Cascades

Source of Possibilities

Quarterly Report 3

for the three-month and nine-month periods ended September 30, 2020

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FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the operating results and financial position of Cascades Inc. ("Cascades" or "the Corporation") and should be read in conjunction with the Corporation's Unaudited Condensed Interim Consolidated Financial Statements and accompanying notes for the three-month and nine-month periods ended September 30, 2020 and 2019, together with the most recent Audited Consolidated Financial Statements. Information contained herein includes any significant developments as at November 11, 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 $1,275 million
  (compared with $1,285 million in Q2 2020 (-1%) and $1,264 million in Q3 2019 (+1%))
- As reported (including specific items)
  - Operating income of $73 million
    (compared with $94 million in Q2 2020 (-22%) and $108 million in Q3 2019[2] (-32%))
  - Operating income before depreciation and amortization (OIBD)[1] of $154 million
    (compared with $169 million in Q2 2020 (-9%) and $181 million in Q3 2019[2] (-15%))
  - Net earnings per share of $0.51
    (compared with $0.57 in Q2 2020 and $0.45 in Q3 2019[2])
- Adjusted (excluding specific items)[1]
  - Operating income of $81 million
    (compared with $111 million in Q2 2020 (-27%) and $88 million in Q3 2019 (-8%))
  - OIBD of $162 million
    (compared with $186 million in Q2 2020 (-13%) and $161 million in Q3 2019 (+1%))
  - Net earnings per share of $0.50
    (compared with $0.61 in Q2 2020 and $0.30 in Q3 2019)

- Added US$300 million of Senior Notes due in 2028; Redeemed US$200 million of remaining 2023 Senior Notes.
- Net debt[1] of $1,982 million as at September 30, 2020 (compared with $2,077 million as at June 30, 2020) reflecting solid cash flow from operations. Net debt to adjusted OIBD ratio[1] at 3.0x down from 3.1x as at June 30, 2020.
- European Boxboard business announced the acquisition of Papelera del Principado S.A. (“Paprinsa”).
- Announced plans for the Bear Island containerboard conversion project in Virginia, USA in October and concurrently completed a bought deal equity issue of 7,441,000 shares priced at $16.80, generating gross proceed of $125 million to finance a portion of the project.
- Announced the closure of two tissue production and converting operations in Pennsylvania.

FINANCIAL SUMMARY

SELECTED CONSOLIDATED INFORMATION

(in millions of Canadian dollars, except per share amounts)	**Q3 2020**	Q2 2020	Q3 2019
Sales	**1,275**	1,285	1,264
As reported			
Operating income before depreciation and amortization (OIBD)[1 2]	**154**	169	181
Operating income[2]	**73**	94	108
Net earnings[2]	**49**	54	43
per share[2]	**$ 0.51**	$ 0.57	$ 0.45
Adjusted[1]			
Operating income before depreciation and amortization (OIBD)	**162**	186	161
Operating income	**81**	111	88
Net earnings	**48**	58	28
per share	**$ 0.50**	$ 0.61	$ 0.30
Margin (OIBD)	**12.7%**	14.5%	12.7%

1 Please refer to the “Supplemental Information on Non-IFRS Measures” section for reconciliation of these figures.
2 2019 third quarter consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 4 of the 2020 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

SEGMENTED OIBD AS REPORTED

(in millions of Canadian dollars)	**Q3 2020**	Q2 2020	Q3 2019
Packaging Products			
Containerboard	**101**	83	120
Boxboard Europe	**31**	42	25
Specialty Products	**16**	16	14
Tissue Papers[2]	**25**	48	49
Corporate Activities	**(19)**	(20)	(27)
OIBD as reported	**154**	169	181

SEGMENTED ADJUSTED OIBD[1]

(in millions of Canadian dollars)	**Q3 2020**	Q2 2020	Q3 2019
Packaging Products			
Containerboard	**100**	94	118
Boxboard Europe	**29**	43	25
Specialty Products	**16**	17	16
Tissue Papers	**36**	54	24
Corporate Activities	**(19)**	(22)	(22)
Adjusted OIBD	**162**	186	161

1 Please refer to the “Supplemental Information on Non-IFRS Measures” section for reconciliation of these figures.
2 2019 third quarter consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 4 of the 2020 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

We are pleased with our consolidated third quarter results. Within an ever-evolving business environment, demand levels for containerboard remained robust. This strength drove higher sequential quarterly sales volume in this business, offsetting higher energy costs and an approximate $3 million impact from unplanned operational shutdowns at our Niagara Falls, NY complex. Similarly, our Specialty Products segment generated solid results, benefiting from strong demand for our sustainable food packaging product offerings. Results in our Tissue business were mixed. As expected, demand remained strong for consumer tissue, while the reverse was true for Away-from-Home products given the impact that Covid-19 is having on businesses, restaurants, hotels and schools. This segment, which accounts for approximately 40% of our annual tissue sales, experienced sharp decreases in demand for some products. We have taken steps to adjust production capacity by temporarily closing several facilities that serve this market, and continue to evaluate opportunities to adapt some capacity for different products. Lastly, results in the European Boxboard segment reflected the usual softer seasonal third quarter volumes, the effects of which were partially offset by favourable raw material pricing and lower energy costs.

On the strategic side, we are very pleased to have announced the launch of our Bear Island project in mid-October. This is an important strategic investment for our containerboard business, one which we are confident will benefit operational performance, enhance our product offering in lightweight recycled containerboard and position our containerboard platform for long-term profitable growth within this competitive industry. We are equally pleased to have completed the $125 million equity issuance (offering) that was announced concurrently with the Bear Island project. The proceeds of this offering will be primarily dedicated to financing Bear Island, but may also be used for other ongoing capital projects. The European Boxboard segment also announced the strategic acquisition of one of the main European coated chipboard players, Papelera del Principado S.A. ("Paprinsa"), and three smaller adjoining companies, that will strengthen and consolidate Reno de Medici’s position as the number two manufacturer of recycled boxboard in Europe, while strengthening its competitive position in Spain and the surrounding markets.

MARIO PLOURDE
President and Chief Executive Officer
November 11, 2020

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]	Q3 2020 Sales[2] (in $M)	Q3 2020 Operating Income Before Depreciation and Amortization (OIBD)[2] (in $M)	Q3 2020 Adjusted OIBD[2,4] (in $M)	Q3 2020 Adjusted OIBD Margin[2,4] (%)
PACKAGING PRODUCTS					
Containerboard	26	506	101	100	19.8 %
Boxboard Europe[3]	7	261	31	29	11.1 %
Specialty Products	18	117	16	16	13.7 %
TISSUE PAPERS	19	364	25	36	9.9 %

BUSINESS DRIVERS

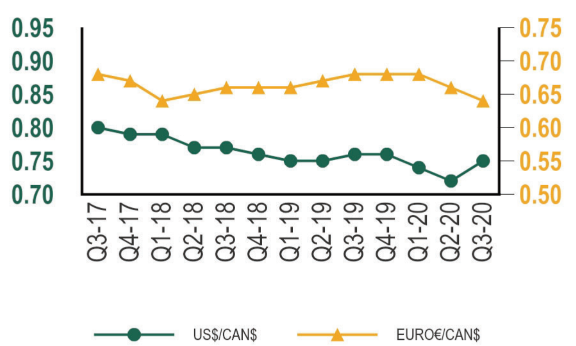
Cascades' results may be impacted by fluctuations in the following areas:

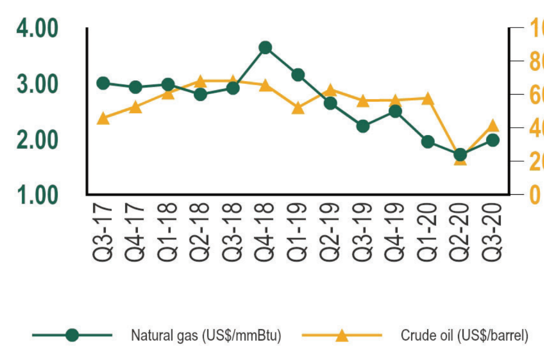
EXCHANGE RATES

Sequentially, the average value of the Canadian dollar increased by 4% compared to the US dollar and decreased by 3% compared to the euro in the third quarter of 2020. On a year-over-year basis, the average value of the Canadian dollar decreased by 1% compared to the US dollar and decreased by 6% compared to the euro.

ENERGY COSTS

During the quarter, the average price of natural gas increased by 15% sequentially and decreased by 11% compared to the same period of last year. In the case of crude oil, the average price increased by 92% sequentially and decreased by 26% compared to the same period of last year.





