 (+4%) and an operating income of $82 million in Q2 2019 (+15%))
  - Operating income before depreciation and amortization (OIBD)[1] of $169 million
    (compared with $161 million in Q1 2020 (+5%) and $154 million in Q2 2019 (+10%))
  - Net earnings per share of $0.57
    (compared with $0.24 in Q1 2020 and $0.33 in Q2 2019)
- Adjusted (excluding specific items)[1]
  - Operating income of $111 million
    (compared with $90 million in Q1 2020 (+23%) and $84 million in Q2 2019 (+32%))
  - OIBD of $186 million
    (compared with $161 million in Q1 2020 (+16%) and $156 million in Q2 2019 (+19%))
  - Net earnings per share of $0.61
    (compared with $0.42 in Q1 2020 and $0.28 in Q2 2019)
- Net debt[1] of $2,077 million as at June 30, 2020 (compared with $2,212 million as at March 31, 2020) reflecting favourable foreign exchange variance and solid cash flow from operations. Net debt to adjusted OIBD ratio[1] at 3.1x down from 3.5x as at March 31, 2020.

FINANCIAL SUMMARY

SELECTED CONSOLIDATED INFORMATION

(in millions of Canadian dollars, except per share amounts)	**Q2 2020**	Q1 2020	Q2 2019
Sales	**1,285**	1,313	1,275
As reported			
Operating income before depreciation and amortization (OIBD)[1]	**169**	161	154
Operating income	**94**	90	82
Net earnings	**54**	22	31
per share	**$ 0.57**	$ 0.24	$ 0.33
Adjusted[1]			
Operating income before depreciation and amortization (OIBD)	**186**	161	156
Operating income	**111**	90	84
Net earnings	**58**	39	26
per share	**$ 0.61**	$ 0.42	$ 0.28
Margin (OIBD)	**14.5%**	12.3%	12.2%

SEGMENTED OIBD AS REPORTED

(in millions of Canadian dollars)	**Q2 2020**	Q1 2020	Q2 2019
Packaging Products			
Containerboard	**83**	102	114
Boxboard Europe	**42**	31	30
Specialty Products	**16**	11	16
Tissue Papers	**48**	45	17
Corporate Activities	**(20)**	(28)	(23)
OIBD as reported	**169**	161	154

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

SEGMENTED ADJUSTED OIBD[1]

(in millions of Canadian dollars)	**Q2 2020**	Q1 2020	Q2 2019
Packaging Products			
Containerboard	**94**	99	113
Boxboard Europe	**43**	30	30
Specialty Products	**17**	12	16
Tissue Papers	**54**	45	18
Corporate Activities	**(22)**	(25)	(21)
Adjusted OIBD	**186**	161	156

Our operations executed and adapted well during the second quarter, delivering improved consolidated results on both a sequential and year-over-year basis. This strong performance resulted in a record quarterly adjusted OIBD for the Corporation, highlighting the resiliency of our business model focused on providing customers with essential, sustainable quality packaging and tissue solutions. The ability of our business segments to successfully navigate through the challenging second quarter business environment is a testament to the commitment and hard work of our dedicated employees, and a measurable indication of the operational improvements and cost reduction initiatives being generated by our strategic investments of the past few years.

Sales in the second quarter decreased by 2% sequentially as the elevated Covid-19 related demand levels present in the first quarter eased. As expected, this resulted in lower volumes in all segments with the exception of Specialty Products. Sales increased modestly when compared to the comparable period last year, supported by a 12.5% growth in Tissue.

Second quarter adjusted OIBD of $186 million, representing a 14.5% margin, was a quarterly record for the Corporation, and was 16% above the prior quarter and 19% over the prior year period. The sequential performance was driven by improved results in all segments except Containerboard. Results of both the Tissue and Containerboard segments were negatively impacted by slightly lower volumes and higher raw material costs compared to the prior quarter. As mentioned at the end of the first quarter, the Corporation viewed the sharp increases in prices of recycled fibers as temporary. Pricing has since decreased and is expected to remain within these more normalized levels. The year-over-year adjusted OIBD increase of $30 million was largely driven by the Tissue segment and, to a lesser extent, Boxboard Europe. Specialty Products results were stable year-over-year, while those of Containerboard decreased mainly due to higher raw material costs and less favourable selling price and mix.

MARIO PLOURDE
President and Chief Executive Officer
August 5, 2020

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

OUR BUSINESS

Cascades Inc. is a paper and packaging company that produces, converts and sells packaging and tissue products composed primarily of recycled fibres. Established in 1964 in Kingsey Falls, Québec, the Corporation was founded by the Lemaire brothers, who saw the economic and social potential of building a company focused primarily on the sustainable development principles of reusing, recovering and recycling. More than 55 years later, Cascades is a multinational business with 88 operating facilities[1] and approximately 12,000 employees across Canada, the United States and Europe. The Corporation currently operates four business segments:

(Business segments)	Number of Facilities[1]	Q2 2020 Sales[2] (in $M)	Q2 2020 Operating Income Before Depreciation and Amortization (OIBD)[2] (in $M)	Q2 2020 Adjusted OIBD[2,4] (in $M)	Q2 2020 Adjusted OIBD Margin[2,4] (%)
PACKAGING PRODUCTS					
Containerboard	26	454	83	94	20.7 %
Boxboard Europe[3]	7	265	42	43	16.2 %
Specialty Products	18	120	16	17	14.2 %
TISSUE PAPERS	19	424	48	54	12.7 %

BUSINESS DRIVERS

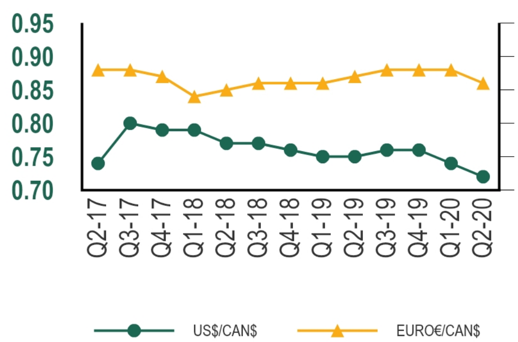
Cascades' results may be impacted by fluctuations in the following areas:

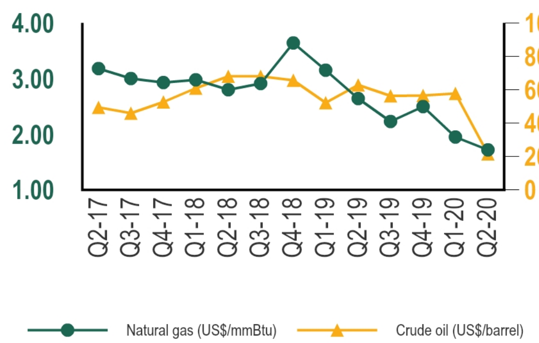
EXCHANGE RATES

Sequentially, the average value of the Canadian dollar decreased by 3% compared to both the US dollar and the euro in the second quarter of 2020. On a year-over-year basis, the average value of the Canadian dollar decreased by 3% compared to the US dollar and by 2% compared to the euro.

ENERGY COSTS

During the quarter, the average price of natural gas decreased by 12% sequentially and by 35% compared to the same period of last year. In the case of crude oil, the average price was 66% and 63% lower sequentially and year-over-year, respectively.





	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 YEAR	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 YEAR	**2020 Q1**	**2020 Q2**	**2020 YEAR**
US$/CAN$ - Average rate	$ 0.79	$ 0.77	$ 0.77	$ 0.76	$ 0.77	$ 0.75	$ 0.75	$ 0.76	$ 0.76	$ 0.75	**$ 0.74**	**$ 0.72**	**$ 0.73**
US$/CAN$ End of period rate	$ 0.78	$ 0.76	$ 0.77	$ 0.73	$ 0.73	$ 0.75	$ 0.76	$ 0.76	$ 0.77	$ 0.77	**$ 0.71**	**$ 0.74**	**$ 0.74**
EURO€/CAN$ - Average rate	$ 0.64	$ 0.65	$ 0.66	$ 0.66	$ 0.65	$ 0.66	$ 0.67	$ 0.68	$ 0.68	$ 0.67	**$ 0.68**	**$ 0.66**	**$ 0.67**
EURO€/CAN$ End of period rate	$ 0.63	$ 0.65	$ 0.67	$ 0.64	$ 0.64	$ 0.67	$ 0.67	$ 0.69	$ 0.69	$ 0.69	**$ 0.64**	**$ 0.66**	**$ 0.66**
Natural Gas Henry Hub - US$/mmBtu	$ 2.98	$ 2.80	$ 2.91	$ 3.64	$ 3.09	$ 3.15	$ 2.64	$ 2.23	$ 2.50	$ 2.63	**$ 1.95**	**$ 1.72**	**$ 1.83**

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 2019 Audited Consolidated Financial Statements for more information on associates and joint ventures.
3 Via our equity ownership in Reno de Medici S.p.A., an Italian public company.
4 Please refer to the "Supplemental Information on Non-IFRS Measures" section for a complete reconciliation.

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIALS

	2018					2019		2020	Q2 2020 vs. Q2 2019		Q2 2020 vs. Q1 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**	**Q2**	**Change**	**%**	**Change**	**%**
Selling prices (average)												
PACKAGING PRODUCTS												
Containerboard (US$/short ton)												
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	747	752	735	725	725	734	**715**	**715**	**(20)**	**(3)%**	**—**	**—**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	662	650	640	630	630	638	**615**	**615**	**(25)**	**(4)%**	**—**	**—**
Boxboard Europe (euro/metric ton)												
Recycled white-lined chipboard (WLC) index[1]	674	672	672	672	669	671	**653**	**661**	**(11)**	**(2)%**	**8**	**1 %**
Virgin coated duplex boxboard (FBB) index[2]	1,072	1,117	1,117	1,117	1,115	1,117	**1,099**	**1,096**	**(21)**	**(2)%**	**(3)**	**—**
Specialty Products (US$/short ton)												
Uncoated recycled boxboard - 20-pt. bending chip (series B)	696	730	730	730	730	730	**710**	**700**	**(30)**	**(4)%**	**(10)**	**(1)%**
TISSUE PAPERS (US$/short ton)												
Parent rolls, recycled fibres (transaction)	1,093	1,151	1,164	1,143	1,109	1,142	**1,111**	**1,138**	**(26)**	**(2)%**	**27**	**2 %**
Parent rolls, virgin fibres (transaction)	1,395	1,441	1,444	1,420	1,411	1,429	**1,416**	**1,445**	**1**	**—**	**29**	**2 %**
Raw material prices (average)												
RECYCLED PAPER												
North America (US$/short ton)												
Sorted residential papers, No. 56 (SRP - Northeast average)	36	24	16	10	8	15	**8**	**18**	**2**	**13 %**	**10**	**125 %**
Old corrugated containers, No. 11 (OCC - Northeast average)	74	61	40	33	30	41	**36**	**94**	**54**	**135 %**	**58**	**161 %**
Sorted office papers, No. 37 (SOP - Northeast average)	193	183	140	101	88	128	**89**	**160**	**20**	**14 %**	**71**	**80 %**
Europe (euro/metric ton)												
Recovered paper index[3]	105	96	87	71	49	76	**33**	**82**	**(5)**	**(6)%**	**49**	**148 %**
VIRGIN PULP (US$/metric ton)												
Northern bleached softwood kraft, Canada	1,342	1,380	1,292	1,170	1,115	1,239	**1,127**	**1,158**	**(134)**	**(10)%**	**31**	**3 %**
Bleached hardwood kraft, mixed, Canada/US	1,152	1,180	1,100	970	893	1,036	**890**	**897**	**(203)**	**(18)%**	**7**	**1 %**

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 long-term debt refinancing, gains or losses on the acquisition or sale of a business unit, gains or losses on the share of results of associates and joint ventures, unrealized gains or losses on derivative financial instruments that do not qualify for hedge accounting, unrealized gains or losses on interest rate swaps, foreign exchange gains or losses on long-term debt and financial instruments, 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 during the first halves of 2020 and 2019:

LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

2020
In the second quarter, the Specialty Products segment recorded a $4 million environmental provisions related to plants in Canada that were closed in the past years. The segment also recorded a $3 million gain on the sale of a non-core equity investment.

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

2019
In the second quarter, a $4 million increase in an environmental provision was recorded in Corporate Activities related to a plant closed in a previous year.

In the second quarter, the Corporate Activities incurred $4 million of transaction fees related to the Orchids' acquisition (please refer to the "Business Highlights" section and Note 4 of the Unaudited Condensed Interim Consolidated Financial Statements of the second quarter of 2020 for more details).

In the second quarter, a $5 million gain was recorded in Corporate Activities related to a litigation settlement from a prior-year event.

In the first quarter, the lease on the Bear Island facility in Virginia was terminated by the lessee. As such, the Containerboard segment recorded a gain of $10 million following the reversal of liabilities related to lease incentives to the lessee and to accrued carrying costs.

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

2020
In the second quarter, the Containerboard and Tissue segments recorded impairment charges totalling $13 million and restructuring charges totalling $2 million as part of network optimization and profitability improvement initiatives.

2019
As a result of the lease termination on the Bear Island facility, described above, the Containerboard segment recorded a $3 million impairment charge, in the first quarter, on some assets that will not be used in the future.

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

In the first half, the Tissue Papers segment recorded a $1 million impairment charge on some equipment, in addition to $5 million of restructuring costs related to the closure of two tissue paper machines in Ontario and changes in the segment's senior management.

DERIVATIVE FINANCIAL INSTRUMENTS

In the first half of 2020, the Corporation recorded a net cumulative impact of nil (unrealized loss of $1 million in the second quarter), compared to an unrealized gain of $5 million (unrealized gain of $2 million in the second quarter) in the same period of 2019, on certain derivative financial instruments not designated for hedge accounting.

INTEREST RATE SWAPS AND OPTION FAIR VALUE REVALUATION

In the first half of 2019, the Corporation recorded in line item “Interest expense on employee future benefits and other liabilities” an unrealized gain of $6 million ($6 million in the second quarter) on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project.

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

In the first half of 2020, the Corporation recorded a loss of $8 million (gain of $9 million in the second quarter) on its US$-denominated debt and related financial instruments, compared to a gain of $7 million (gain of $1 million in the second quarter) in the same period of 2019. This is composed of a loss of $3 million in the first half of 2020 (gain of $3 million in the second quarter), compared to a gain of $3 million in the same period of 2019 (nil in the second quarter), on our US$-denominated long-term debt, net of our net investment hedges in the US and Europe, as well as forward exchange contracts designated as hedging instruments. It also includes a loss of $5 million in the first half of 2020 (gain of $6 million in the second quarter), compared to a gain of $4 million in the same period of 2019 (gain of $1 million in the second quarter), on foreign exchange forward contracts not designated for hedge accounting.