	2018					2019					**2020**			
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**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**	**$ 0.75**	**$ 0.74**
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**	**$ 0.75**	**$ 0.75**
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**	**$ 0.64**	**$ 0.66**
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**	**$ 0.64**	**$ 0.64**
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**	**$ 1.98**	**$ 1.88**

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	Q3 2020 vs. Q3 2019		Q3 2020 vs. Q2 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**	**Q3**	**Change**	**%**	**Change**	**%**
Selling prices (average)													
PACKAGING PRODUCTS													
Containerboard (US$/short ton)													
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	747	752	735	725	725	734	**715**	**715**	**715**	**(10)**	**(1)%**	**—**	**—**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	662	650	640	630	630	638	**615**	**615**	**615**	**(15)**	**(2)%**	**—**	**—**
Boxboard Europe (euro/metric ton)													
Recycled white-lined chipboard (WLC) index[1]	674	672	672	672	669	671	**653**	**661**	**665**	**(7)**	**(1)%**	**4**	**1 %**
Virgin coated duplex boxboard (FBB) index[2]	1,072	1,117	1,117	1,117	1,115	1,117	**1,099**	**1,096**	**1,095**	**(22)**	**(2)%**	**(1)**	**—**
Specialty Products (US$/short ton)													
Uncoated recycled boxboard - 20-pt. bending chip (series B)	696	730	730	730	730	730	**710**	**700**	**700**	**(30)**	**(4)%**	**—**	**—**
TISSUE PAPERS (US$/short ton)													
Parent rolls, recycled fibres (transaction)	1,093	1,151	1,164	1,143	1,109	1,142	**1,111**	**1,138**	**1,123**	**(20)**	**(2)%**	**(15)**	**(1)%**
Parent rolls, virgin fibres (transaction)	1,395	1,441	1,444	1,420	1,411	1,429	**1,416**	**1,445**	**1,427**	**7**	**—**	**(18)**	**(1)%**
Raw material prices (average)													
RECYCLED PAPER													
North America (US$/short ton)													
Sorted residential papers, No. 56 (SRP - Northeast average)	36	24	16	10	8	15	**8**	**18**	**30**	**20**	**200 %**	**12**	**67 %**
Old corrugated containers, No. 11 (OCC - Northeast average)	74	61	40	33	30	41	**36**	**94**	**58**	**25**	**76 %**	**(36)**	**(38)%**
Sorted office papers, No. 37 (SOP - Northeast average)	193	183	140	101	88	128	**89**	**160**	**109**	**8**	**8 %**	**(51)**	**(32)%**
Europe (euro/metric ton)													
Recovered paper index[3]	105	96	87	71	49	76	**33**	**82**	**56**	**(15)**	**(21)%**	**(26)**	**(32)%**
VIRGIN PULP (US$/metric ton)													
Northern bleached softwood kraft, Canada	1,342	1,380	1,292	1,170	1,115	1,239	**1,127**	**1,158**	**1,140**	**(30)**	**(3)%**	**(18)**	**(2)%**
Bleached hardwood kraft, mixed, Canada/US	1,152	1,180	1,100	970	893	1,036	**890**	**897**	**875**	**(95)**	**(10)%**	**(22)**	**(2)%**

Source: RISI and Cascades.

1 The Cascades Recycled White-Lined Chipboard Selling Price Index is based on published indexes and represents an approximation of Cascades' recycled-grade selling prices in Europe. It is weighted by country and has been rebalanced as at January 1, 2018.

2 The Cascades Virgin Coated Duplex Boxboard Selling Price Index is based on published indexes and represents an approximation of Cascades' virgin-grade selling prices in Europe. It is weighted by country and has been rebalanced as at January 1, 2018.

3 The Cascades Recovered Paper Index is based on published indexes and represents an approximation of Cascades' recovered paper purchase prices in Europe. It is weighted by country, based on the recycled fibre supply mix, and has been rebalanced as at January 1, 2018.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

SPECIFIC ITEMS

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

They include, but are not limited to, charges for (reversals of) impairment of assets, restructuring gains or costs, loss on refinancing and repurchase of long-term debt, some deferred tax asset provisions or reversals, premiums paid on repurchase of long-term debt, gains or losses on the acquisition or sale of a business unit, gains or losses on the share of results of associates and joint ventures, unrealized gains or losses on derivative financial instruments that do not qualify for hedge accounting, unrealized gains or losses on interest rate swaps, 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 nine months of 2020 and 2019:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2020
In the third quarter, the Containerboard Packaging segment recorded a $5 million gain following the release of the escrow amount pertaining to the sale of a building in 2018 located in Maspeth, New York, USA.

In the third quarter, the Tissue Papers segment recorded a $2 million gain from the sale of assets of a closed plant.

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 years.

2019
In the third quarter, the Containerboard packaging segment recorded a $2 million gain from the sale of a building and piece of land of a closed plant.

In the third quarter, the Specialty Products segment concluded the sale of its France plant that converts cardboard into packaging for the paper industry and recorded a loss of $1 million.

In the third quarter, the Tissue Papers segment recorded a $25 million gain following the acquisition of Orchids Paper Products Company activities ("Orchids") (please refer to the "Business Highlights" section and Note 4 of the Unaudited Condensed Interim Consolidated Financial Statements of the third quarter of 2020 for more details). The Corporation also incurred, in Corporate Activities, transaction fees totaling $8 million ($4 million in the third quarter and $4 million in the second quarter) related to the acquisition.

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, 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, USA, was terminated by the lessee. As such, the Containerboard packaging segment recorded a gain of $10 million following the reversal of liabilities related to lease incentives to the lessee and to accrued carrying costs.

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

2020

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

In the third quarter, the Tissue Papers segment recorded an impairment charge of $13 million on the assets of certain plants' assets as their recoverable amount was lower than the carrying amount due to the current economic situation and the current declining demand in the Away-from-Home market due to the Covid-19 pandemic.

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

2019

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

The Specialty Products segment recorded $1 million of restructuring costs in the first quarter and a $1 million impairment charge in the third quarter stemming from the closure of its Trois-Rivières, Québec, Canada, 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, Canada, and changes in the segment's senior management.

DERIVATIVE FINANCIAL INSTRUMENTS

In the first nine months of 2020, the Corporation recorded an unrealized gain of $1 million (unrealized gain of $1 million in the third quarter), compared to an unrealized gain of $4 million (unrealized loss of $1 million in the third quarter) in the same period of 2019, on certain derivative financial instruments not designated for hedge accounting.

LOSS ON REPURCHASE OF LONG-TERM DEBT

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

INTEREST RATE SWAPS AND OPTION FAIR VALUE REVALUATION

In the first nine months of 2019, the Corporation recorded in line item “Interest expense on employee future benefits and other liabilities” an unrealized loss of $1 million (unrealized loss of $7 million in the third quarter of 2019) on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first nine months of 2020, the Corporation recorded a gain of $3 million (gain of $11 million in the third quarter) on its US$-denominated debt and related financial instruments, compared to a gain of $7 million (nil in the third quarter) in the same period of 2019. This is composed of a loss of $1 million in the first nine months of 2020 (gain of $2 million in the third quarter), compared to a gain of $4 million in the same period of 2019 (gain of $1 million in the third quarter), on our US$-denominated long-term debt, net of our net investment hedges in the US, as well as forward exchange contracts designated as hedging instruments. It also includes a gain of $4 million in the first nine months of 2020 (gain of $9 million in the third quarter), compared to a gain of $3 million in the same period of 2019 (loss of $1 million in the third quarter), on foreign exchange forward contracts not designated for hedge accounting.

PROVISION FOR (RECOVERY OF) INCOME TAXES

The Corporation reassessed the probability of recovering unrealized capital losses following the redemption of its US$ denominated debts, which resulted in the recognition of tax assets totalling $3 million, of which $2 million was recorded in results.

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 September 30, 2020					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	71	19	11	3	(31)	73
Depreciation and amortization	30	12	5	22	12	81
Operating income (loss) before depreciation and amortization	101	31	16	25	(19)	154
Specific items:						
Gain on acquisitions, disposals and others	(5)	—	—	(2)	—	(7)
Impairment charges	—	—	—	13	—	13
Restructuring costs	3	—	—	—	—	3
Unrealized loss (gain) on derivative financial instruments	1	(2)	—	—	—	(1)
	(1)	(2)	—	11	—	8
Adjusted operating income (loss) before depreciation and amortization	100	29	16	36	(19)	162
Adjusted operating income (loss)	70	17	11	14	(31)	81

	For the 3-month period ended September 30, 2019					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers[1]	Corporate Activities	Consolidated
Operating income (loss)	91	14	10	34	(41)	108
Depreciation and amortization	29	11	4	15	14	73
Operating income (loss) before depreciation and amortization	120	25	14	49	(27)	181
Specific items:						
Loss (gain) on acquisitions, disposals and others	(2)	—	1	(25)	4	(22)
Impairment charges	—	—	1	—	—	1
Unrealized loss on derivative financial instruments	—	—	—	—	1	1
	(2)	—	2	(25)	5	(20)
Adjusted operating income (loss) before depreciation and amortization	118	25	16	24	(22)	161
Adjusted operating income (loss)	89	14	12	9	(36)	88

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

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
						For the 9-month period ended September 30, 2020
Operating income (loss)	**199**	**69**	**30**	**62**	**(103)**	**257**
Depreciation and amortization	**87**	**35**	**13**	**56**	**36**	**227**
Operating income (loss) before depreciation and amortization	**286**	**104**	**43**	**118**	**(67)**	**484**
Specific items:						
Loss (gain) on acquisitions, disposals and others	**(5)**	**—**	**2**	**(2)**	**—**	**(5)**
Impairment charges	**8**	**—**	**—**	**18**	**—**	**26**
Restructuring costs	**4**	**—**	**—**	**1**	**—**	**5**
Unrealized loss (gain) on derivative financial instruments	**—**	**(2)**	**—**	**—**	**1**	**(1)**
	7	**(2)**	**2**	**17**	**1**	**25**
Adjusted operating income (loss) before depreciation and amortization	**293**	**102**	**45**	**135**	**(66)**	**509**
Adjusted operating income (loss)	**206**	**67**	**32**	**79**	**(102)**	**282**

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers[1]	Corporate Activities	Consolidated
						For the 9-month period ended September 30, 2019
Operating income (loss)	259	51	31	27	(106)	262
Depreciation and amortization	86	33	12	43	38	212
Operating income (loss) before depreciation and amortization	345	84	43	70	(68)	474
Specific items:						
Loss (gain) on acquisitions, disposals and others	(12)	—	1	(25)	7	(29)
Impairment charges	3	—	1	1	—	5
Restructuring costs	—	—	1	5	—	6
Unrealized gain on derivative financial instruments	(1)	—	—	—	(3)	(4)
	(10)	—	3	(19)	4	(22)
Adjusted operating income (loss) before depreciation and amortization	335	84	46	51	(64)	452
Adjusted operating income (loss)	249	51	34	8	(102)	240

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 September 30,		**For the 9-month periods ended September 30,**	
(in millions of Canadian dollars)	**2020**	2019[1]	**2020**	2019[1]
Net earnings attributable to Shareholders for the period	**49**	43	**125**	98
Net earnings attributable to non-controlling interests	**9**	7	**32**	25
Provision for (recovery of) income taxes	**(3)**	12	**24**	30
Share of results of associates and joint ventures	**(3)**	(2)	**(9)**	(6)
Foreign exchange gain on long-term debt and financial instruments	**(11)**	—	**(3)**	(7)
Financing expense and interest expense on employee future benefits and other liabilities and loss on repurchase of long-term debt	**32**	48	**88**	122
Operating income	**73**	108	**257**	262
Specific items:				
Gain on acquisitions, disposals and others	**(7)**	(22)	**(5)**	(29)
Impairment charges	**13**	1	**26**	5
Restructuring costs	**3**	—	**5**	6
Unrealized loss (gain) on derivative financial instruments	**(1)**	1	**(1)**	(4)
	8	(20)	**25**	(22)
Adjusted operating income	**81**	88	**282**	240
Depreciation and amortization	**81**	73	**227**	212
Adjusted operating income before depreciation and amortization	**162**	161	**509**	452

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

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

	NET EARNINGS				NET EARNINGS PER SHARE[1]			
	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,		For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars, except amount per share)	**2020**	2019[2]	**2020**	2019[2]	**2020**	2019[2]	**2020**	2019[2]
As per IFRS	**49**	43	**125**	98	**$ 0.51**	$ 0.45	**$ 1.32**	$ 1.04
Specific items:								
Gain on acquisitions, disposals and others	**(7)**	(22)	**(5)**	(29)	**$ (0.05)**	$ (0.24)	**$ (0.04)**	$ (0.32)
Impairment charges	**13**	1	**26**	5	**$ 0.10**	$ 0.01	**$ 0.20**	$ 0.04
Restructuring costs	**3**	—	**5**	6	**$ 0.03**	—	**$ 0.05**	$ 0.05
Unrealized loss (gain) on derivative financial instruments	**(1)**	1	**(1)**	(4)	**—**	$ 0.01	**—**	$ (0.03)
Loss on repurchase of long-term debt	**6**	—	**6**	—	**$ 0.05**	—	**$ 0.05**	—
Unrealized loss on interest rate swaps and option fair value	**—**	7	**—**	1	**—**	$ 0.07	**—**	$ 0.01
Foreign exchange gain on long-term debt and financial instruments	**(11)**	—	**(3)**	(7)	**$ (0.12)**	—	**$ (0.03)**	$ (0.07)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**(4)**	(2)	**(8)**	(3)	**$ (0.02)**	—	**$ (0.02)**	—
	(1)	(15)	**20**	(31)	**$ (0.01)**	$ (0.15)	**$ 0.21**	$ (0.32)
Adjusted	**48**	28	**145**	67	**$ 0.50**	$ 0.30	**$ 1.53**	$ 0.72

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

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

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

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars)	**2020**	2019[1]	**2020**	2019[1]
Cash flow from operating activities	**136**	157	**383**	297
Changes in non-cash working capital components	**(30)**	(53)	**38**	13
Depreciation and amortization	**(81)**	(73)	**(227)**	(212)
Net income taxes paid (received)	**1**	12	**(1)**	14
Net financing expense paid	**49**	42	**73**	101
Premium paid on repurchase of long-term debt	**4**	—	**4**	—
Gain on acquisitions, disposals and others	**7**	26	**5**	32
Impairment charges and restructuring costs	**(16)**	(1)	**(31)**	(6)
Unrealized gain (loss) on derivative financial instruments	**1**	(1)	**1**	4
Dividend received, employee future benefits and others	**2**	(1)	**12**	19
Operating income	**73**	108	**257**	262
Depreciation and amortization	**81**	73	**227**	212
Operating income before depreciation and amortization	**154**	181	**484**	474

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

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

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars, except amount per share or as otherwise mentioned)	**2020**	2019	**2020**	2019
Cash flow from operating activities	**136**	157	**383**	297
Changes in non-cash working capital components	**(30)**	(53)	**38**	13
Cash flow from operating activities (excluding changes in non-cash working capital components)	**106**	104	**421**	310
Specific items paid	**9**	4	**9**	8
Adjusted cash flow from operating activities	**115**	108	**430**	318
Capital expenditures, other assets[1] and right-of-use assets payments, net of disposals of $7 million for 3-month period (2019 — $19 million) and $9 million for 9-month period (2019 — $21 million)	**(60)**	(58)	**(195)**	(198)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(11)**	(12)	**(35)**	(29)
Adjusted free cash flow	**44**	38	**200**	91
Adjusted free cash flow per share	**$ 0.46**	$ 0.40	**$ 2.11**	$ 0.97
Weighted average basic number of shares outstanding	**95,019,694**	93,860,367	**94,577,538**	93,886,909

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)	**September 30, 2020**	December 31, 2019
Long-term debt	**1,947**	2,022
Current portion of long-term debt	**253**	85
Bank loans and advances	**9**	11
Total debt	**2,209**	2,118
Less: Cash and cash equivalents	**227**	155
Net debt	**1,982**	1,963
Adjusted OIBD (last twelve months)	**661**	604
Net debt / Adjusted OIBD	**3.0x**	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 a more favourable average selling price and sales mix in the Tissue Papers 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, or 17%, to $550 million in 2019[2]. This largely reflects strong year-over-year improved results in the Tissue Papers segment that were driven by a 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 a 2018 acquisition, and a 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 NINE MONTHS OF 2020

Results for the first nine months of 2020 reflect strong sales driven mostly by increased demand in the Tissue Papers consumer products and overall packaging solutions which is partly attributable to Covid-19. Favourable exchange rates, lower raw material costs for the Boxboard Europe segment, lower energy and production costs and research and development (R&D) tax credits all contributed to better performance. However, these were partly offset by lower average selling prices and higher raw material costs in North America.

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 nine months of 2020, the Corporation recorded an $8 million (nil in the third quarter) expected credit loss provision on accounts receivable due to the high level of uncertainty and credit risk.

For the 3-month period ended September 30, 2020, sales increased by $11 million, or 1%, to reach $1,275 million, compared to $1,264 million in the same period of 2019. The Corporation recorded an operating income before depreciation and amortization of $154 million during the period, compared to $181 million in the same period of 2019[2]. On an adjusted basis[1], operating income before depreciation and amortization stood at $162 million, compared to $161 million last year.

For the 9-month period ended September 30, 2020, sales increased by $104 million, or 3%, to reach $3,873 million, compared to $3,769 million in the same period of 2019. The Corporation recorded an operating income before depreciation and amortization of $484 million during the period, compared to $474 million in the same period of 2019[2]. On an adjusted basis[1], operating income before depreciation and amortization stood at $509 million, compared to $452 million last year.

For the 3-month period ended September 30, 2020, the Corporation posted net earnings of $49 million, or $0.51 per share, compared to net earnings of $43 million, or $0.45 per share, in the same period of 2019[2]. On an adjusted basis[1], the Corporation generated net earnings of $48 million in the third quarter of 2020, or $0.50 per share, compared to net earnings of $28 million, or $0.30 per share, in the same period of 2019.

For the 9-month period ended September 30, 2020, the Corporation posted net earnings of $125 million, or $1.32 per share, compared to net earnings of $98 million, or $1.04 per share, in the same period of 2019[2]. On an adjusted basis[1], the Corporation generated net earnings of $145 million in the first nine months of 2020, or $1.53 per share, compared to net earnings of $67 million, or $0.72 per share, in the same period of 2019.