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 June 30, 2020					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	54	30	11	31	(32)	94
Depreciation and amortization	29	12	5	17	12	75
Operating income (loss) before depreciation and amortization	83	42	16	48	(20)	169
Specific items:						
Loss on acquisitions, disposals and others	—	—	1	—	—	1
Impairment charges	8	—	—	5	—	13
Restructuring costs	1	—	—	1	—	2
Unrealized loss (gain) on derivative financial instruments	2	1	—	—	(2)	1
	11	1	1	6	(2)	17
Adjusted operating income (loss) before depreciation and amortization	94	43	17	54	(22)	186
Adjusted operating income (loss)	65	31	12	37	(34)	111

	For the 3-month period ended June 30, 2019					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	84	19	12	1	(34)	82
Depreciation and amortization	30	11	4	16	11	72
Operating income (loss) before depreciation and amortization	114	30	16	17	(23)	154
Specific items:						
Loss on acquisitions, disposals and others	—	—	—	—	3	3
Restructuring costs	—	—	—	1	—	1
Unrealized gain on derivative financial instruments	(1)	—	—	—	(1)	(2)
	(1)	—	—	1	2	2
Adjusted operating income (loss) before depreciation and amortization	113	30	16	18	(21)	156
Adjusted operating income (loss)	83	19	12	2	(32)	84

	For the 6-month period ended June 30, 2020					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	128	50	19	59	(72)	184
Depreciation and amortization	57	23	8	34	24	146
Operating income (loss) before depreciation and amortization	185	73	27	93	(48)	330
Specific items:						
Loss on acquisitions, disposals and others	—	—	2	—	—	2
Impairment charges	8	—	—	5	—	13
Restructuring costs	1	—	—	1	—	2
Unrealized loss (gain) on derivative financial instruments	(1)	—	—	—	1	—
	8	—	2	6	1	17
Adjusted operating income (loss) before depreciation and amortization	193	73	29	99	(47)	347
Adjusted operating income (loss)	136	50	21	65	(71)	201

For the 6-month period ended June 30, 2019

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	168	37	21	(7)	(65)	154
Depreciation and amortization	57	22	8	28	24	139
Operating income (loss) before depreciation and amortization	225	59	29	21	(41)	293
Specific items:						
Loss (gain) on acquisitions, disposals and others	(10)	—	—	—	3	(7)
Impairment charges	3	—	—	1	—	4
Restructuring costs	—	—	1	5	—	6
Unrealized gain on derivative financial instruments	(1)	—	—	—	(4)	(5)
	(8)	—	1	6	(1)	(2)
Adjusted operating income (loss) before depreciation and amortization	217	59	30	27	(42)	291
Adjusted operating income (loss)	160	37	22	(1)	(66)	152

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

	For the 3-month periods ended June 30,		**For the 6-month periods ended June 30,**	
(in millions of Canadian dollars)	**2020**	2019	**2020**	2019
Net earnings attributable to Shareholders for the period	**54**	31	**76**	55
Net earnings attributable to non-controlling interests	**12**	9	**23**	18
Provision for income taxes	**12**	10	**27**	18
Share of results of associates and joint ventures	**(3)**	(2)	**(6)**	(4)
Foreign exchange loss (gain) on long-term debt and financial instruments	**(9)**	(1)	**8**	(7)
Financing expense and interest expense on employee future benefits and other liabilities	**28**	35	**56**	74
Operating income	**94**	82	**184**	154
Specific items:				
Loss (gain) on acquisitions, disposals and others	**1**	3	**2**	(7)
Impairment charges	**13**	—	**13**	4
Restructuring costs	**2**	1	**2**	6
Unrealized loss (gain) on derivative financial instruments	**1**	(2)	**—**	(5)
	17	2	**17**	(2)
Adjusted operating income	**111**	84	**201**	152
Depreciation and amortization	**75**	72	**146**	139
Adjusted operating income before depreciation and amortization	**186**	156	**347**	291

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 June 30,		For the 6-month periods ended June 30,		For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars, except amount per share)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
As per IFRS	**54**	31	**76**	55	**$ 0.57**	$ 0.33	**$ 0.81**	$ 0.59
Specific items:								
Loss (gain) on acquisitions, disposals and others	**1**	3	**2**	(7)	**—**	$ 0.03	**$ 0.01**	$ (0.08)
Impairment charges	**13**	—	**13**	4	**$ 0.10**	—	**$ 0.10**	$ 0.03
Restructuring costs	**2**	1	**2**	6	**$ 0.02**	$ 0.01	**$ 0.02**	$ 0.05
Unrealized loss (gain) on derivative financial instruments	**1**	(2)	**—**	(5)	**$ 0.01**	$ (0.02)	**—**	$ (0.04)
Unrealized gain on interest rate swaps and option fair value	**—**	(6)	**—**	(6)	**—**	$ (0.06)	**—**	$ (0.06)
Foreign exchange loss (gain) on long-term debt and financial instruments	**(9)**	(1)	**8**	(7)	**$ (0.09)**	$ (0.01)	**$ 0.09**	$ (0.07)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(4)**	—	**(4)**	(1)	**—**	—	**—**	—
	4	(5)	**21**	(16)	**$ 0.04**	$ (0.05)	**$ 0.22**	$ (0.17)
Adjusted	**58**	26	**97**	39	**$ 0.61**	$ 0.28	**$ 1.03**	$ 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 with operating income and operating income before depreciation and amortization:

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars)	**2020**	2019	**2020**	2019
Cash flow from operating activities	**128**	88	**247**	140
Changes in non-cash working capital components	**34**	36	**68**	66
Depreciation and amortization	**(75)**	(72)	**(146)**	(139)
Net income taxes paid (received)	**7**	2	**(2)**	2
Net financing expense paid	**7**	16	**24**	59
Gain (loss) on acquisitions, disposals and others	**(1)**	(3)	**(2)**	6
Impairment charges and restructuring costs	**(15)**	—	**(15)**	(5)
Unrealized gain (loss) on derivative financial instruments	**(1)**	2	**—**	5
Dividend received, employee future benefits and others	**10**	13	**10**	20
Operating income	**94**	82	**184**	154
Depreciation and amortization	**75**	72	**146**	139
Operating income before depreciation and amortization	**169**	154	**330**	293

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

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars, except amount per share or as otherwise mentioned)	**2020**	2019	**2020**	2019
Cash flow from operating activities	**128**	88	**247**	140
Changes in non-cash working capital components	**34**	36	**68**	66
Cash flow from operating activities (excluding changes in non-cash working capital components)	**162**	124	**315**	206
Specific items, net of current income taxes if applicable	**—**	1	**—**	4
Adjusted cash flow from operating activities	**162**	125	**315**	210
Capital expenditures, other assets[1] and right-of-use assets payments, net of disposals of $2 million in first halves of both 2020 and 2019	**(51)**	(64)	**(135)**	(140)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(14)**	(9)	**(24)**	(17)
Adjusted free cash flow	**97**	52	**156**	53
Adjusted free cash flow per share	**$ 1.02**	$ 0.56	**$ 1.65**	$ 0.57
Weighted average basic number of shares outstanding	**94,459,257**	93,636,771	**94,354,030**	93,900,400

1 Excluding increase in investments.

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

(in millions of Canadian dollars)	**June 30, 2020**	December 31, 2019
Long-term debt	**1,975**	2,022
Current portion of long-term debt	**255**	85
Bank loans and advances	**9**	11
Total debt	**2,239**	2,118
Less: Cash and cash equivalents	**162**	155
Net debt	**2,077**	1,963
Adjusted OIBD (last twelve months)	**660**	604
Net debt / Adjusted OIBD	**3.1x**	3.25x

MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN SEGMENTED INFORMATION

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

FINANCIAL OVERVIEW - 2019

On a consolidated basis, 2019 performance reflected solid sales levels, business acquisitions completed at the end of 2018 and in 2019, lower average raw material costs, stronger Tissue Papers results, favourable foreign exchange rates for our North American operations, and strategic initiatives and investments across our platforms.

Annual consolidated sales totaled $4,996 million, an increase of $347 million or 7% compared to 2018 levels. This performance reflected business acquisitions and beneficial foreign exchange rates for the North American operations as noted above, in addition to more favourable average selling price and sales mix in the Tissue and Specialty Products business segments. These were partly offset by lower volumes in all business segments, with the exception of Specialty Products, and less advantageous sales pricing and mix in the Containerboard and European Boxboard segments, the latter of which also saw results impacted by unfavourable foreign exchange rates compared to the prior year.

Operating income before depreciation and amortization (OIBD) increased by $78 million[1], or 17%, to $550 million in 2019. This largely reflects strong year-over-year improved results in the Tissue Papers segment that were driven by more favourable average selling price and sales mix, lower raw material and energy costs, and the acquisition of Orchids activities in September 2019. Results in the Containerboard Packaging segment benefited from lower raw material prices, beneficial exchange rates, and slightly lower energy costs, the benefits of which were partially mitigated by slightly lower volumes, and higher production costs largely related to sales mix. European Boxboard performance was supported by lower raw material and energy pricing and recent business acquisitions. Less favourable average selling price, sales mix and foreign exchange rate had a negative impact on annual results compared to the prior year. Results in the Specialty Products segment were above prior-year levels largely due to lower raw material pricing, benefits from 2018 acquisition, and more favourable selling price and sales mix. Slightly higher production costs partially offset these benefits. Recovery and Recycling activities results of the Corporate Activities segment were negatively impacted by falling prices of recycled brown paper.

FINANCIAL OVERVIEW - FIRST HALF OF 2020

Results for the first half of 2020 reflect strong sales driven mostly by increased demand in the Tissue Papers segment, attributable to Covid-19 and the Orchids acquisition realized in the second half of 2019. Favourable exchange rates, lower raw material costs primarily in Europe, and lower energy and production costs all contributed to this better performance. However, these were partly offset by lower average selling prices.

Given the uncertainty regarding the potential impact from the Covid-19 pandemic over the coming months, we continue to regularly update our financial and cash flow forecasts. Although the pandemic had an overall favourable impact on volume levels in the first half of 2020, the Corporation recorded an $8 million (a decrease of $2 million from the first quarter) expected credit loss provision on accounts receivable due to the high level of uncertainty and credit risk.

For the 3-month period ended June 30, 2020, sales increased by $10 million, or 1%, to reach $1,285 million, compared to $1,275 million in the same period of 2019. The Corporation recorded an operating income before depreciation and amortization of $169 million during the period, compared to $154 million in the same period of 2019. On an adjusted basis[1], operating income before depreciation and amortization stood at $186 million, compared to $156 million last year.

For the 6-month period ended June 30, 2020, sales increased by $93 million, or 4%, to reach $2,598 million, compared to $2,505 million in the same period of 2019. The Corporation recorded an operating income before depreciation and amortization of $330 million during the period, compared to $293 million in the same period of 2019. On an adjusted basis[1], operating income before depreciation and amortization stood at $347 million, compared to $291 million last year.

For the 3-month period ended June 30, 2020, the Corporation posted net earnings of $54 million, or $0.57 per share, compared to net earnings of $31 million, or $0.33 per share, in the same period of 2019. On an adjusted basis[1], the Corporation generated net earnings of $58 million in the second quarter of 2020, or $0.61 per share, compared to net earnings of $26 million, or $0.28 per share, in the same period of 2019.

For the 6-month period ended June 30, 2020 the Corporation posted net earnings of $76 million, or $0.81 per share, compared to net earnings of $55 million, or $0.59 per share, in the same period of 2019. On an adjusted basis[1], the Corporation generated net earnings of $97 million in the first half of 2020, or $1.03 per share, compared to net earnings of $39 million, or $0.42 per share, in the same period of 2019.

1 2019 results have been adjusted to reflect retrospective adjustments of purchase price allocation. See Note 4 of the 2020 second quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

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

KEY PERFORMANCE INDICATORS

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

					2018					2019 [8]			**2020**	**LTM [9]**
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3 [8]	Q4	YEAR	**Q1**	**Q2**	**YEAR**	
OPERATIONAL														
Total shipments (in '000 s.t.)[1]														
Packaging Products														
Containerboard	352	385	370	368	1,475	342	363	377	365	1,447	**374**	**360**	**734**	***1,476***
Boxboard Europe	298	276	259	292	1,125	333	331	321	305	1,290	**351**	**326**	**677**	***1,303***
	650	661	629	660	2,600	675	694	698	670	2,737	**725**	**686**	**1,411**	***2,779***
Tissue Papers	149	163	164	149	625	146	155	161	167	629	**181**	**167**	**348**	***676***
Total	799	824	793	809	3,225	821	849	859	837	3,366	**906**	**853**	**1,759**	***3,455***
Integration rate[2]														
Containerboard	56%	56%	56%	58%	57%	59%	59%	58%	58%	58%	**57%**	**57%**	**57%**	***58%***
Tissue Papers	67%	68%	71%	75%	70%	76%	77%	76%	75%	76%	**73%**	**70%**	**71%**	***74%***
Manufacturing capacity utilization rate[3]														
Packaging Products														
Containerboard	89%	100%	92%	93%	93%	88%	91%	94%	92%	91%	**98%**	**92%**	**95%**	***94%***
Boxboard Europe	103%	96%	90%	90%	94%	96%	95%	93%	88%	93%	**101%**	**94%**	**98%**	***94%***
Tissue Papers	88%	92%	92%	87%	90%	87%	92%	93%	84%	88%	**88%**	**87%**	**87%**	***88%***
Consolidated total	94%	97%	91%	90%	93%	91%	93%	93%	90%	92%	**97%**	**92%**	**94%**	***93%***
FINANCIAL														
Return on assets[4]														
Packaging Products														
Containerboard	14%	16%	18%	20%	20%	20%	20%	20%	20%	20%	**20%**	**19%**	**19%**	
Boxboard Europe	14%	15%	16%	15%	15%	15%	14%	14%	15%	15%	**15%**	**17%**	**17%**	
Specialty Products	15%	14%	15%	11%	11%	13%	16%	21%	21%	21%	**20%**	**20%**	**20%**	
Tissue Papers	9%	6%	4%	2%	2%	1%	2%	4%	7%	7%	**9%**	**12%**	**12%**	
Consolidated return on assets	9.5%	10.2%	10.7%	10.6%	10.6%	11.0%	11.2%	11.4%	12.0%	12.0%	**12.3%**	**12.7%**	**12.7%**	
Return on capital employed[5]	3.9%	4.4%	4.7%	4.6%	4.6%	4.8%	4.9%	4.9%	5.4%	5.4%	**5.6%**	**6.0%**	**6.0%**	
Working capital[6]														
In millions of $, at end of period	513	506	464	455	455	500	525	502	416	416	**488**	**494**	**494**	
As a percentage of sales[7]	10.5%	10.8%	10.7%	10.6%	10.6%	10.4%	10.3%	10.3%	10.1%	10.1%	**9.9%**	**9.7%**	**9.7%**	

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

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

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

4 Return on assets is a non-IFRS measure defined as the last twelve months' ("LTM") adjusted OIBD/LTM quarterly average of total assets less cash and cash equivalents.