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

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

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**	**Q3**	**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**	**411**	**1,145**	***1,510***
Boxboard Europe	298	276	259	292	1,125	333	331	321	305	1,290	**351**	**326**	**316**	**993**	***1,298***
	650	661	629	660	2,600	675	694	698	670	2,737	**725**	**686**	**727**	**2,138**	***2,808***
Tissue Papers	149	163	164	149	625	146	155	161	167	629	**181**	**167**	**144**	**492**	***659***
Total	799	824	793	809	3,225	821	849	859	837	3,366	**906**	**853**	**871**	**2,630**	***3,467***
Integration rate[2]															
Containerboard	56%	56%	56%	58%	57%	59%	59%	58%	58%	58%	**57%**	**57%**	**53%**	**56%**	***56%***
Tissue Papers	67%	68%	71%	75%	70%	76%	77%	76%	75%	76%	**73%**	**70%**	**70%**	**72%**	***72%***
Manufacturing capacity utilization rate[3]															
Packaging Products															
Containerboard	89%	100%	92%	93%	93%	88%	91%	94%	92%	91%	**98%**	**92%**	**98%**	**96%**	***95%***
Boxboard Europe	103%	96%	90%	90%	94%	96%	95%	93%	88%	93%	**101%**	**94%**	**91%**	**95%**	***94%***
Tissue Papers	88%	92%	92%	87%	90%	87%	92%	93%	84%	88%	**88%**	**87%**	**73%**	**82%**	***83%***
Consolidated total	94%	97%	91%	90%	93%	91%	93%	93%	90%	92%	**97%**	**92%**	**91%**	**93%**	***93%***
FINANCIAL															
Return on assets[4]															
Packaging Products															
Containerboard	14%	16%	18%	20%	20%	20%	20%	20%	20%	20%	**20%**	**19%**	**18%**	**18%**	
Boxboard Europe	14%	15%	16%	15%	15%	15%	14%	14%	15%	15%	**15%**	**17%**	**18%**	**18%**	
Specialty Products	15%	14%	15%	11%	11%	13%	16%	21%	21%	21%	**20%**	**20%**	**20%**	**20%**	
Tissue Papers	9%	6%	4%	2%	2%	1%	2%	4%	7%	7%	**9%**	**12%**	**13%**	**13%**	
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%**	**12.8%**	**12.8%**	
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%**	**5.9%**	**5.9%**	
Working capital[6]															
In millions of $, at end of period	513	506	464	455	455	500	525	502	416	416	**488**	**494**	**465**	**465**	
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%**	**9.8%**	**9.8%**	

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 consolidated results and consolidated balance sheet have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 4 of the 2020 third 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**	**Q3**	**YEAR**	
Sales															
Packaging Products															
Containerboard	421	475	472	472	1,840	441	462	473	451	1,827	**458**	**454**	**506**	**1,418**	***1,869***
Boxboard Europe	246	232	210	245	933	279	270	256	243	1,048	**272**	**265**	**261**	**798**	***1,041***
Specialty Products	84	88	89	97	358	129	135	123	105	492	**113**	**120**	**117**	**350**	***455***
Inter-segment sales	(3)	(4)	(4)	(3)	(14)	(4)	(3)	(4)	(3)	(14)	**(3)**	**(5)**	**(4)**	**(12)**	***(15)***
	748	791	767	811	3,117	845	864	848	796	3,353	**840**	**834**	**880**	**2,554**	***3,350***
Tissue Papers	305	343	364	340	1,352	348	377	387	397	1,509	**446**	**424**	**364**	**1,234**	***1,631***
Inter-segment sales and Corporate Activities	45	46	44	45	180	37	34	29	34	134	**27**	**27**	**31**	**85**	***119***
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**	**1,275**	**3,873**	***5,100***
Operating income (loss)															
Packaging Products															
Containerboard	121	82	94	84	381	84	84	91	69	328	**74**	**54**	**71**	**199**	***268***
Boxboard Europe	19	22	10	11	62	18	19	14	(6)	45	**20**	**30**	**19**	**69**	***63***
Specialty Products	6	4	8	6	24	9	12	10	5	36	**8**	**11**	**11**	**30**	***35***
	146	108	112	101	467	111	115	115	68	409	**102**	**95**	**101**	**298**	***366***
Tissue Papers	(2)	(9)	(11)	(100)	(122)	(8)	1	34	(21)	6	**28**	**31**	**3**	**62**	***41***
Corporate Activities	(32)	(26)	(23)	(36)	(117)	(31)	(34)	(41)	(48)	(154)	**(40)**	**(32)**	**(31)**	**(103)**	***(151)***
Total	112	73	78	(35)	228	72	82	108	(1)	261	**90**	**94**	**73**	**257**	***256***
Adjusted OIBD[1]															
Packaging Products															
Containerboard	77	105	117	111	410	104	113	118	106	441	**99**	**94**	**100**	**293**	***399***
Boxboard Europe	28	30	19	20	97	29	30	25	24	108	**30**	**43**	**29**	**102**	***126***
Specialty Products	8	7	10	8	33	14	16	16	9	55	**12**	**17**	**16**	**45**	***54***
	113	142	146	139	540	147	159	159	139	604	**141**	**154**	**145**	**440**	***579***
Tissue Papers	13	7	5	(8)	17	9	18	24	35	86	**45**	**54**	**36**	**135**	***170***
Corporate Activities	(21)	(15)	(14)	(18)	(68)	(21)	(21)	(22)	(22)	(86)	**(25)**	**(22)**	**(19)**	**(66)**	***(88)***
Total	105	134	137	113	489	135	156	161	152	604	**161**	**186**	**162**	**509**	***661***
Net earnings (loss)	61	27	36	(67)	57	24	31	43	(26)	72	**22**	**54**	**49**	**125**	***99***
Adjusted[1]	12	29	38	—	79	13	26	28	29	96	**39**	**58**	**48**	**145**	***174***
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**	**$ 0.51**	**$ 1.32**	***$ 1.05***
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**	**$ 0.50**	**$ 1.30**	***$ 1.03***
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**	**$ 0.50**	**$ 1.53**	***$ 1.83***
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**	**106**	**421**	***512***
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**	**1,982**	**1,982**	

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

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

3 LTM (last twelve months).

BUSINESS HIGHLIGHTS

From time to time, the Corporation enters into transactions to optimize its asset base and streamline its cost structure. The following transactions should be taken into consideration when reviewing the overall and segmented analysis of the Corporation's 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 manufacturing plant of felt backing for flooring, located in Trois-Rivières, Québec.

TISSUE PAPERS

- On September 13, 2019, the Corporation completed 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 October 8, 2020, the Corporation announced that it will progressively and permanently close tissue production and converting operations at its Ransom and Pittston plants, located in Pennsylvania,in December 2020 and January 2021, respectively.
- On October 5, 2020, the Corporation announced plans to proceed with the strategic Bear Island mill conversion project located in Virginia. To finance the equity portion of the project, the Corporation entered into an agreement with underwriters pursuant to which the Corporation issued from treasury and the underwriters purchased on a bought deal basis 7,441,000 common shares at a price of $16.80 per common share for gross proceed of $125 million.
- On September 30, 2020, the Boxboard Europe segment, through its equity ownership in Reno de Medici S.p.A., announced that it had signed four preliminary agreements for the acquisition of 100% of the share capital of Papelera del Principado S.A. ("Paprinsa") and three smaller adjoining companies, in Spain. The deals cover the acquisition of one of the main European players of the coated chipboard industry.
- On August 17, 2020, the Corporation announced that it had completed its private offering of US$300 million aggregate principal amount of 5.375% senior notes due in 2028. The new notes were issued at a price of 104.25%, resulting in an effective yield of 4.69%. Transaction fees amounted to $4 million. The net proceed from the notes offering was used by the Corporation to redeem all of its outstanding 5.75% US$200 million senior notes due in 2023 and repay certain amounts outstanding under its revolving credit facility. The Corporation also paid $4 million of premium and wrote off $2 million of unamortized financing costs related to these notes.
- On July 28, 2020, the Corporation announced the closure of its Etobicoke, Ontario, 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 production capacity will be gradually redeployed to other units within the region.
- On May 26, 2020, the Corporation announced the closure of the Brown Containerboard Packaging facility located in Burlington, Ontario 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 produced a combined total volume of 9 million cases of tissue products. This volume is to 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 closures of these facilities were completed during the second quarter of 2020.
- On August 9, 2019, the Corporation announced that its quarterly dividend would be increased from $0.04 to $0.08 per share.
- On May 31, 2019, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million revolving credit facility. The amendment extends the term of the facility to July 2023. The financial conditions remain unchanged.