5 Return on capital employed is a non-IFRS measure and is defined as the after-tax amount of the LTM adjusted operating income, including our share of core associates and joint ventures, divided by the LTM quarterly average of capital employed. Capital employed is defined as the quarterly total average assets less trade and other payables and cash and cash equivalents.

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

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

8 2019 third quarter results and balance sheet have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 4 of the 2020 second quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

9 LTM (last twelve months).

HISTORICAL FINANCIAL INFORMATION

(in millions of Canadian dollars, unless otherwise noted)					2018					2019[2]			2020	LTM[3]
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3[2]	Q4	YEAR	**Q1**	**Q2**	**YEAR**	
Sales														
Packaging Products														
Containerboard	421	475	472	472	1,840	441	462	473	451	1,827	**458**	**454**	**912**	***1,836***
Boxboard Europe	246	232	210	245	933	279	270	256	243	1,048	**272**	**265**	**537**	***1,036***
Specialty Products	84	88	89	97	358	129	135	123	105	492	**113**	**120**	**233**	***461***
Inter-segment sales	(3)	(4)	(4)	(3)	(14)	(4)	(3)	(4)	(3)	(14)	**(3)**	**(5)**	**(8)**	***(15)***
	748	791	767	811	3,117	845	864	848	796	3,353	**840**	**834**	**1,674**	***3,318***
Tissue Papers	305	343	364	340	1,352	348	377	387	397	1,509	**446**	**424**	**870**	***1,654***
Inter-segment sales and Corporate Activities	45	46	44	45	180	37	34	29	34	134	**27**	**27**	**54**	***117***
Total	1,098	1,180	1,175	1,196	4,649	1,230	1,275	1,264	1,227	4,996	**1,313**	**1,285**	**2,598**	***5,089***
Operating income (loss)														
Packaging Products														
Containerboard	121	82	94	84	381	84	84	91	69	328	**74**	**54**	**128**	***288***
Boxboard Europe	19	22	10	11	62	18	19	14	(6)	45	**20**	**30**	**50**	***58***
Specialty Products	6	4	8	6	24	9	12	10	5	36	**8**	**11**	**19**	***34***
	146	108	112	101	467	111	115	115	68	409	**102**	**95**	**197**	***380***
Tissue Papers	(2)	(9)	(11)	(100)	(122)	(8)	1	34	(21)	6	**28**	**31**	**59**	***72***
Corporate Activities	(32)	(26)	(23)	(36)	(117)	(31)	(34)	(41)	(48)	(154)	**(40)**	**(32)**	**(72)**	***(161)***
Total	112	73	78	(35)	228	72	82	108	(1)	261	**90**	**94**	**184**	***291***
Adjusted OIBD[1]														
Packaging Products														
Containerboard	77	105	117	111	410	104	113	118	106	441	**99**	**94**	**193**	***417***
Boxboard Europe	28	30	19	20	97	29	30	25	24	108	**30**	**43**	**73**	***122***
Specialty Products	8	7	10	8	33	14	16	16	9	55	**12**	**17**	**29**	***54***
	113	142	146	139	540	147	159	159	139	604	**141**	**154**	**295**	***593***
Tissue Papers	13	7	5	(8)	17	9	18	24	35	86	**45**	**54**	**99**	***158***
Corporate Activities	(21)	(15)	(14)	(18)	(68)	(21)	(21)	(22)	(22)	(86)	**(25)**	**(22)**	**(47)**	***(91)***
Total	105	134	137	113	489	135	156	161	152	604	**161**	**186**	**347**	***660***
Net earnings (loss)	61	27	36	(67)	57	24	31	43	(26)	72	**22**	**54**	**76**	***93***
Adjusted[1]	12	29	38	—	79	13	26	28	29	96	**39**	**58**	**97**	***154***
Net earnings (loss) per share (in dollars)														
Basic	$ 0.65	$ 0.28	$ 0.38	$(0.71)	$ 0.60	$ 0.26	$ 0.33	$ 0.45	$(0.27)	$ 0.77	**$ 0.24**	**$ 0.57**	**$ 0.81**	***$ 0.99***
Diluted	$ 0.63	$ 0.27	$ 0.37	$(0.71)	$ 0.56	$ 0.26	$ 0.32	$ 0.44	$(0.27)	$ 0.75	**$ 0.23**	**$ 0.57**	**$ 0.80**	***$ 0.97***
Basic, adjusted[1]	$ 0.13	$ 0.30	$ 0.40	—	$ 0.83	$ 0.14	$ 0.28	$ 0.30	$ 0.30	$ 1.02	**$ 0.42**	**$ 0.61**	**$ 1.03**	***$ 1.63***
Cash flow from operating activities (excluding changes in non-cash working capital components)	69	111	92	89	361	82	124	104	91	401	**153**	**162**	**315**	***510***
Net debt[1]	1,534	1,586	1,573	1,769	1,769	1,878	1,861	2,070	1,963	1,963	**2,212**	**2,077**	**2,077**	

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

2 2019 third quarter results and balance sheet have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 4 of the 2020 second quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

3 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 2020 and 2019 results.

BUSINESS START-UP, ACQUISITION, DISPOSAL AND CLOSURE

SPECIALTY PRODUCTS

- On September 30, 2019, the Corporation concluded the sale of its two facilities in France that convert cardboard into packaging for the paper industry.
- In July 2019, the Corporation closed its plant that manufactured felt backing for flooring, located in Trois-Rivières, Québec.

TISSUE PAPERS

- On September 13, 2019, the Corporation announced the completion of the acquisition of Orchids assets. The assets include the Barnwell, South Carolina and Pryor, Oklahoma plants.
- In the second quarter of 2019, the Corporation closed its tissue paper machines located in Whitby and Scarborough, Ontario.

SIGNIFICANT FACTS AND DEVELOPMENTS

2020

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

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

The Corporation exercised its option to purchase the 20.2% 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 86.3%.

2019

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

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

On August 9, 2019, the Corporation announced an increase of its quarterly dividend from $0.04 to $0.08 per share.

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

FINANCIAL RESULTS FOR THE 3-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

SALES

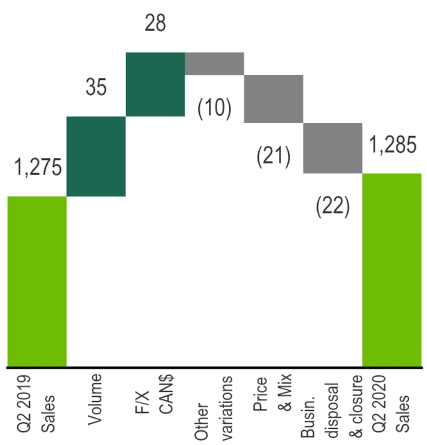
Sales of $1,285 million grew by $10 million, or 1%, compared with the same period last year. This was largely a reflection of the volume-driven 12.5% increase in the Tissue segment, favourable foreign exchange impacts for all business segments and a positive contribution from recovery operations as a result of higher raw material prices. These benefits were partially offset by lower average selling prices and/or less favourable sales mix in all business segments except Specialty Products, in which year-over-year sales performance levels were nonetheless negatively impacted as a result of a mill closure and business divestiture completed in 2019.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

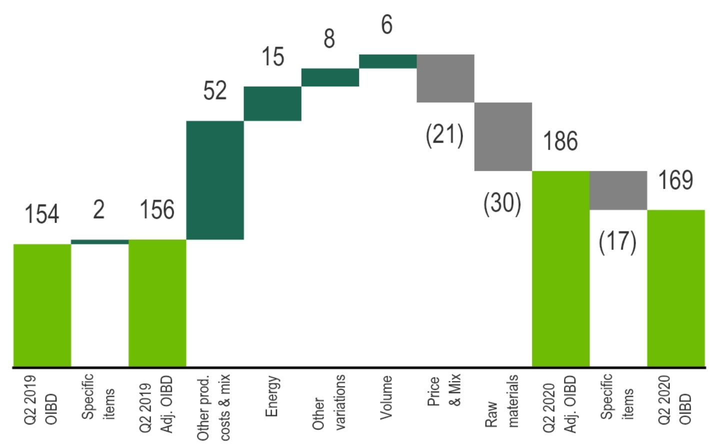
The Corporation generated an operating income before depreciation and amortization (OIBD) of $169 million in the second quarter of 2020, down from $154 million in the second quarter of 2019. On an adjusted basis, second quarter OIBD totaled $186 million in the current period. This compares with the $156 million generated in the same period last year, an increase of $30 million, or 19%. The year-over-year improvement in adjusted OIBD reflects increases of $36 million from Tissue, $13 million from Boxboard Europe and $1 million from the Specialty Products segment. These benefits were partially offset by a decrease of $19 million from the Containerboard segment, largely due to higher raw material costs and a less favourable average selling price and sales mix. On a consolidated basis, higher raw material costs and a less favourable average selling price and sales mix negatively impacted adjusted OIBD performance compared to the prior year period. These effects were more than offset by lower production costs, lower energy costs, favourable foreign exchange impact, an improved contribution from recovery operations as a result of higher raw material pricing, the acquisition of Orchids in the third quarter of 2019 and research and development (R&D) tax credits recorded in the current quarter.

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

SALES ($M)



OIBD ($M)



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

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

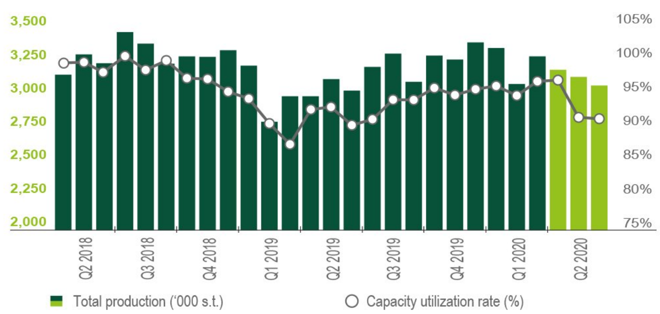
1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

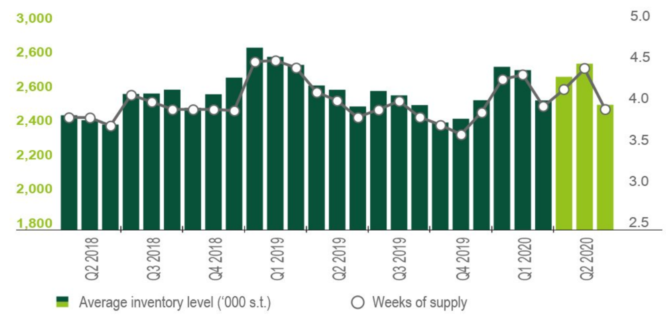
U.S. containerboard industry production and capacity utilization rate [1]

Total U.S. containerboard production amounted to 9.2 million short tons in the second quarter of 2020, a sequential decrease of 3% and an increase of 3% year-over-over. The industry registered an average capacity utilization rate of 92% during the quarter.



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

The average inventory level decreased 1% sequentially and increased by 3% year-over-year during the second quarter of 2020. Inventory levels stood at approximately 2.5 million short tons at the end of June 2020, representing 3.9 weeks of supply.



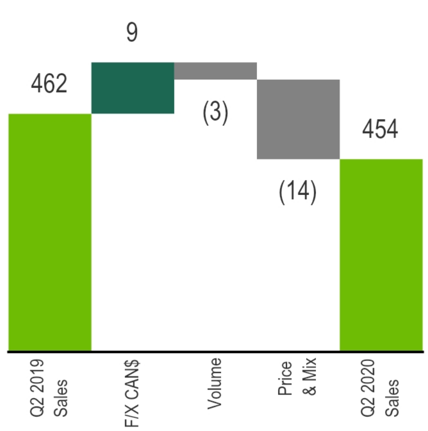
1 Source: RISI

2 Source: Fibre Box Association

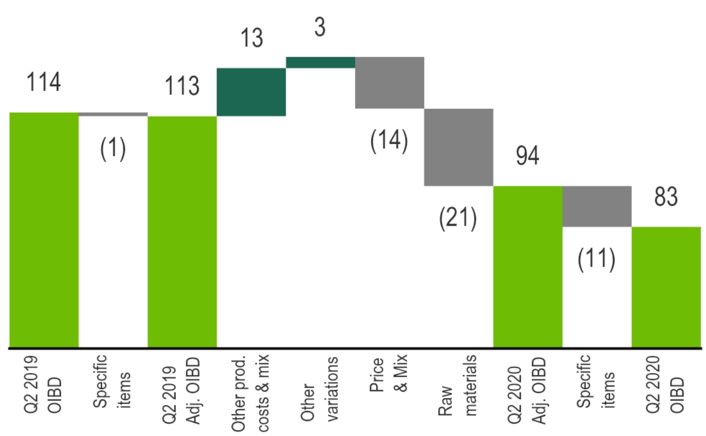
Our Performance

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

SALES ($M)



OIBD ($M)



1 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2020 and 2019 section for more details.

The Corporation incurred certain specific items in the second quarters of 2020 and 2019 that adversely or positively affected its operating results. Please refer to the "Supplemental Information for Non-IFRS Measures" section for reconciliations and details.

	Q2 2019	Q2 2020	Change in %
Shipments[2] ('000 s.t.)	363	360	-1%
Average Selling Price (CAN$/unit)	1,275	1,260	-1%
Sales ($M)	462	454	-2%
OIBD[1] ($M) (as reported)	114	83	-27%
% of sales	25%	18%	
(adjusted)[1]	113	94	-17%
% of sales	24%	21%	
Operating income ($M) (as reported)	84	54	-36%
(adjusted)[1]	83	65	-22%

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

2 Shipments do not take into account the elimination of business sector inter-segment shipments. Including 3.3 billion square feet in both second quarters of 2020 and 2019.

3 Including sales to other partners in Greenpac.

Shipments decreased by 3,000 s.t., or 1%, in the second quarter of 2020 compared to the same period of 2019. This reflects a slight 1,000 s.t. decrease in external shipments from our containerboard mills and a lower mill integration rate of 57% in the second quarter of 2020, compared with 59% for the same period of 2019. Including sales to associates[3], the integration rate was 71% in the second quarter of 2020, compared with 72% last year. On the converting side, shipments decreased by 2,000 s.t., or 1%. This is in line with the 1% decrease in the US market and outperformed the 2% decrease in the Canadian market.

The average selling price denominated in Canadian dollars decreased by 7%for parent rolls and remained stable for converted products. The 3% average depreciation of the Canadian dollar compared to the US dollar partly offset the negative impact on average selling prices.

Sales decreased by $8 million, or 2%, compared to the same period of 2019. The lower average selling price subtracted $15 million from sales, while the lower volume subtracted $3 million. These negative impacts were partly offset by the 3% average depreciation of the Canadian dollar, which added $9 million to sales, and the favourable mix of products sold, which added $1 million to sales.

Operating income before depreciation and amortization (OIBD) decreased by $31 million, or 27%, in the second quarter of 2020, compared to the same period of 2019. Excluding specific items[1] in both periods, the adjusted OIBD decreased $19 million, reflecting higher costs of brown recycled fibre grades, which subtracted $21 million from results, and a net negative impact of $14 million related to the average selling price and sales mix. In addition, lower volume subtracted $2 million from sales. These impacts were partly offset by a decrease of $13 million in operational costs, which reflects lower selling and administrative (SG&A) costs, R&D credits recorded in 2020, and a non-recurring expense that was recorded in 2019. Lower energy cost benefited results by $3 million, while the 3% average depreciation of the Canadian dollar also added $1 million.

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

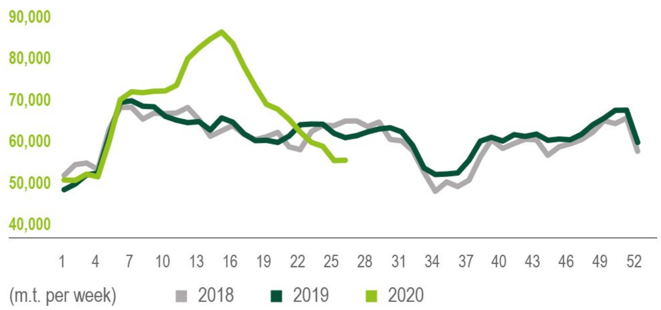
PACKAGING PRODUCTS - BOXBOARD EUROPE

Our Industry

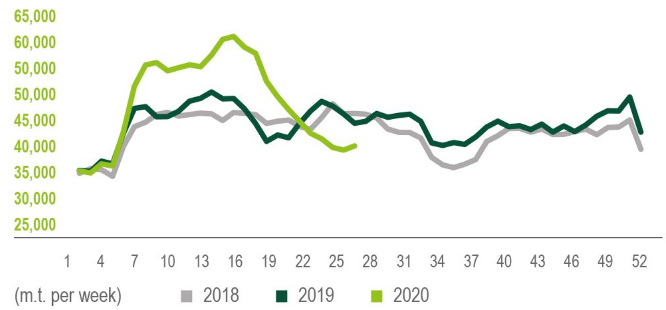
European industry order inflow of coated boxboard [1]

In Europe, order inflows of white-lined chipboard (WLC) totaled approximately 901,000 tonnes in the second quarter of 2020, an increase of 5% and 11% sequentially and year-over-year, respectively. In European countries where our Boxboard Europe segment is active, WLC prices increased by 1% sequentially and decreased by 2% year-over-year. The folding boxboard (FBB) industry recorded order inflows of approximately 646,000 tonnes during the second quarter of 2020, representing an increase of 1% sequentially and 7% year-over-year. FBB prices remained stable sequentially and decreased by 2% year-over-year.

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



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

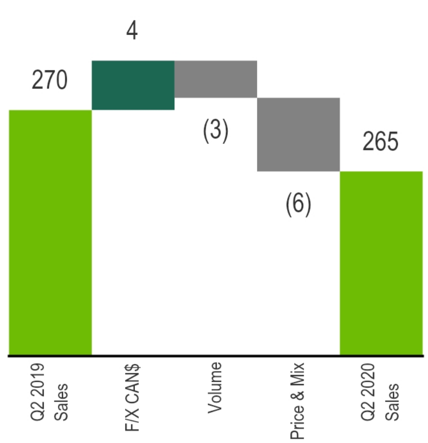


1 Source: CEPI Cartonboard

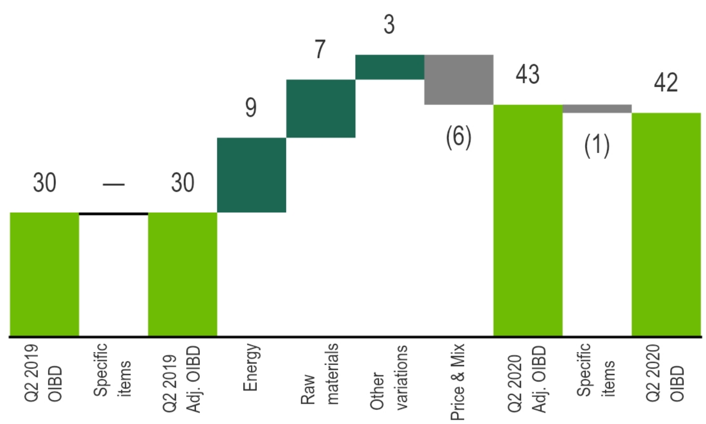
Our Performance

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

SALES ($M)



OIBD ($M)



1 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2020 and 2019 section for more details.

The Corporation incurred certain specific items in the second quarters of 2020 and 2019 that adversely or positively affected its operating results. Please refer to the "Supplemental Information for Non-IFRS Measures" section for reconciliations and details.

	Q2 2019	Q2 2020	Change in %
Shipments[2] ('000 s.t.)	331	326	-2%
Average Selling Price[3]			
(CAN$/unit)	783	779	-1%
(euro€/unit)	521	510	-2%
Sales ($M)	270	265	-2%
OIBD[1] ($M)			
(as reported)	30	42	40%
% of sales	11%	16%	
(adjusted)[1]	30	43	43%
% of sales	11%	16%	
Operating income ($M)			
(as reported)	19	30	58%
(adjusted)[1]	19	31	63%

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

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

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

External recycled boxboard shipments decreased by 5,000 s.t., or 2%, in the second quarter of 2020 compared to the same period of 2019. Shipments of virgin boxboard increased by 2,000 s.t., or 5%, while converted products shipments decreased by 2,000 s.t..

The average selling price decreased in both euros and Canadian dollars year-over-year. Compared with the prior-year period, the average selling price of recycled boxboard decreased by €13, or 3%, while the average selling price of virgin boxboard decreased by €7, or 1%. The 2% average year-over-year depreciation of the Canadian dollar compared to the euro partly offset the decline in the average selling price when converted into Canadian dollars.

The $5 million year-over-year decrease in sales in the second quarter of 2020 reflects a $6 million impact from lower average selling prices, as mentioned previously, while lower volumes also subtracted $3 million from sales. These results were partially offset by the 2% average year-over-year depreciation of the Canadian dollar compared to the euro, which benefited sales levels by $4 million.

Operating income before depreciation and amortization (OIBD) increased by $12 million in the second quarter of 2020 compared to the same period of 2019. Lower energy and raw materials costs contributed $9 million and $7 million, respectively, while lower selling prices subtracted $6 million. The segment also recorded benefits from energy tax credits and lower SG&A costs, which had a positive impact of $3 million on results.

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

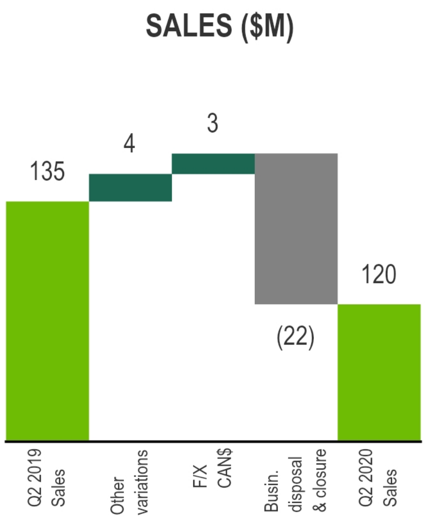
PACKAGING PRODUCTS - SPECIALTY PRODUCTS

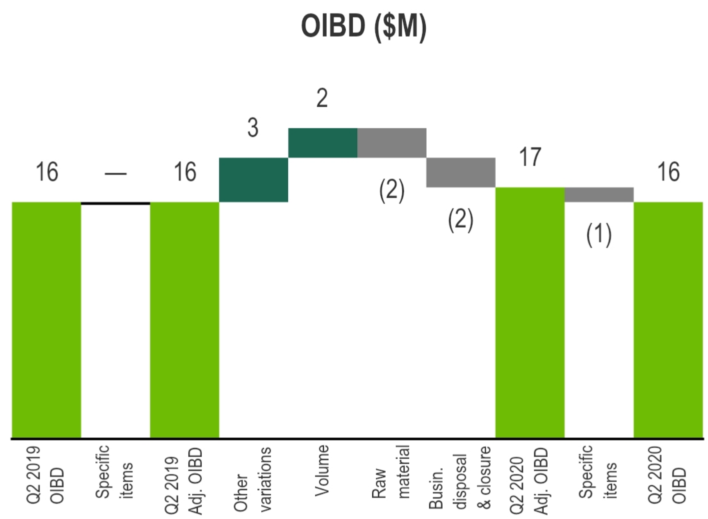
CHANGE IN SEGMENTED INFORMATION

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

Our Performance

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





1 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2020 and 2019 section for more details.

The Corporation incurred certain specific items in the second quarters of 2020 and 2019 that adversely or positively affected its operating results. Please refer to the “Supplemental Information for Non-IFRS Measures” section for reconciliations and details.

	Q2 2019	Q2 2020	Change in %
Sales ($M)	135	120	-11%
OIBD[1] ($M) (as reported)	16	16	—
% of sales	12%	13%	
(adjusted)[1]	16	17	6%
% of sales	12%	14%	
Operating income ($M) (as reported)	12	11	-8%
(adjusted)[1]	12	12	—

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

Sales decreased by $15 million, or 11%, in the second quarter of 2020 compared with the comparable period of 2019. In the current period, sales levels were negatively impacted by $22 million following the divestiture of the European activities and the closure of the vinyl backing felt mill in the second quarter of 2019. This was partly offset by increased volume in the plastics and moulded pulp packaging sub-segments, as well as a favourable exchange rate. The weaker Canadian dollar added $3 million to sales compared to 2019.

Operating income before depreciation and amortization (OIBD) remained stable in the second quarter of 2020 compared to the same period of 2019. Higher volumes contributed $2 million to results, while lower SG&A costs also contributed to a net positive impact on results from other smaller variances. These benefits were partially offset by the divestiture of our European activities and the closure of the vinyl backing felt mill in the second portion of 2019 which subtracted a total of $2 million from results. Higher raw material costs also impacted results by $2 million in the current period.

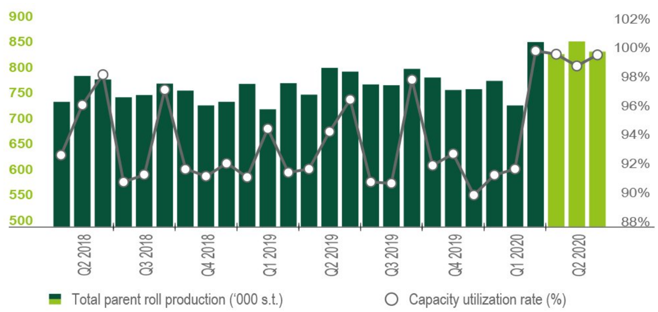
The segment incurred some specific items[1] in the second quarter of 2020 that affected OIBD[1].

TISSUE PAPERS

Our Industry

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

During the second quarter of 2020, parent roll production amounted to 2.5 million tons, up 7% sequentially and compared to the same period last year with the Covid-19 pandemic related increase of demand. The average capacity utilization rate for the quarter stood at 99%, up by 5% sequentially and compared to the second quarter of 2019.



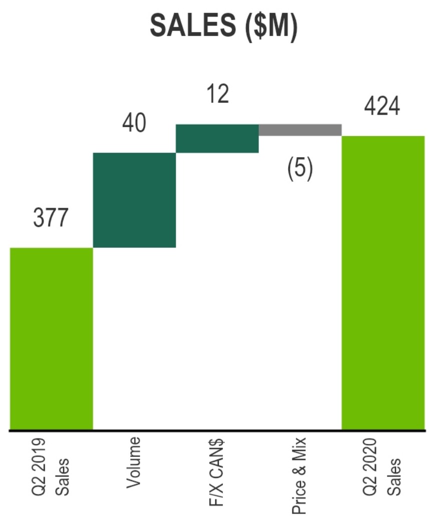
U.S. tissue paper industry converted product shipments [1]

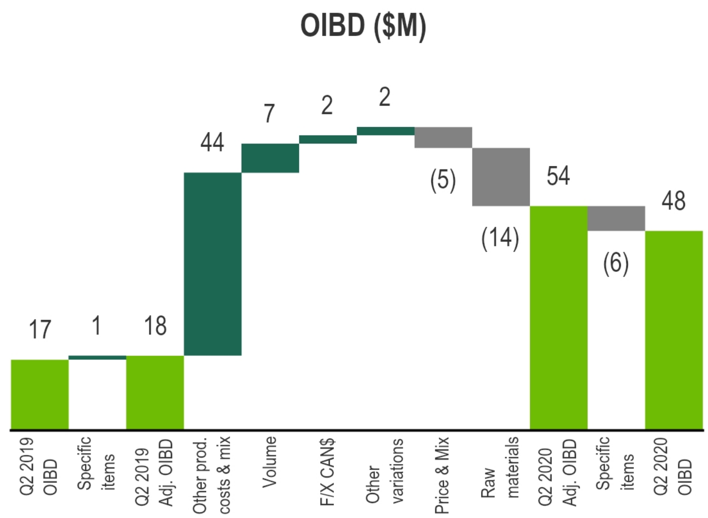
Shipments in the Away-from-Home market decreased by 10% sequentially and by 15% year-over-year in the second quarter of 2020. Shipments in the Retail market rose by 9% compared to the previous quarter and 22% versus the same period of 2019, amid the Covid-19 related increase of demand.

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 second quarter of 2020, compared to the same period of 2019, are shown below:





1 For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2020 and 2019 section for more details.

The Corporation incurred certain specific items in the second quarters of 2020 and 2019 that adversely or positively affected its operating results. Please refer to the "Supplemental Information for Non-IFRS Measures" section for reconciliations and details.