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

SALES

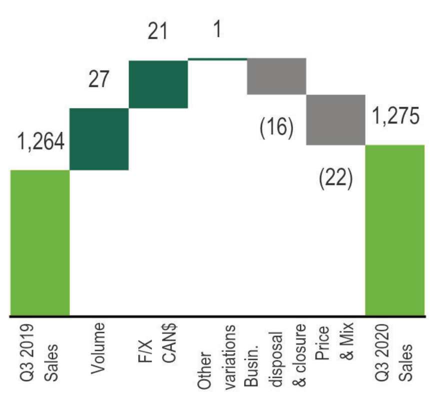
Sales of $1,275 million grew by $11 million, or 1%, compared with the same period last year. This reflected the volume-driven 6% consolidated increase in the Packaging Products segments and favourable foreign exchange impacts for all business segments, partially offset by lower average selling prices and/or a less favourable sales mix in Packaging Products business segments. Results in Tissue Papers benefited from improved pricing and mix, the effects of which were offset by a 6% decrease in sales caused by the contraction of the Away-from-Home market. Specialty Products year-over-year sales performance levels were negatively impacted due to the mill closure and business divestiture completed in 2019.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

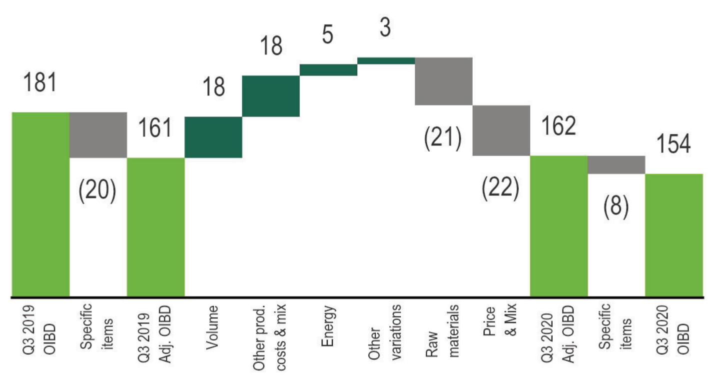
The Corporation generated an operating income before depreciation and amortization (OIBD) of $154 million in the third quarter of 2020, down from $181 million in the third quarter of 2019[2]. On an adjusted basis[1], third quarter OIBD totaled $162 million in the current period. This compares with the $161 million generated in the same period last year, an increase of $1 million, or 1%. The year-over-year increase in adjusted OIBD reflects increases of $12 million from Tissue, $4 million from Boxboard Europe, stable results from the Specialty Products segment and a better performance from Corporate Activities segment thanks to an improved recovery and recycling operations contribution as a result of higher raw material pricing. These benefits were partially offset by a decrease of $18 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 offset by lower production costs, lower energy costs, favourable foreign exchange impacts, the acquisition of Orchids in the third quarter of 2019 and R&D tax credits ($9 million) recorded in the current quarter.

The main variances in sales and operating income before depreciation and amortization in the third quarter of 2020, compared to the same period of 2019[2], 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 variations 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 sales and 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).

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

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

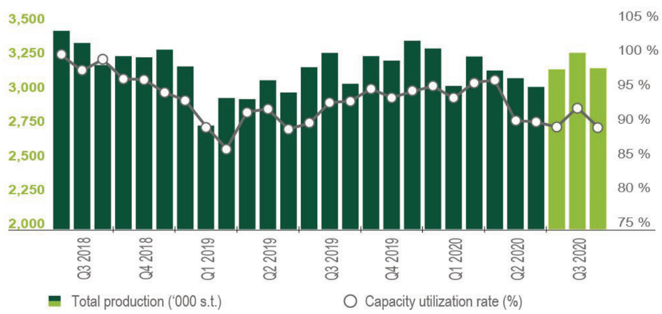
2 2019 third quarter consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 4 of the 2020 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

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

Total U.S. containerboard production amounted to 9.5 million short tons in the third quarter of 2020, a sequential increase of 4% and an increase of 1% year-over-over. The industry registered an average capacity utilization rate of 90% during the quarter.



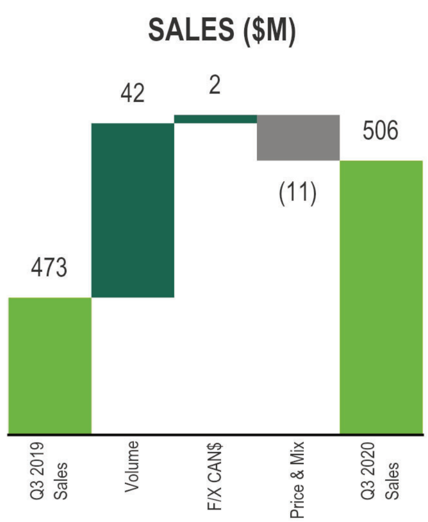
U.S. containerboard inventories at box plants and mills[2]

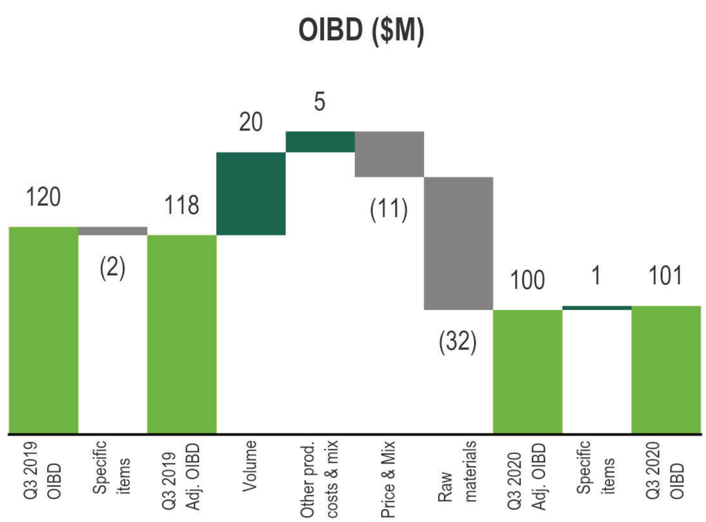
The average inventory level decreased 10% sequentially and decreased by 7% year-over-year during the third quarter of 2020. Inventory levels stood at approximately 2.3 million short tons at the end of September 2020, representing 3.4 weeks of supply.

1 Source: RISI
2 Source: Fibre Box Association

Our Performance

The main variances[2] in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the third quarter of 2020, compared to the same period of 2019, are shown below:





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

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.
2 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 September 30, 2020 and 2019" section for more details.

	Q3 2019	Q3 2020	Change in %
Shipments[2] ('000 s.t.)	377	411	9%
Average Selling Price (CAN$/unit)	1,254	1,233	-2%
Sales ($M)	473	506	7%
OIBD[1] ($M) (as reported)	120	101	-16%
% of sales	25%	20%	
(adjusted)[1]	118	100	-15%
% of sales	25%	20%	
Operating income ($M) (as reported)	91	71	-22%
(adjusted)[1]	89	70	-21%

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 3.7 billion square feet in the third quarter of 2020 compared to 3.4 billion square feet in the same period of 2019.

3 Including sales to other partners in Greenpac.

Shipments increased by 34,000 s.t., or 9%, in the third quarter of 2020 compared to the same period of 2019. This reflects an increase of 21,000 s.t., or 12%, in external shipments from our containerboard mills, where the manufacturing capacity utilization rate increased by 4%. Given the increased external sales, the mill integration rate decreased to 53% in the third quarter of 2020, from 58% in the same period of 2019. Including sales to other partners[3], the integration rate was 67% in the third quarter of 2020, compared with 71% last year. On the converting side, shipments increased by 6%. This outperformed the 4% increase in the US market and the 5% increase in the Canadian market.

The average Canadian dollar selling price decreased by 5% for parent rolls and by 1% for converted products. The 1% average depreciation of the Canadian dollar compared to the US dollar partly offset the negative impact on average selling prices.

Sales increased by $33 million, or 7%, compared to the same period of 2019. The less favorable average selling price and mix of products sold reduced sales by $11 million. This was offset by higher volumes, which added $42 million, and the 1% average depreciation of the Canadian dollar, which added an additional $2 million to sales.

Operating income before depreciation and amortization (OIBD) decreased by $19 million, or 16%, in the third quarter of 2020, compared to the same period of 2019. Excluding specific items[1] in both periods, the adjusted OIBD decreased by $18 million year-over-year, reflecting higher costs of brown recycled fibre grades, which subtracted $32 million from results, and a net negative impact of $11 million related to the average selling price and sales mix. These impacts were partly offset by a favourable volume impact of $20 million and a reduction of $5 million in operational costs, including R&D tax credits recorded in the quarter.