Q2 2019	Q2 2020	Change in %
Shipments[2] ('000 s.t.)		
155	167	8%
Average Selling Price (CAN$/unit)		
2,431	2,537	4%
Sales ($M)		
377	424	12%
OIBD[1] ($M) (as reported)		
17	48	182%
% of sales		
5%	11%	
(adjusted)[1]		
18	54	200%
% of sales		
5%	13%	
Operating income ($M) (as reported)		
1	31	3,000%
(adjusted)[1]		
2	37	1,750%

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

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

External manufacturing shipments increased by 7,000 s.t., or 19%, year-over-year in the second quarter of 2020. This largely reflects better inventory management and an additional sales efforts, and led to a lower integration rate of 70% in the current period, down from 77% in the same period of 2019. Converted products shipments increased by 5,000 s.t., or 4%, as the Covid-19 pandemic had a positive impact on demand in the consumer product market, the benefit of which was partly offset by a decrease in the Away-from-Home market.

The 4% increase in the average selling price was mainly due to the 3% average depreciation of the Canadian dollar compared to the US dollar. In addition, there was a more favourable mix of converted products sold, and price increases announced at the beginning of 2019 in both the Away-From-Home and Consumer Products sub-segment positively impacted the average selling price. Conversely, the average selling price was negatively affected by a higher proportion of parent rolls sold.

The 12% increase in sales in the second quarter of 2020 was largely driven by higher volumes and the positive impact of the weakened Canadian dollar which respectively added $40 million and $12 million to sales. When excluding the impact of foreign exchange and the Orchids acquisition, which is included in volume, a lower average selling price decreased sales by $5 million due to a higher proportion of parent rolls sold.

The significant increase in operating income before depreciation and amortization (OIBD) is largely attributable to the above reasons. In addition, results benefited from lower transportation costs, SG&A expenses and fixed costs related to plant closures in the first quarter of 2020 as well as R&D credit recorded in the quarter, which had a combined favourable impact of $44 million. Higher volumes also contributed $7 million. These were partially offset by higher white recycled fibre grade costs, which negatively impacted results by $14 million.

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

CORPORATE ACTIVITIES

Corporate Activities incurred some specific items[1] in the second quarters of 2020 and 2019 that affected OIBD. Adjusted OIBD[1] was a loss of $22 million in the second quarter of 2020, compared to a loss of $21 million in the same period of 2019. This reflects better performance of our Recovery and Recycling activities as the market prices of recycled fibres improved. This favourable impact was offset by additional corporate costs incurred to support our strategic initiatives to optimize our profitability through improvements in production efficiency, supply chain, sales and operation planning and net revenue management.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to $4 million in the first half of 2020 ($2 million in the second quarter), compared to $1 million in the same period of 2019 ($1 million in the second quarter). For more details on stock-based compensation, please refer to Note 21 of the 2019 Audited Consolidated Financial Statements.

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

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense increased by $7 million to $146 million in the first half of 2020 ($75 million in the second quarter), compared to $139 million in the same period of 2019 ($72 million in the second quarter). The increase is mainly attributable to the Orchids acquisition in the second half of 2019, capital expenditure investments completed during the last twelve months and a weaker Canadian dollar. Impairment charges recorded in 2019 partly offset this increase.

FINANCING EXPENSE AND INTEREST ON EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES

The financing expense and interest on employee future benefits and other liabilities amounted to $56 million in the first half of 2020 ($28 million in the second quarter), compared to $74 million in the same period of 2019 ($35 million in the second quarter), a decrease of $18 million. The variance is mainly attributable to the 2019 first half fair value revaluation recognized on the CDPQ put option, which amounted to $22 million due to Greenpac's improving financial performance. This was partly offset by a weaker Canadian dollar.

PROVISION FOR INCOME TAXES

In the first half of 2020, the Corporation recorded an income tax provision of $27 million, which compares to an income tax provision of $18 million in the same period of 2019.

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

The effective tax rate and income taxes are affected by the results of certain subsidiaries and joint ventures located in countries where the income tax rates are different from those in Canada, notably the United States, France and Italy. The normal effective tax rate is expected to be in the range of 24% to 28%. The weighted-average applicable tax rate was 25.5% in the first half of 2020.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to $6 million ($3 million in the second quarter) in the first half of 2020 compared to $4 million ($2 million in the second quarter) for the same period of last year. Refer to Note 8 of the 2019 Audited Consolidated Financial Statements for more information on associates and joint ventures.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities generated $247 million of liquidity in the first half of 2020 ($128 million generated in the second quarter), compared to $140 million generated in the same period of 2019 ($88 million generated in the second quarter). Changes in non-cash working capital components used $68 million of liquidity in the first half of 2020 ($34 million used in the second quarter), versus $66 million used in the same period of 2019 ($36 million used in the second quarter). Prepaid expenses, volume rebate payment, which mostly occurs in the first half of the year, inventory management prior to the summer season and higher raw material costs in 2020 second quarter led to working capital requirements. As at June 30, 2020, average LTM working capital as a percentage of LTM sales stood at 9.7%, compared to 10.1% as at December 31, 2019.

Cash flow from operating activities, excluding changes in non-cash working capital components, stood at $315 million in the first half of 2020 ($162 million in the second quarter), compared to $206 million in the same period of 2019 ($124 million in the second quarter). This cash flow measurement is relevant to the Corporation's ability to pursue its capital expenditure program and reduce its indebtedness.

Following the redemption of our senior notes in the fourth quarter of 2019, an interest payment normally planned for January 2020 was made in December 2019 in the amount of $23 million. The next interest payments totaling $43 million on our senior notes was paid in July 2020. The Corporation also received $2 million of net income taxes in the first half of 2020, compared to $2 million paid for the same period of 2019. In 2019, before the Corporation purchased the CDPQ equity participation in Greenpac Holding LLC on January 3, 2020 (see "Business Highlights" section for more details), financing expense paid included interest (dividends) payments made to CDPQ as its participation was considered as a liability for accounting purposes. In the second quarter of 2020, the Corporation also received $1 million from the settlement of derivative financial instruments.

INVESTING ACTIVITIES

Investing activities used $117 million in the first half of 2020 ($42 million used in the second quarter), compared with $132 million used in the same period of 2019 ($66 million used in the second quarter).

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

2020

The Corporation increased its participation in an associate for a contribution of $1 million.

2019

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

CHANGE IN INTANGIBLE AND OTHER ASSETS

2020

The Corporation invested $3 million for its ERP information technology system and other software developments and $2 million for an additional participation in one of its equity investments.

2019

In the first half of 2019, the Corporation invested $3 million for its ERP information technology system and other software development needed to support our business and received $1 million from a note receivable.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars)	**2020**	2019	**2020**	2019
Total acquisitions	**43**	63	**99**	139
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	**—**	8	**27**	13
Right-of-use assets acquisitions and acquisitions included in other debts	**(4)**	(18)	**(13)**	(33)
Payments for property, plant and equipment	**39**	53	**113**	119
Proceeds from disposals of property, plant and equipment	**(1)**	(1)	**(2)**	(2)
Payments for property, plant and equipment net of proceeds from disposals	**38**	52	**111**	117

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

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

CONTAINERBOARD PACKAGING

- Investments for an electric boiler and other equipment to reduce our environmental footprint and revalue production by-products at our Cabano, Canada, manufacturing mill
- Bear Island assets in Virginia, USA for site preparation before conversion of equipment to containerboard manufacturing
- Investments for a digital press at our Newtown, Connecticut, converting plant to improve products portfolio and footprint

SPECIALTY PRODUCTS

- Investments to replace drying equipment at our Indiana, USA moulded pulp plant to increase productivity and quality

TISSUE PAPERS

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

FINANCING ACTIVITIES

Financing activities, including $15 million of dividend payments to the Corporation's shareholders, debt repayment and the change in our revolving facility, used $129 million in liquidity in the first half of 2020 ($71 million used in the second quarter), compared to $29 million used in the same period of 2019 ($41 million used in the second quarter). The Corporation purchased 445,354 shares for cancellation at an average price of $11.53 for $5 million in the first half of 2020. The Corporation issued 1,217,881 shares at an average price of $5.89 as a result of the exercise of stock options in 2020, representing an aggregate amount of $7 million. Payment of other liabilities amounted to $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 amounted to $9 million in the first half of 2020. These payments are the result of dividends paid to the non-controlling shareholders of Greenpac and/or Reno de Medici.

CONSOLIDATED FINANCIAL POSITION

AS AT JUNE 30, 2020 AND DECEMBER 31, 2019

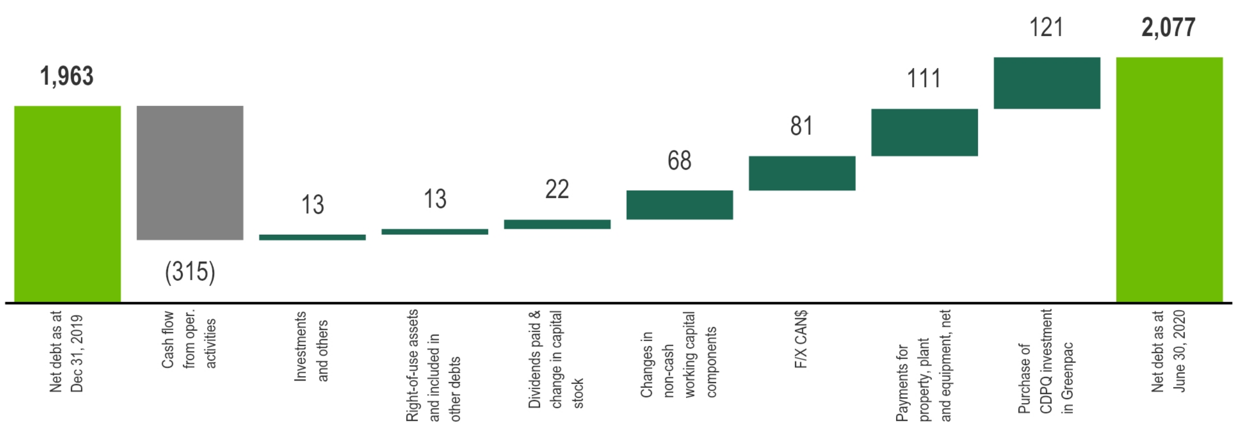
The Corporation's financial position and ratios are as follows:

(in millions of Canadian dollars, unless otherwise noted)	**June 30, 2020**	December 31, 2019
Cash and cash equivalents	**162**	155
Working capital[1]	**494**	416
As a percentage of sales[2]	**9.7%**	10.1%
Total assets	**5,367**	5,184
Total debt[3]	**2,239**	2,118
Net debt[3] (total debt less cash and cash equivalents)	**2,077**	1,963
Equity attributable to Shareholders	**1,559**	1,492
Non-controlling interests	**199**	177
Total equity	**1,758**	1,669
Total equity and net debt	**3,835**	3,632
Ratio of net debt/(total equity and net debt)	**54.2%**	54.0%
Shareholders' equity per share (in dollars)	**$ 16.41**	$ 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 reconciliation of these figures.

NET DEBT[1] RECONCILIATION

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



604	Adjusted OIBD[1] (last twelve months)	**660**
3.25x	Net debt/Adjusted OIBD[1]	**3.1x**

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

Liquidity available via the Corporation's credit facilities 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 June 30, 2020, the Corporation had $543 million (net of letters of credit in the amount of $17 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 June 30, 2020 are comprised as follows: $33 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and $129 million in unrestricted subsidiaries, mainly Greenpac and Reno de Medici.

NEAR-TERM OUTLOOK

Looking ahead, we are cautiously optimistic regarding our operational performance given the weighting of our production that falls within essential tissue and packaging segments, and the adaptability demonstrated by our business segments within the challenging business environment. In the near-term, this is counterbalanced by the ongoing potential economic impact related to Covid-19, and evolving consumption trends in end markets that have resulted from the pandemic. With this in mind, we are expecting consolidated results to decrease sequentially, as benefits from favourable raw materials pricing are anticipated to be offset by lower expected volumes, notably in the Away-from-Home Tissue business and the usual lower seasonal third quarter volumes in Europe. Given continued uncertainty around Covid-19, we are focused on the health and safety of our employees and maintaining flexibility in our operations to meet the evolving product needs of our customers. We are committed in our support of community initiatives helping people navigate the current environment, and continue to work closely with our suppliers and customers being impacted. As always, management of our cash flow remains a priority along with reducing operational and SG&A costs. We continue to expect our projected available liquidity levels to meet future requirements including management of our debt level, and will readjust our investment plans should the need become apparent. At this time, we do not have any update on our Bear Island conversion project, for which analysis has continued at a slower pace given current circumstances.

CAPITAL STOCK INFORMATION

SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol “CAS”. From January 1, 2020 to June 30, 2020, Cascades' share price fluctuated between $10.17 and $14.79. During the same period, 35.0 million Cascades shares were traded on the Toronto Stock Exchange. On June 30, 2020, Cascades shares closed at $14.79. This compares with a closing price of $10.54 on the same closing day last year.

SHARES OUTSTANDING

As at June 30, 2020, the Corporation's issued and outstanding capital stock consisted of 95,017,822 shares (94,245,295 as at December 31, 2019) and 2,442,608 issued and outstanding stock options (3,476,296 as at December 31, 2019). In 2020, the Corporation purchased 445,354 shares for cancellation, while 1,217,881 stock options were exercised and 184,193 stocks options were granted. As at August 5, 2020, issued and outstanding capital stock consisted of 95,017,939 shares and 2,442,491 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The normal course issuer bid announced on March 14, 2019 enabled the Corporation to purchase for cancellation up to 1,878,456 shares between March 19, 2019 and March 18, 2020. During that period, the Corporation purchased 780,308 shares for cancellation. The current normal course issuer bid announced on March 17, 2020 enables the Corporation to purchase for cancellation up to 1,886,220 shares between March 19, 2020 and March 18, 2021. During the period between March 19, 2020 and August 5, 2020, the Corporation purchased 89,500 shares for cancellation.

DIVIDEND POLICY

On August 5, 2020, Cascades' Board of Directors declared a quarterly dividend of $0.08 per share to be paid on September 3, 2020 to shareholders of record at the close of business on August 20, 2020. On August 5, 2020, dividend yield was 2.0%.

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

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

CASCADES' SHARE PRICE FOR THE PERIOD FROM JANUARY 1, 2018 TO JUNE 30, 2020

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. They have limited the scope of their design of DC&P and ICFR to exclude controls, policies and procedures of the Corporation's 2019 business combinations. The design and evaluation of the operating effectiveness of the 2019 business combinations' DC&P and ICFR will be completed within 365 days from the date of acquisition. 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 June 30, 2020.

The business combinations' balance sheet and results are included in our Consolidated Financial Statements since the acquisition date. They constituted approximately 6.3% of total consolidated assets as of June 30, 2020, while they represented approximately 5% of consolidated sales and approximately a loss of 1.8% of consolidated net earnings attributable to Shareholders for the period ended June 30, 2020. Further details on these business combinations are disclosed in Note 4 of 2020 second quarter Unaudited Condensed Interim Consolidated Financial Statements.

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 June 30, 2020 based on the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework). Based on this evaluation, they have concluded that the Corporation's ICFR were effective as of the same date. During the three-month period ended June 30, 2020, there were no changes in the Corporation's ICFR that materially affected or are reasonably likely to materially affect the Corporation's ICFR.

RISK FACTORS

As part of its ongoing business operations, the Corporation is exposed to certain market risks, including risks arising from changes in the selling prices of its principal products, the cost of raw materials, interest rates and foreign currency exchange rates, all of which could have an impact on 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 and not for speculative investment purposes.

Pages 56 to 65 of our Annual Report for the year ended December 31, 2019 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.

APPENDIX

INFORMATION FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

FINANCIAL RESULTS FOR THE 6-MONTH PERIODS ENDED JUNE 30, 2020, AND 2019

SALES

Sales increased by $93 million, or 4%, to $2,598 million in the first half months of 2020, compared with $2,505 million in the same period of 2019. This was largely a reflection of the net volume increase in all segments, especially in the Tissue Papers segment where Covid-19 related demand and the Orchids acquisition had a positive impact. The 2% average depreciation of the Canadian dollar compared to the US dollar was also beneficial. These benefits were partially offset by lower average selling prices and/or less favourable sales mix in all business segments except Specialty Products, in which year-over-year sales performance levels were nonetheless negatively impacted as a result of the mill closure and business divestiture completed in 2019.

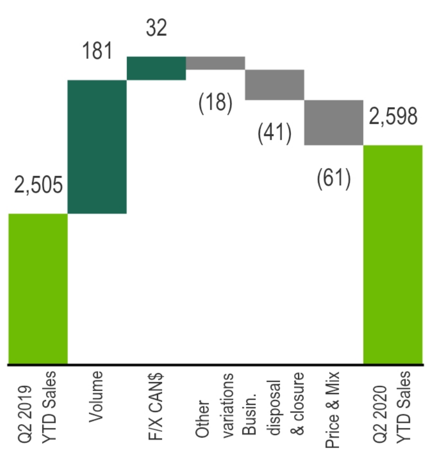
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an OIBD of $330 million in the first half of 2020, compared with $293 million in the same period of 2019, an increase of $37 million. Specific items[1] recorded in both periods negatively impacted the OIBD variance by $19 million. Excluding specific items, the $56 million adjusted OIBD increase is mainly explained by the higher volumes shipped across the Corporation and by lower raw materials and energy costs. On the other hand, lower average selling prices and sales mix had a negative impact on the 2020 OIBD levels.

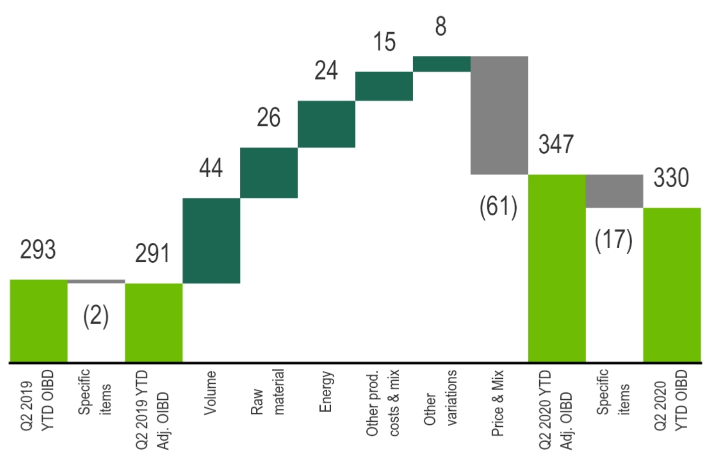
Adjusted OIBD[1] was $347 million in the first half of 2020, compared with $291 million in the same period of 2019.

The main variances in sales and operating income before depreciation and amortization in the first half of 2020, compared with the same period of 2019, are shown below:

SALES ($M)



OIBD ($M)



The sales and OIBD variances analysis by segment is shown in each business segment review (refer to pages 34 to 41).

The Corporation incurred certain specific items in the first halves of 2020 and 2019 that adversely or positively affected its operating results[1].

For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2020 and 2019" section for more details.

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

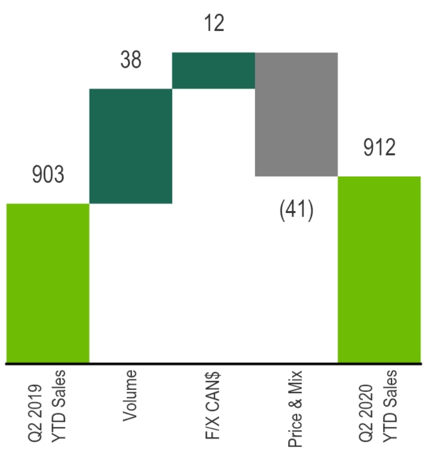
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

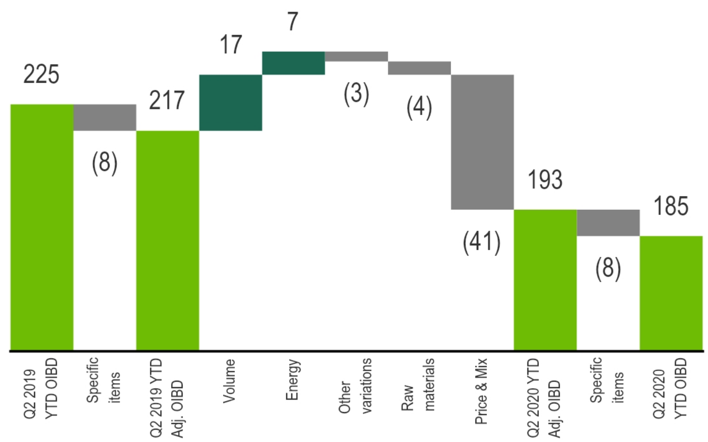
Our Performance (Q2 2019 YTD vs. Q2 2020 YTD)

The main variances in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the first half of 2020, compared with the same period of 2019, are shown below:

SALES ($M)



OIBD ($M)



The Corporation incurred certain specific items in the first halves of 2020 and 2019 that adversely or positively affected its operating results[1].

For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2020 and 2019" section for more details.

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

	Q2 2019 YTD	Q2 2020 YTD	Change in %
Shipments[2] ('000 s.t.)	705	734	4%
Average Selling Price (CAN$/unit)	1,282	1,242	-3%
Sales ($M)	903	912	1%
OIBD[1] ($M) (as reported)	225	185	-18%
% of sales	25%	20%	
(adjusted)[1]	217	193	-11%
% of sales	24%	21%	
Operating income ($M) (as reported)	168	128	-24%
(adjusted)[1]	160	136	-15%

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

2 *Shipments do not take into account the elimination of business sector inter-segment shipments. Including 6.7 billion square feet in the first six months of 2020 compared to 6.4 billion square feet in the same period of 2019.*

3 *Including sales to other partners in Greenpac.*

Shipments increased by 29,000 s.t., or 4%, in the first half of 2020 compared to the same period of 2019. This reflects a 20,000 s.t. increase in external shipments from our containerboard mills due to higher market demand in the first half of of 2020 and a 5% increase in the capacity utilization rate. This led to a lower mill integration rate of 57% in the first half of 2020, compared with 59% in the same period last year. Including sales to associates[3], the integration rate was 70% in the first half of 2020, compared with 72% during the same period last year. On the converting side, shipments increased by 9,000 s.t., or 2%. This outperformed the Canadian and US markets which both increased by 1%.

The average selling price denominated in Canadian dollars decreased by 8% for parent rolls, and by 1% for converted products. The 2% average depreciation of the Canadian dollar compared to the US dollar favorably impacted average selling prices and partly offset these decreases.

Sales increased by $9 million, or 1%, compared with the first six months of 2019. The higher volume added $38 million to sales, while the 2% average depreciation of the Canadian dollar added $12 million. These benefits were partly offset by a less favourable mix of products sold and a lower average selling price which together subtracted $41 million.

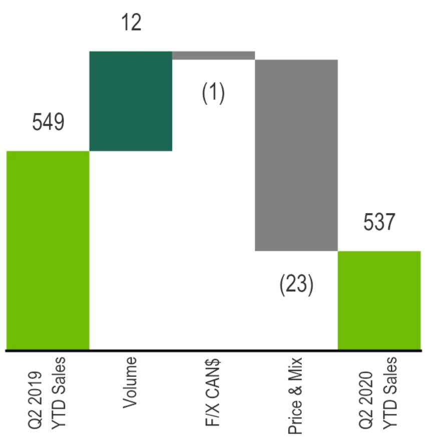
Operating income before depreciation and amortization (OIBD) decreased by $40 million, or 18% during the first half of 2020 compared with the same period of 2019. Excluding specific items[1] in both periods, the $24 million unfavourable variation in OIBD reflects a lower average selling price and an unfavourable mix of products sold, which had a combined negative impact of $41 million. Also, higher costs of brown recycled fibre grades and higher freight costs subtracted $4 million and $2 million respectively. In addition, higher operational costs including a credit loss provision due to increased credit risk from the current Covid-19 pandemic, higher chemical, storage costs and higher repair and maintenance expenses, mostly offset by R&D tax credit and lower labour costs, negatively impacted our results by $2 million. These negative impacts were partly offset by the 2% average depreciation of the Canadian dollar that contributed $1 million to our results. Also, higher volume and lower energy costs added $17 million and $7 million to our results, respectively.

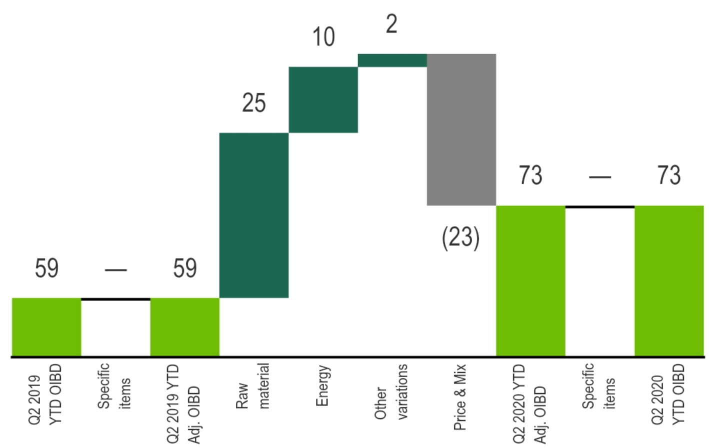
The segment incurred some specific items[1] in the first half of 2020 and 2019 that affected OIBD[1].

PACKAGING PRODUCTS - BOXBOARD EUROPE

Our Performance (Q2 2019 YTD vs. Q2 2020 YTD)

The main variances in sales and operating income before depreciation and amortization for the Boxboard Europe segment in the first half of 2020, compared with the same period of 2019, are shown below:





The Corporation incurred certain specific items in the first halves of 2020 and 2019 that adversely or positively affected its operating results[1].

For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2020 and 2019" section for more details.

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

	Q2 2019 YTD	Q2 2020 YTD	Change in %
Shipments[2] ('000 s.t.)	664	677	2%
Average Selling Price[3] (CAN$/unit)	790	764	-3%
(euro€/unit)	524	508	-3%
Sales ($M)	549	537	-2%
OIBD[1] ($M) (as reported)	59	73	24%
% of sales	11%	14%	
(adjusted)[1]	59	73	24%
% of sales	11%	14%	
Operating income ($M) (as reported)	37	50	35%
(adjusted)[1]	37	50	35%

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.
2 Shipments do not take into account the elimination of business sector inter-segment shipments.
3 Average selling price is a weighted average of virgin, recycled and converted boxboard shipments.

External recycled boxboard shipments increased by 9,000 s.t., or 2%, in the first half of 2020 compared to the same period of 2019. Shipments of virgin boxboard increased by 6,000 s.t., or 8%, while converted products shipments decreased by 2,000 s.t..

The average selling price decreased in both euros and Canadian dollars year-over-year. Compared with the prior-year period, the average selling price of recycled boxboard decreased by €16, or 3%, while the average selling price of virgin boxboard decreased by €17, or 2%.

The $12 million year-over-year decrease in sales in the first half of 2020 reflects the lower average selling prices for $23 million, and an unfavourable foreign exchange rate for $1 million while higher volume partly offset the decrease by $12 million.

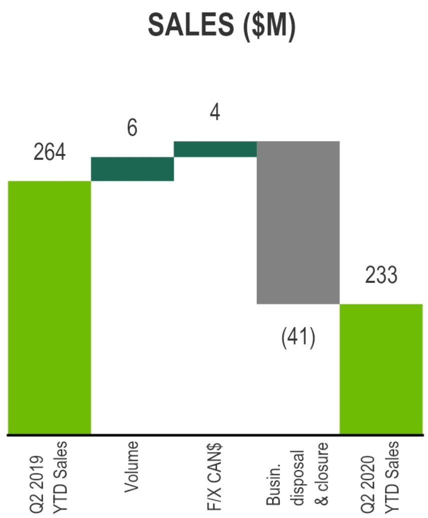
Operating income before depreciation and amortization (OIBD) increased by $14 million in the second quarter of 2020 compared to the same period of 2019. Lower raw material costs, energy costs, including tax credits, and other positive variances provided $25 million, $10 million, and $2 million respectively. On the other hand, lower selling prices subtracted $23 million.

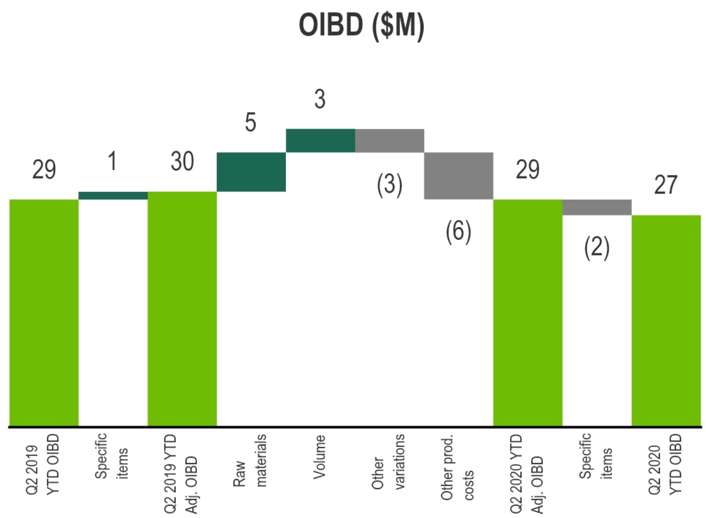
The segment incurred some specific items[1] in the first half of 2020 that affected OIBD[1].