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

PACKAGING PRODUCTS - BOXBOARD EUROPE

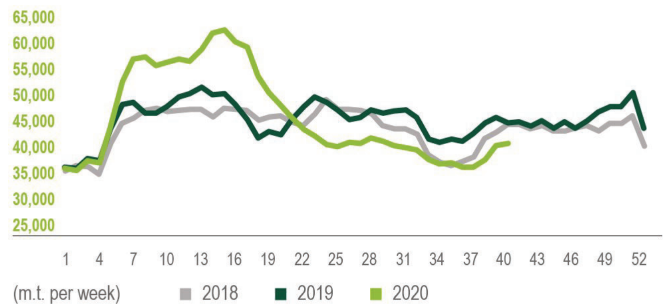
Our Industry

European industry order inflow of coated boxboard[1]

In Europe, order inflows of white-lined chipboard (WLC) totaled approximately 706,000 tonnes in the third quarter of 2020, a decrease of 7% and 22% 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 1% year-over-year. The folding boxboard (FBB) industry recorded order inflows of approximately 502,000 tonnes during the third quarter of 2020, representing a decrease of 13% sequentially and 22% 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)

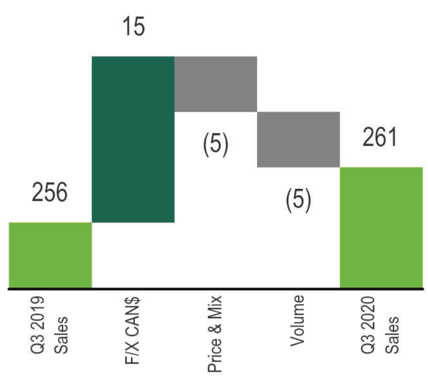


1 Source: CEPI Cartonboard

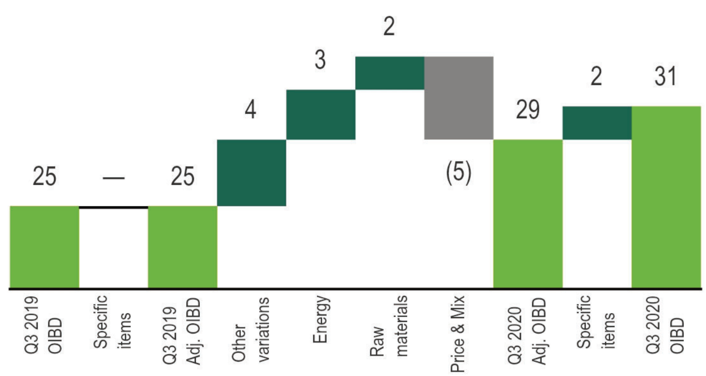
Our Performance

The main variances[2] in sales and operating income before depreciation and amortization for the Boxboard Europe segment in the third quarter of 2020, compared to the same period of 2019, are shown below:

SALES ($M)



OIBD ($M)



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

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.
2 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 September 30, 2020 and 2019" section for more details.

	Q3 2019	Q3 2020	Change in %
Shipments[2] ('000 s.t.)	321	316	-2%
Average Selling Price[3] (CAN$/unit)	754	792	5%
(euro€/unit)	514	509	-1%
Sales ($M)	256	261	2%
OIBD[1] ($M) (as reported)	25	31	24%
% of sales	10%	12%	
(adjusted)[1]	25	29	16%
% of sales	10%	11%	
Operating income ($M) (as reported)	14	19	36%
(adjusted)[1]	14	17	21%

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 7,000 s.t., or 3%, in the third quarter of 2020 compared to the same period of 2019. Shipments of virgin boxboard increased by 2,000 s.t., or 6%, while converted products shipments remained stable.

The average selling price decreased by 1% in euro year-over-year, but increased by 5% in Canadian dollar in line with the 6% average year-over-year depreciation of the Canadian dollar compared to the euro. Compared with the prior-year period, the average selling price of recycled boxboard decreased by €5, or 1% and the average selling price of virgin boxboard decreased by €24, or 3%.

The $5 million year-over-year increase in sales in the third quarter of 2020 reflects the 6% average year-over-year depreciation of the Canadian dollar compared to the euro, which benefited sales levels by $15 million. On the other hand, lower volumes and lower average selling price as stated above both reduced sales levels by $5 million each.

Operating income before depreciation and amortization (OIBD) increased by $6 million in the third quarter of 2020 compared to the same period of 2019. Excluding specific items[1], the $4 million increase is explained by lower energy costs, including energy tax credits received and lower production costs which contributed to the OIBD increase by $3 million and $4 million, respectively. Lower raw material costs of both recycled and virgin fibres also added $2 million to OIBD levels. On the other hand, lower average selling price partly offset the OIBD increase by $5 million.

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

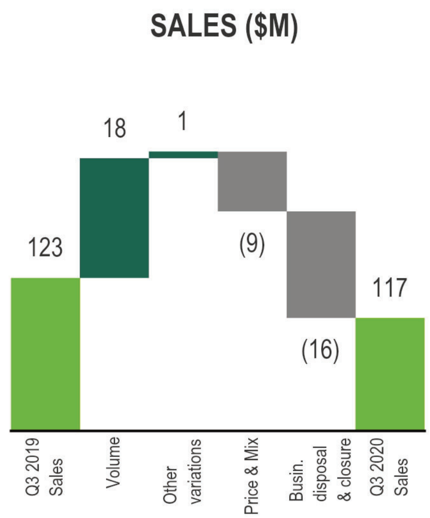
PACKAGING PRODUCTS - SPECIALTY PRODUCTS

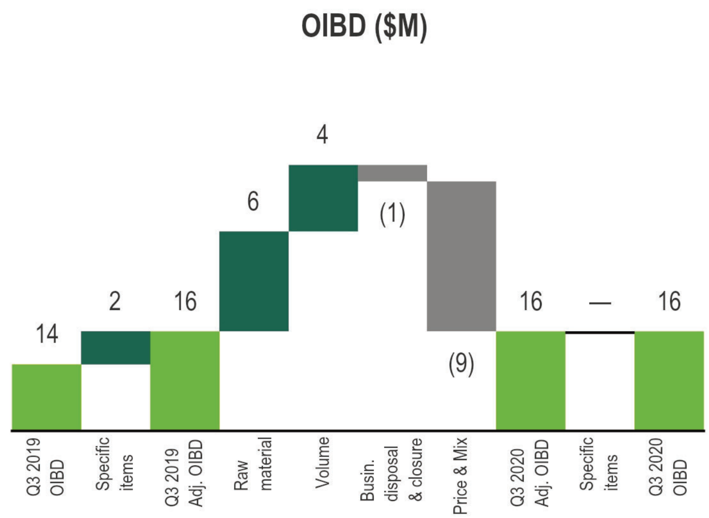
CHANGE IN SEGMENTED INFORMATION

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





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

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

2 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 September 30, 2020 and 2019" section for more details.

	Q3 2019	Q3 2020	Change in %
Sales ($M)	123	117	-5%
OIBD[1] ($M) (as reported)	14	16	14%
% of sales	11%	14%	
(adjusted)[1]	16	16	—
% of sales	13%	14%	
Operating income ($M) (as reported)	10	11	10%
(adjusted)[1]	12	11	-8%

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

Sales decreased by $6 million, or 5%, in the third quarter of 2020 compared with the comparable period of 2019. This was largely due to the $16 million year-over-year impact related to the divestiture of European activities, the effects of which were partly offset by increased volume in all packaging sub-segments, which contributed an additional $18 million to sales. The weaker Canadian dollar added $1 million to sales compared to the same period of 2019. On the other hand, the lower average selling price and sales mix reduced sales levels by $9 million.

Operating income before depreciation and amortization (OIBD) increased by $2 million in the third quarter of 2020 compared to the same period of 2019. Excluding specific items[1] in 2019, the adjusted OIBD remained stable. Lower raw material costs in all sub-segments, except in our industrial packaging and moulded pulp sub-segments, contributed $6 million to results, while higher volumes added an additional $4 million. These benefits were offset by the divestiture of the European activities and the closure of the vinyl backing felt mill in the second half of 2019 which, combined, subtracted $1 million from results. Also, the lower average selling price and changes in sales mix had a combined net negative impact of $9 million on results in the current period.

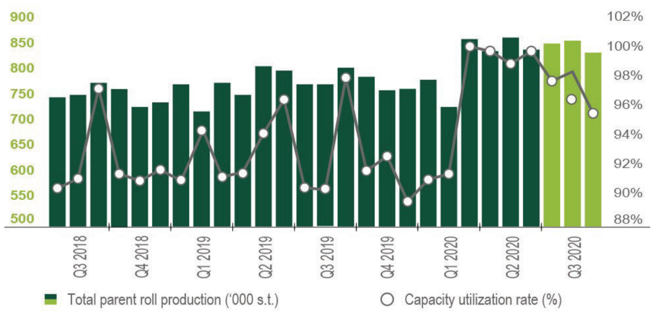
The segment incurred some specific items[1] in the third quarter of 2019 that affected OIBD[1].

TISSUE PAPERS

Our Industry

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

During the third quarter of 2020, parent roll production amounted to 2.5 million tons, stable sequentially and up by 8% compared to the same period last year with the Covid-19 pandemic related increase in demand. The average capacity utilization rate for the quarter stood at 97%, down by 2% sequentially and up by 4% compared to the third quarter of 2019.