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Performance (Q2 2019 YTD vs. Q2 2020 YTD)

The main variances in sales and operating income before depreciation and amortization for the Specialty Products segment in the first half of 2020, compared with the same period of 2019, are shown below:





The Corporation incurred certain specific items in the first halves of 2020 and 2019 that adversely or positively affected its operating results[1].

For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2020 and 2019" section for more details.

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

	Q2 2019 YTD	Q2 2020 YTD	Change in %
Sales ($M)	264	233	-12%
OIBD[1] ($M) (as reported)	29	27	-7%
% of sales	11%	12%	
(adjusted)[1]	30	29	-3%
% of sales	11%	12%	
Operating income ($M) (as reported)	21	19	-10%
(adjusted)[1]	22	21	-5%

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

Sales decreased by $31 million, or 12%, compared with the same period of 2019. Sales levels were negatively impacted by the divestiture of the European activities and the closure of the vinyl backing felt mill for $41 million in 2019. This was partly offset by increased volume in the consumer products, plastics and moulded pulp packaging sub-segments, as well as a favourable exchange rate.

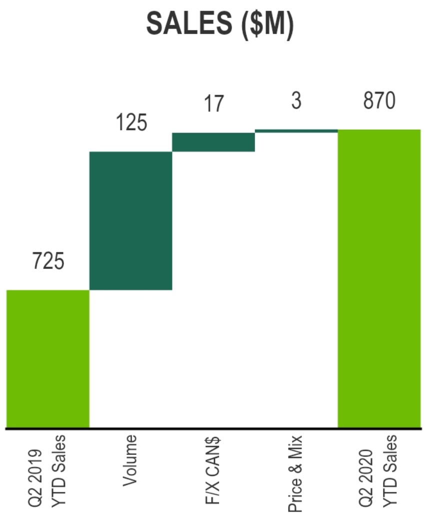
Operating income before depreciation and amortization (OIBD) decreased by $2 million in the first half of 2020 compared to the same period of 2019. Higher realized spreads and higher volumes contributed positively to the results for $5 million and $3 million respectively. These benefits were offset by higher operating and maintenance costs as well as the OIBD generated in 2019 from the divested European activities and the closure of the vinyl backing felt mill in the second portion of 2019.

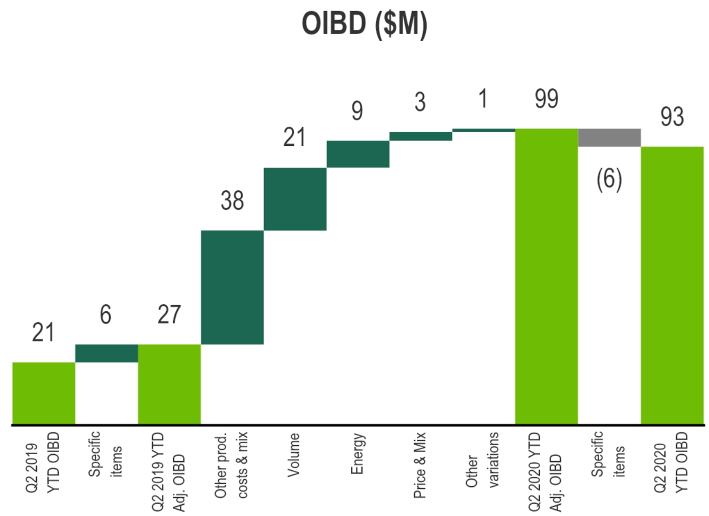
The segment incurred some specific items[1] in the first half of 2020 and 2019 that affected OIBD[1].

TISSUE PAPERS

Our Performance (Q2 2019 YTD vs. Q2 2020 YTD)

The main variances in sales and operating income before depreciation and amortization for the Tissue Papers segment in the first half of 2020, compared with the same period of 2019, are shown below:





The Corporation incurred certain specific items in the first halves of 2020 and 2019 that adversely or positively affected its operating results[1].

For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2020 and 2019" section for more details.

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

	Q2 2019 YTD	Q2 2020 YTD	Change in %
Shipments[2] ('000 s.t.)	301	348	16%
Average Selling Price (CAN$/unit)	2,409	2,500	4%
Sales ($M)	725	870	20%
OIBD ($M) (as reported)	21	93	343%
% of sales	3%	11%	
(adjusted)[1]	27	99	267%
% of sales	4%	11%	
Operating income (loss) ($M) (as reported)	(7)	59	943%
(adjusted)[1]	(1)	65	6,600%

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

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

External manufacturing shipments increased by 13,000 s.t., or 20%, during the first half of 2020. This largely reflects better inventory management and an additional sales effort, resulting in a lower integration rate of 71% in the current period, down from 77% in the same period of 2019. Converted product shipments increased by 34,000 s.t., or 14%, mainly driven by new volume with key strategic customers and increased demand in the Consumer Products market due to the Covid-19 pandemic.

The 4% increase in the average selling price was primarily due to the 2% average depreciation of the Canadian dollar compared to the US dollar and a more favourable mix of converted products. Price increases announced at the beginning of 2019 in both the Away-From-Home and Consumer Products sectors also positively impacted the average selling price. However, average selling price was negatively affected by a higher proportion of parent rolls sold.

The 20% increase in sales in the first half of 2020 was largely driven by higher volumes for $125 million and by a favourable exchange rate for $17 million. Excluding the acquisition of Orchids which is included in volume, the net impact of higher selling prices and mix of customers and of products sold also added $3 million.

The significant increase in operating income before depreciation and amortization (OIBD) is mainly due to the above reasons. In addition, we have benefited from a decrease in raw material costs in all types of fibres, lower transportation costs due to network optimization, and lower fixed costs mainly due to plant closures in the first quarter of 2020 and additional benefits from cost initiatives. A provision for credit loss was also recorded but is mostly offset by R&D tax credit.

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

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	NOTE	June 30, 2020	December 31, 2019
			Adjusted, Note 4
Assets			
Current assets			
Cash and cash equivalents		**162**	155
Accounts receivable		**677**	606
Current income tax assets		**22**	32
Inventories		**657**	598
Current portion of financial assets	7	**7**	10
		1,525	1,401
Long-term assets			
Investments in associates and joint ventures		**88**	80
Property, plant and equipment	5	**2,806**	2,770
Intangible assets with finite useful life		**171**	182
Financial assets	7	**24**	16
Other assets		**51**	55
Deferred income tax assets		**163**	153
Goodwill and other intangible assets with indefinite useful life		**539**	527
		5,367	5,184
Liabilities and Equity			
Current liabilities			
Bank loans and advances		**9**	11
Trade and other payables		**837**	788
Current income tax liabilities		**19**	17
Current portion of other debt without recourse to the Corporation to be refinanced	6	**165**	—
Current portion of long-term debt	6	**90**	85
Current portion of provisions for contingencies and charges		**5**	5
Current portion of financial liabilities and other liabilities	10	**26**	137
		1,151	1,043
Long-term liabilities			
Long-term debt	6	**1,975**	2,022
Provisions for contingencies and charges		**54**	49
Financial liabilities	7	**8**	5
Other liabilities		**209**	198
Deferred income tax liabilities		**212**	198
		3,609	3,515
Equity			
Capital stock	8	**498**	491
Contributed surplus		**13**	15
Retained earnings		**1,050**	1,003
Accumulated other comprehensive loss		**(2)**	(17)
Equity attributable to Shareholders		**1,559**	1,492
Non-controlling interests		**199**	177
Total equity		**1,758**	1,669
		5,367	5,184

The accompanying notes are an integral part of these Unaudited Condensed Interim 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 June 30, 2020	2019	For the 6-month periods ended June 30, 2020	2019
Sales		**1,285**	1,275	**2,598**	2,505
Cost of sales and expenses					
Cost of sales (including depreciation and amortization of $75 million for 3-month period (2019 — $72 million) and $146 million for 6-month period (2019 — $139 million))		**1,065**	1,081	**2,157**	2,139
Selling and administrative expenses		**110**	111	**241**	215
Loss (gain) on acquisitions, disposals and others	9	**1**	3	**2**	(7)
Impairment charges and restructuring costs	9	**15**	1	**15**	10
Foreign exchange gain		**(1)**	(1)	**(1)**	(1)
Loss (gain) on derivative financial instruments		**1**	(2)	**—**	(5)
		1,191	1,193	**2,414**	2,351
Operating income		**94**	82	**184**	154
Financing expense		**27**	25	**54**	50
Interest expense on employee future benefits and other liabilities		**1**	10	**2**	24
Foreign exchange loss (gain) on long-term debt and financial instruments		**(9)**	(1)	**8**	(7)
Share of results of associates and joint ventures		**(3)**	(2)	**(6)**	(4)
Earnings before income taxes		**78**	50	**126**	91
Provision for income taxes		**12**	10	**27**	18
Net earnings including non-controlling interests for the period		**66**	40	**99**	73
Net earnings attributable to non-controlling interests		**12**	9	**23**	18
Net earnings attributable to Shareholders for the period		**54**	31	**76**	55
Net earnings per common share					
Basic		**$ 0.57**	$ 0.33	**$ 0.81**	$ 0.59
Diluted		**$ 0.57**	$ 0.32	**$ 0.80**	$ 0.58
Weighted average basic number of common shares outstanding		**94,459,257**	93,636,771	**94,354,030**	93,900,400
Weighted average number of diluted common shares		**95,600,602**	95,058,479	**95,562,296**	95,395,585

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30, 2020	2019	For the 6-month periods ended June 30, 2020	2019
Net earnings including non-controlling interests for the period	**66**	40	**99**	73
Other comprehensive income (loss)				
Items that may be reclassified subsequently to earnings				
Translation adjustments				
Change in foreign currency translation of foreign subsidiaries	**(45)**	(21)	**57**	(58)
Change in foreign currency translation related to net investment hedging activities	**25**	14	**(34)**	35
Cash flow hedges				
Change in fair value of foreign exchange forward contracts	**—**	—	**—**	1
Change in fair value of interest rate swaps	**1**	(1)	**—**	(1)
Change in fair value of commodity derivative financial instruments	**—**	(1)	**—**	(2)
	(19)	(9)	**23**	(25)
Items that are not released to earnings				
Actuarial loss on employee future benefits	**(25)**	(10)	**(15)**	(15)
Recovery of income taxes	**7**	1	**4**	3
	(18)	(9)	**(11)**	(12)
Other comprehensive income (loss)	**(37)**	(18)	**12**	(37)
Comprehensive income including non-controlling interests for the period	**29**	22	**111**	36
Comprehensive income attributable to non-controlling interests for the period	**8**	7	**31**	9
Comprehensive income attributable to Shareholders for the period	**21**	15	**80**	27

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

CONSOLIDATED STATEMENTS OF EQUITY

For the 6-month period ended June 30, 2020

(in millions of Canadian dollars) (unaudited)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - End of previous period, as reported		**491**	**15**	**1,000**	**(17)**	**1,489**	**177**	**1,666**
Business combinations	4	**—**	**—**	**3**	**—**	**3**	**—**	**3**
Adjusted balance - Beginning of period		**491**	**15**	**1,003**	**(17)**	**1,492**	**177**	**1,669**
Comprehensive income								
Net earnings		**—**	**—**	**76**	**—**	**76**	**23**	**99**
Other comprehensive income (loss)		**—**	**—**	**(11)**	**15**	**4**	**8**	**12**
		—	**—**	**65**	**15**	**80**	**31**	**111**
Dividends		**—**	**—**	**(15)**	**—**	**(15)**	**(9)**	**(24)**
Issuance of common shares upon exercise of stock options		**9**	**(2)**	**—**	**—**	**7**	**—**	**7**
Redemption of common shares	8	**(2)**	**—**	**(3)**	**—**	**(5)**	**—**	**(5)**
Balance - End of period		**498**	**13**	**1,050**	**(2)**	**1,559**	**199**	**1,758**

For the 6-month period ended June 30, 2019

(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
Adjusted balance - Beginning of period	490	16	989	2	1,497	180	1,677
Comprehensive income (loss)							
Net earnings	—	—	55	—	55	18	73
Other comprehensive loss	—	—	(12)	(16)	(28)	(9)	(37)
	—	—	43	(16)	27	9	36
Dividends	—	—	(7)	—	(7)	(10)	(17)
Redemption of shares	(3)	—	(2)	—	(5)	—	(5)
Balance - End of period	487	16	1,023	(14)	1,512	179	1,691

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	NOTE	For the 3-month periods ended June 30, 2020	2019	For the 6-month periods ended June 30, 2020	2019
Operating activities					
Net earnings attributable to Shareholders for the period		**54**	31	**76**	55
Adjustments for:					
Financing expense and interest expense on employee future benefits and other liabilities		**28**	35	**56**	74
Depreciation and amortization		**75**	72	**146**	139
Loss (gain) on acquisitions, disposals and others	9	**1**	3	**2**	(6)
Impairment charges and restructuring costs	9	**15**	—	**15**	5
Unrealized loss (gain) on derivative financial instruments		**1**	(2)	**—**	(5)
Foreign exchange loss (gain) on long-term debt and financial instruments		**(9)**	(1)	**8**	(7)
Provision for income taxes		**12**	10	**27**	18
Share of results of associates and joint ventures		**(3)**	(2)	**(6)**	(4)
Net earnings attributable to non-controlling interests		**12**	9	**23**	18
Net financing expense paid		**(7)**	(16)	**(24)**	(59)
Net income taxes received (paid)		**(7)**	(2)	**2**	(2)
Dividends received		**5**	2	**5**	2
Employee future benefits and others		**(15)**	(15)	**(15)**	(22)
		162	124	**315**	206
Changes in non-cash working capital components		**(34)**	(36)	**(68)**	(66)
		128	88	**247**	140
Investing activities					
Investments in associates and joint ventures		**(1)**	1	**(1)**	1
Payments for property, plant and equipment		**(39)**	(53)	**(113)**	(119)
Proceeds from disposals of property, plant and equipment		**1**	1	**2**	2
Change in intangible and other assets		**(3)**	(1)	**(5)**	(2)
Cash paid for business combinations	4	**—**	(14)	**—**	(14)
		(42)	(66)	**(117)**	(132)
Financing activities					
Bank loans and advances		**—**	(2)	**(2)**	—
Change in credit facilities		**(40)**	1	**57**	65
Increase in other long-term debt		**—**	7	**—**	7
Payments of other long-term debt		**(22)**	(38)	**(42)**	(79)
Settlement of derivative financial instruments		**1**	—	**1**	—
Issuance of common shares upon exercise of stock options		**4**	—	**7**	—
Redemption of common shares	8	**—**	—	**(5)**	(5)
Payment of other liabilities	10	**—**	—	**(121)**	—
Dividends paid to non-controlling interests		**(6)**	(6)	**(9)**	(10)
Dividends paid to the Corporation's Shareholders		**(8)**	(3)	**(15)**	(7)
		(71)	(41)	**(129)**	(29)
Change in cash and cash equivalents during the period		**15**	(19)	**1**	(21)
Currency translation on cash and cash equivalents		**(6)**	—	**6**	(4)
Cash and cash equivalents - Beginning of period		**153**	117	**155**	123
Cash and cash equivalents - End of period		**162**	98	**162**	98

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

SEGMENTED INFORMATION

The Corporation analyzes the performance of its operating segments based on their operating income before depreciation and amortization, which is not a measure of performance under International Financial Reporting Standards (IFRS). However, the chief operating decision-maker (CODM) uses this performance measure to assess the operating performance of each reportable segment. Earnings for each segment are prepared on the same basis as those of the Corporation. Intersegment operations are recorded on the same basis as sales to third parties, which are at fair market value. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in its most recent Audited Consolidated Financial Statements for the year ended December 31, 2019.

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

For the 3-month periods ended June 30,

	Canada		United States		Italy		Other countries		Total	
(in millions of Canadian dollars) (unaudited)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Packaging Products										
Containerboard	**268**	278	**186**	183	**—**	—	**—**	1	**454**	462
Boxboard Europe	**—**	—	**—**	—	**80**	77	**185**	193	**265**	270
Specialty Products	**42**	36	**78**	80	**—**	1	**—**	18	**120**	135
Intersegment sales	**(4)**	(3)	**(1)**	—	**—**	—	**—**	—	**(5)**	(3)
	306	311	**263**	263	**80**	78	**185**	212	**834**	864
Tissue Papers	**65**	65	**359**	309	**—**	—	**—**	3	**424**	377
Intersegment sales and Corporate Activities	**28**	31	**(1)**	3	**—**	—	**—**	—	**27**	34
	399	407	**621**	575	**80**	78	**185**	215	**1,285**	1,275

SALES

For the 6-month periods ended June 30,

	Canada		United States		Italy		Other countries		Total	
(in millions of Canadian dollars) (unaudited)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Packaging Products										
Containerboard	**528**	535	**383**	366	**—**	—	**1**	2	**912**	903
Boxboard Europe	**—**	—	**—**	—	**161**	159	**376**	390	**537**	549
Specialty Products	**77**	69	**154**	159	**—**	1	**2**	35	**233**	264
Intersegment sales	**(7)**	(6)	**(1)**	(1)	**—**	—	**—**	—	**(8)**	(7)
	598	598	**536**	524	**161**	160	**379**	427	**1,674**	1,709
Tissue Papers	**135**	128	**734**	590	**—**	—	**1**	7	**870**	725
Intersegment sales and Corporate Activities	**54**	65	**—**	6	**—**	—	**—**	—	**54**	71
	787	791	**1,270**	1,120	**161**	160	**380**	434	**2,598**	2,505

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars) (unaudited)	**2020**	2019	**2020**	2019
Packaging Products				
Containerboard	**83**	114	**185**	225
Boxboard Europe	**42**	30	**73**	59
Specialty Products	**16**	16	**27**	29
	141	160	**285**	313
Tissue Papers	**48**	17	**93**	21
Corporate Activities	**(20)**	(23)	**(48)**	(41)
Operating income before depreciation and amortization	**169**	154	**330**	293
Depreciation and amortization	**(75)**	(72)	**(146)**	(139)
Financing expense and interest expense on employee future benefits and other liabilities	**(28)**	(35)	**(56)**	(74)
Foreign exchange gain (loss) on long-term debt and financial instruments	**9**	1	**(8)**	7
Share of results of associates and joint ventures	**3**	2	**6**	4
Earnings before income taxes	**78**	50	**126**	91

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars) (unaudited)	**2020**	2019	**2020**	2019
Packaging Products				
Containerboard	**15**	14	**31**	36
Boxboard Europe	**4**	17	**9**	28
Specialty Products	**4**	4	**9**	7
	23	35	**49**	71
Tissue Papers	**15**	18	**39**	47
Corporate Activities	**5**	10	**11**	21
Total acquisitions	**43**	63	**99**	139
Proceeds from disposals of property, plant and equipment	**(1)**	(1)	**(2)**	(2)
Right-of-use assets acquisitions and acquisitions included in other debts	**(4)**	(18)	**(13)**	(33)
	38	44	**84**	104
Acquisitions for property, plant and equipment included in “Trade and other payables”				
Beginning of period	**19**	32	**46**	37
End of period	**(19)**	(24)	**(19)**	(24)
Payments for property, plant and equipment net of proceeds from disposals	**38**	52	**111**	117

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 August 5, 2020.

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, 2019, 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, 2019. 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 an initial response to the effects of the Covid-19 crisis the Corporation reviewed the assumptions for operating plans, valuation of long-lived assets and accounts receivable. The exercise resulted in an expected credit loss for accounts receivable of $8 million (decrease of $2 million from the first quarter). The Corporation will continue to closely monitor the Covid-19 situation: the duration, spread or intensity of the pandemic as it continues to develop in 2020, 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, 2019.

NOTE 4
BUSINESS COMBINATIONS

2019
Orchids Paper Products

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

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

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

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

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

Assets acquired and liabilities assumed were as follows:

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

The Corporation had put in deposit US$11 million ($14 million) as at June 30, 2019, which is presented as “Cash paid for business combinations” in the Consolidated Statement of Cash Flow. The deposit was considered in the total “Net cash paid” for the acquisition upon the transaction closure.

NOTE 5
RIGHT-OF-USE ASSETS

The consolidated balance sheets include $164 million as at June 30, 2020 ($171 million as at December 31, 2019) of right-of-use assets relating to leases in “Property, plant and equipment”.

NOTE 6
LONG-TERM DEBT

(in millions of Canadian dollars)	MATURITY	June 30, 2020	December 31, 2019
Revolving credit facility, weighted average interest rate of 2.04% as at June 30, 2020, consists of $111 million and US$58 million (December 31, 2019 - $108 million and US$11 million)	2023	**190**	123
5.75% Unsecured senior notes of US$200 million	2023	**272**	260
5.125% Unsecured senior notes of $175 million	2025	**175**	175
5.125% Unsecured senior notes of US$350 million	2026	**475**	455
5.375% Unsecured senior notes of US$300 million	2028	**407**	390
Term loan of US$170 million, interest rate of 2.28% as at June 30, 2020	2025	**230**	221
Lease obligations of subsidiaries		**151**	153
Other debts of subsidiaries		**46**	39
Lease obligations without recourse to the Corporation		**32**	35
Other debts without recourse to the Corporation		**267**	272
		2,245	2,123
Less: Unamortized financing costs		**15**	16
Total long-term debt		**2,230**	2,107
Less:			
Current portion of lease obligations of subsidiaries		**30**	28
Current portion of other debts of subsidiaries		**17**	14
Current portion of lease obligations without recourse to the Corporation		**14**	11
Current portion of other debt without recourse to the Corporation to be refinanced		**165**	—
Current portion of other debts without recourse to the Corporation		**29**	32
		255	85
		1,975	2,022

As at June 30, 2020, the long-term debt had a fair value of $2,269 million (December 31, 2019 – $2,159 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.

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 June 30, 2020 and December 31, 2019 and indicates the fair value hierarchy of the Corporation's valuation techniques to determine such fair value. Three levels of inputs that may be used to measure fair value are:

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

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

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

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 June 30, 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	**31**	**—**	**31**	**—**
	32	**1**	**31**	**—**
Financial liabilities				
Derivative financial liabilities	**(21)**	**—**	**(21)**	**—**
	(21)	**—**	**(21)**	**—**

As at December 31, 2019

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

NOTE 8

CAPITAL STOCK

REDEMPTION OF COMMON SHARES

In 2019, in the normal course of business, the Corporation renewed its redemption program of a maximum of 1,878,456 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, 2019 to March 18, 2020. During the period between January 1, 2020 and March 18, 2020, the Corporation redeemed 355,854 common shares under this program for an amount of $4 million.

In 2020, in the normal course of business, the Corporation renewed its redemption program of a maximum of 1,886,220 common shares with the Toronto Stock Exchange, said shares representing approximately 2% of issued and outstanding common shares. The redemption authorization is valid from March 19, 2020 to March 18, 2021. During the period between March 19, 2020 and June 30, 2020, the Corporation redeemed 89,500 common shares under this program for an amount of $1 million.

NOTE 9
LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

In the first half of 2020, the Corporation recorded the following losses and gains:

	For the 6-month period ended June 30, 2020						
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Gain on disposal of an equity investment	—	—	(3)	(3)	—	—	(3)
Environmental provisions	—	—	5	5	—	—	5
	—	—	2	2	—	—	2

First quarter
The Specialty Products segment recorded a $1 million environmental provision related to a plant in Canada that was closed in prior year.

Second quarter
The Specialty Products segment recorded a $4 million environmental provision related to plants in Canada, that were closed in the past years. The segment also recorded a $3 million gain on the sale of a non-core equity investment.

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

In the first half of 2020, the Corporation recorded the following impairment charges:

	For the 6-month period ended June 30, 2020						
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Property, plant and equipment	8	—	—	8	—	—	8
Spare parts	—	—	—	—	5	—	5
	8	—	—	8	5	—	13

In the first half of 2020, the Corporation recorded the following restructuring costs:

	For the 6-month period ended June 30, 2020						
	PACKAGING PRODUCTS						
(in millions of Canadian dollars)	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Restructuring costs	1	—	—	1	1	—	2

Second quarter
The Containerboard and Tissue segments recorded an impairment charge totalling $13 million and restructuring charges totalling $2 million as part of network optimization and profitability improvement initiatives.

NOTE 10
PAYMENT OF OTHER LIABILITIES

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

NOTE 11
COMMITMENTS

Capital expenditures contracted at the end of the reporting date but not yet incurred total $67 million.

NOTE 12
EVENT AFTER THE REPORTING PERIOD

On July 28, 2020, the Corporation announced the closure of its Etobicoke, Ontario, Containerboard Packaging facility as part of the strategic repositioning of its containerboard platform in Ontario. Operations will permanently close no later than August 31, 2021 and will be gradually redeployed to other units within the region. Closure costs, including severances and environmental expenses, will total approximately $7 million.

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

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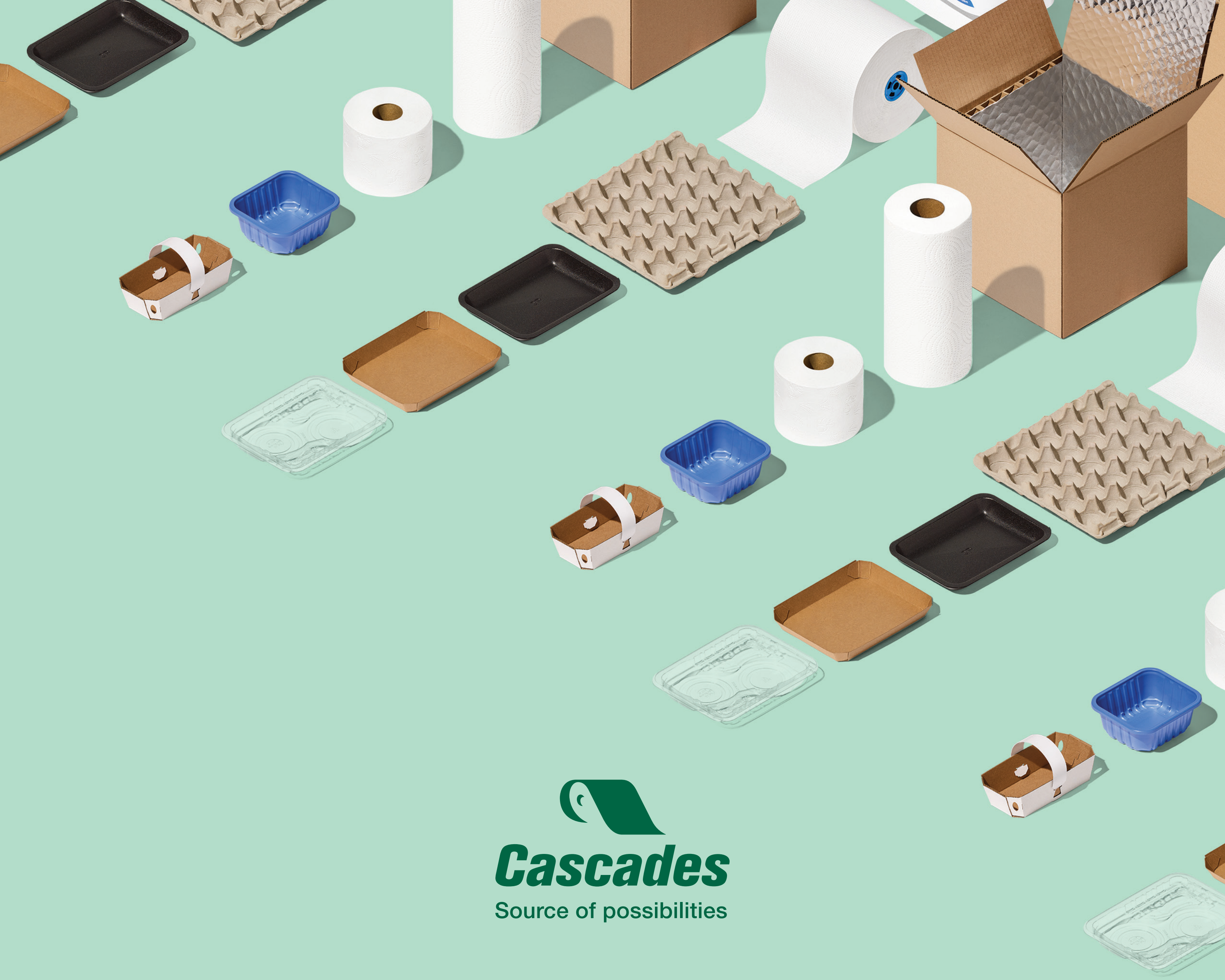

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