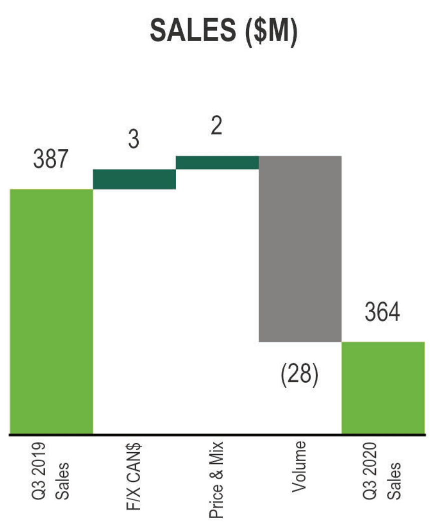
U.S. tissue paper industry converted product shipments[1]

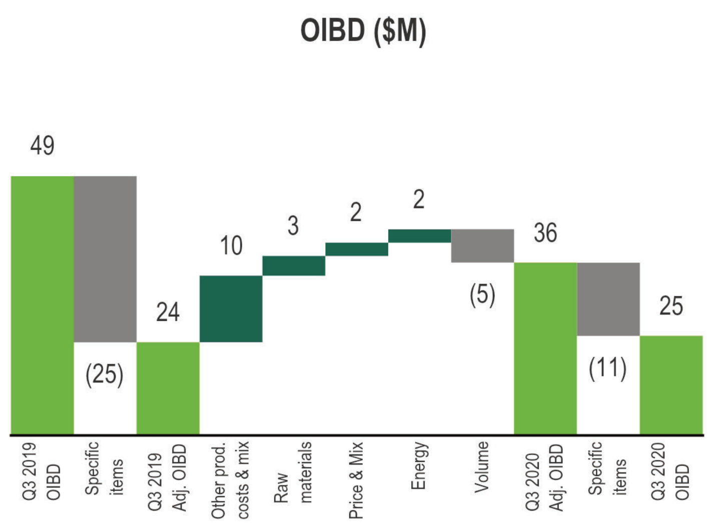
Shipments in the Away-from-Home market decreased by 6% sequentially and by 14% year-over-year in the third quarter of 2020. Shipments in the Retail market decreased by 7% compared to the previous quarter and rose by 11% versus the same period of 2019, amid the Covid-19 related demand.

1 Source: RISI

Our Performance

The main variances[2] in sales and operating income before depreciation and amortization for the Tissue Papers segment in the third quarter of 2020, compared to the same period of 2019[3], are shown below:





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

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

2 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 September 30, 2020 and 2019" section for more details.

3 2019 third quarter consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 4 of the 2020 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

	Q3 2019	Q3 2020	Change in %
Shipments[3] ('000 s.t.)	161	144	-11%
Average Selling Price (CAN$/unit)	2,410	2,524	5%
Sales ($M)	387	364	-6%
OIBD[1] [2] ($M) (as reported)	49	25	-49%
% of sales	13%	7%	
(adjusted)[1]	24	36	50%
% of sales	6%	10%	
Operating income[2] ($M) (as reported)	34	3	-91%
(adjusted)[1]	9	14	56%

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

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

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

External manufacturing shipments decreased by 6,000 s.t. or 16% year-over-year, in the third quarter of 2020. The integration rate of 70% in the current period was down from 76% in the same period of 2019 due to lower paper demand in the Away-from-Home market. Converted products shipments decreased by 11,000 s.t., or 9%, as the Covid-19 pandemic impacted the Away-from-Home market.

The 5% increase in the average selling price was mainly due to the more favourable mix of products sold and the price increases reflecting internal efforts on margin improvement. The 1% average depreciation of the Canadian dollar compared to the US dollar also contributed to the increase.

The 6% decrease in sales in the third quarter of 2020 was largely driven by lower volumes that subtracted $28 million from sales. This impact was partially offset by the 1% average depreciation of the Canadian dollar compared to the US dollar, which added $3 million, and the net impact of higher selling prices and customer and product mix, which added an additional $2 million to sales in the current period.

Operating income before depreciation and amortization (OIBD) decreased by $24 million, or 49% , in the third quarter of 2020, compared to the same period of 2019. Excluding specific items[1] in both periods, adjusted OIBD increased by $12 million, or 50%. This improvement reflects lower transportation costs, steps taken to control expenses and fixed costs that included plant closures in the second quarter of 2020, and R&D tax credits recorded in the current quarter, which had a combined favourable impact of $10 million. Lower raw material costs contributed $3 million to results. In addition, lower energy costs and the net impact of higher selling prices and customer and product mix added an additional $2 million each. These benefits were offset by lower volumes, which impacted results by $5 million.

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

CORPORATE ACTIVITIES

Corporate Activities incurred some specific items[1] in the third quarters of 2020 and 2019 that affected OIBD. These activities generated adjusted OIBD[1] loss of $19 million in the third quarter of 2020, compared to a loss of $22 million in the same period of 2019. The lower loss reflects better performance of our Recovery and Recycling activities as the market prices of recycled fibres improved. This favourable impact was partly offset by higher corporate costs in the current period that were related to our strategic initiatives to optimize our profitability through improvements in production efficiency, supply chain, sales and operation planning and net revenue management.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to $6 million in the first nine months of 2020 ($2 million in the third quarter), compared to $2 million in the same period of 2019 ($1 million in the third 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 $15 million to $227 million in the first nine months of 2020 ($81 million in the third quarter), compared to $212 million in the same period of 2019 ($73 million in the third 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 the review of some equipments useful life to a shorter period. Impairment charges recorded in 2019 and 2020 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 $82 million in the first nine months of 2020 ($26 million in the third quarter), compared to $122 million in the same period of 2019 ($48 million in the third quarter), a decrease of $40 million. The variance is mainly attributable to the 2019 first half fair value revaluation recognized on the CDPQ put option in Greenpac investment, which amounted to $42 million in the first nine months of 2019 ($15 million in the third quarter) due to Greenpac's improving financial performance during 2019.

LOSS ON REPURCHASE OF LONG-TERM DEBT

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

PROVISION FOR(RECOVERY OF) INCOME TAXES

In the first nine months of 2020, the Corporation recorded an income tax provision of $24 million, which compares to an income tax provision of $30 million in the same period of 2019.

The Corporation reassessed the probability of recovering unrealized capital losses following the redemption of its US$ denominated debts in the third quarter of 2020, which resulted in the recognition of tax assets totalling $3 million, of which $2 million was recorded in results.

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 nine months of 2020.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to $9 million ($3 million in the third quarter) in the first nine months of 2020 compared to $6 million ($2 million in the third 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 $383 million of liquidity in the first nine months of 2020 ($136 million generated in the third quarter), compared to $297 million generated in the same period of 2019 ($157 million generated in the third quarter). Changes in non-cash working capital components used $38 million of liquidity in the first nine months of 2020 ($30 million generated in the third quarter) versus $13 million used in the same period of 2019 ($53 million generated in the third quarter). Significant efforts have been deployed in accounts receivables and inventory management which have led to a working capital reduction in the third quarter of 2020. As at September 30, 2020, average LTM working capital as a percentage of LTM sales stood at 9.8%, compared to 10.1% as at December 31, 2019.

Cash flow from operating activities, excluding changes in non-cash working capital components, stood at $421 million in the first nine months of 2020 ($106 million in the third quarter), compared to $310 million in the same period of 2019 ($104 million in the third quarter). This cash flow measurement is relevant to the Corporation's ability to pursue its capital expenditure program and reduce its indebtedness.

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

Following the redemption of our unsecured 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 interest payment totaling $43 million on our unsecured senior notes was paid in July 2020.

The Corporation also received $1 million in income taxes refund in the first nine months of 2020, compared to $14 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 in the amount of $16 million made to CDPQ as its participation was considered as a liability for accounting purposes.

INVESTING ACTIVITIES

Investing activities used $161 million in the first nine months of 2020 ($44 million used in the third quarter), compared to $471 million used in the same period of 2019 ($339 million used in the third quarter). The 2019 investment activities include the $314 million related to the Orchids Paper Products acquisition concluded in September 2019.

DISPOSALS OF ASSOCIATES AND JOINT VENTURES

2020

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

2019

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

CHANGE IN INTANGIBLE AND OTHER ASSETS

2020

In the first nine months of 2020, the Corporation invested $6 million for its ERP information technology system and other software developments and $2 million for an additional participation in one of its equity investments.

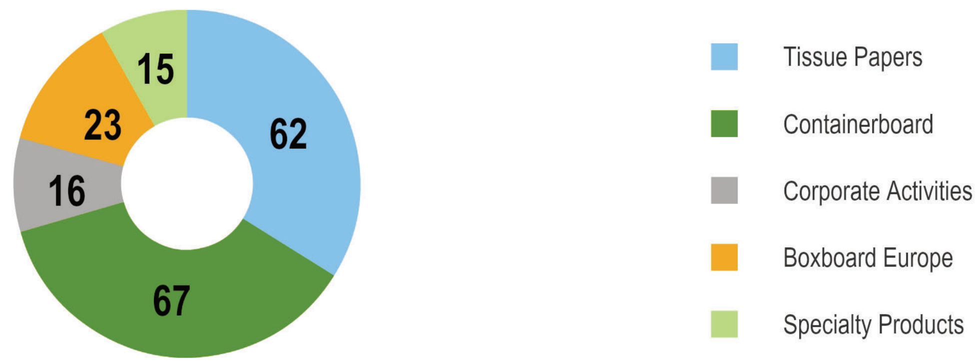
2019

In the first nine months of 2019, the Corporation invested $6 million for its ERP information technology system and other software development needed to support our business and received $3 million from a note receivable.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
(in millions of Canadian dollars)	**2020**	2019	**2020**	2019
Total acquisitions	**84**	82	**183**	221
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	**(9)**	(7)	**18**	6
Right-of-use assets acquisitions and acquisitions included in other debts	**(23)**	(9)	**(36)**	(42)
Payments for property, plant and equipment	**52**	66	**165**	185
Proceeds from disposals of property, plant and equipment	**(7)**	(19)	**(9)**	(21)
Payments for property, plant and equipment net of proceeds from disposals	**45**	47	**156**	164

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



The major capital projects that were initiated, are in progress or were completed in the first nine months 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, Québec, Canada, manufacturing mill.
- Bear Island assets in Virginia, USA for site preparation before conversion of equipment to containerboard manufacturing.
- Investment in a second semi-automatic laminator at our Schenectady, NY, USA converting plant to add capacity, reduce lead time on specialty products, improve customer experience and better serve the increasing demand for our industrial packaging strategic market in the US North East region.

SPECIALTY PRODUCTS

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

TISSUE PAPERS

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

PROCEEDS FROM DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

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

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

CASH PAID IN BUSINESS COMBINATIONS

2019

The Corporation acquired the activities of Orchids Paper Products Company, including a cash consideration of US$237 million ($314 million) (please refer to the “Business Highlights” section or Note 4 of the Unaudited Condensed Interim Consolidated Financial Statements of the third quarter of 2020 for more details).

PROCEEDS ON DISPOSALS OF A SUBSIDIARY, NET OF CASH DISPOSED

2019

In the third quarter, the Corporation sold its participation of 90% in Cascades Europe S.A.S., which owns Cascades Rollpack, a packaging manufacturer located in France for a total cash consideration of €7 million ($10 million) received at closing less cash disposed of €1 million ($1 million), for net proceeds of €6 million ($9 million).

FINANCING ACTIVITIES

Financing activities, including $22 million of dividend payments to the Corporation's shareholders, debt repayment and the change in our revolving facility, used $155 million in liquidity in the first nine months of 2020 ($26 million used in the third quarter), compared to $195 million generated in the same period of 2019 ($224 million generated in the third quarter). The Corporation purchased 445,354 shares for cancellation at an average price of $11.53 for $5 million in the first nine months of 2020. The Corporation issued 1,225,489 shares at an average price of $5.89 as a result of the exercise of stock options in 2020, representing an aggregate amount of $7 million. 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 $13 million in the first nine months of 2020. These payments are the result of dividends paid to the non-controlling shareholders of Greenpac and/or Reno de Medici. In the first nine months of 2020, the Corporation also received $1 million from the settlement of derivative financial instruments.

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

Issuance proceed was used as follows:

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

CONSOLIDATED FINANCIAL POSITION

AS AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

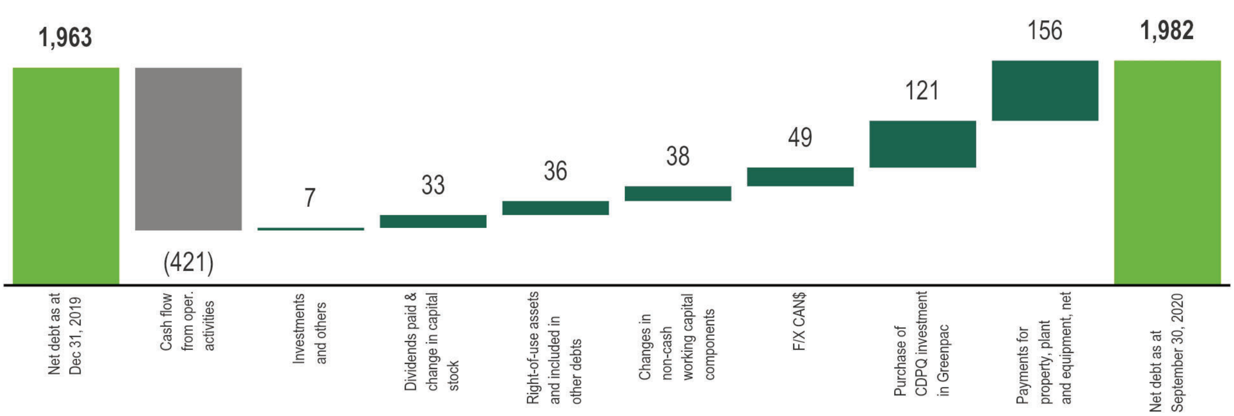
The Corporation's financial position and ratios are as follows:

(in millions of Canadian dollars, unless otherwise noted)	September 30, 2020	December 31, 2019
Cash and cash equivalents	227	155
Working capital[1]	465	416
As a percentage of sales[2]	9.8%	10.1%
Total assets	5,343	5,184
Total debt[3]	2,209	2,118
Net debt[3] (total debt less cash and cash equivalents)	1,982	1,963
Equity attributable to Shareholders	1,590	1,492
Non-controlling interests	207	177
Total equity	1,797	1,669
Total equity and net debt	3,779	3,632
Ratio of net debt/(total equity and net debt)	52.4%	54.0%
Shareholders' equity per share (in dollars)	$ 16.73	$ 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 nine months of 2020 are shown below (in millions of dollars), with the applicable financial ratios included.



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

604	Adjusted OIBD[1] (last twelve months)	**661**
3.25x	Net debt/Adjusted OIBD[1]	**3.0x**

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

Liquidity available via the Corporation's credit facilities, cash and cash equivalent balance and the anticipated cash flow generated by its operating activities are expected to provide sufficient funds to meet our financial obligations and to fulfill our capital expenditure program for at least the next twelve months. As at September 30, 2020, the Corporation had $690 million (net of letters of credit in the amount of $13 million) available on its $750 million credit facility (excluding the credit facilities of our subsidiaries Greenpac and Reno de Medici). Cash and cash equivalents as at September 30, 2020 are comprised as follows: $94 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and $133 million in unrestricted subsidiaries, mainly Greenpac and Reno de Medici.

NEAR-TERM OUTLOOK

In light of ongoing ambiguity related to the pandemic, we are cautiously optimistic regarding our performance in the near-term. Demand dynamics in containerboard remain strong, with results expected to also benefit from the announced US$50/st price increase beginning in the fourth quarter. In Tissue, usual seasonal softness in the fourth quarter and Covid-19 driven demand contraction in the Away-from-Home product categories are expected to translate into weaker sequential performance. Ongoing modernization initiatives in this business, which include the integration of the Orchids assets and final investments in state-of-the-art converting equipment, are delivering targeted returns and will generate increasing benefits as implementation costs trend down. Near-term performance in Specialty Products is forecasted to remain solid, supported by continued strong demand trends for consumer food packaging, while sequential results in European Boxboard are expected to decrease slightly as a result of lack of certainty regarding volume and less favourable mix of products. On a consolidated basis, raw material costs are expected to continue to be favourable for our businesses. Looking ahead, results are projected to benefit from a margin improvement initiative started earlier this year that is expected to generate a 1% annual increase in our consolidated OIBD margin for the next two years. Given persistent uncertainty around Covid-19, we remain focused on the health and safety of our employees and working with our customers to ensure that their needs and expectations for our essential packaging and tissue products are not only met but surpassed. Cash flow management supported by operational flexibility, resilience and execution remain the top priorities for Cascades' management team, and will continue to be essential to successfully navigate the current unusual and less predictable environment.

CAPITAL STOCK INFORMATION

SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol "CAS". From January 1, 2020 to September 30, 2020, Cascades' share price fluctuated between $10.17 and $16.84. During the same period, 51.2 million Cascades shares were traded on the Toronto Stock Exchange. On September 30, 2020, Cascades shares closed at $16.84. This compares with a closing price of $11.58 on the same closing day last year.

SHARES OUTSTANDING

As at September 30, 2020, the Corporation's issued and outstanding capital stock consisted of 95,025,430 shares (94,245,295 as at December 31, 2019) and 2,433,713 issued and outstanding stock options (3,476,296 as at December 31, 2019). In 2020, the Corporation purchased 445,354 shares for cancellation, while 1,225,489 stock options were exercised, 184,193 stocks options were granted and 1,287 stock options were forfeited.

On October 5, 2020, the Corporation entered into an agreement with underwriters pursuant to which the Corporation issued from treasury, and the underwriters purchased on a bought deal basis 7,441,000 common shares at a price of $16.80 per common share for a gross proceed of $125 million. The transaction closed on October 22, 2020.

As at November 11, 2020, issued and outstanding capital stock consisted of 102,466,430 shares and 2,433,090 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 November 11, 2020, the Corporation purchased 89,500 shares for cancellation.

DIVIDEND POLICY

On November 11, 2020, Cascades' Board of Directors declared a quarterly dividend of $0.08 per share to be paid on December 3, 2020 to shareholders of record at the close of business on November 20, 2020. On November 11, 2020, dividend yield was 2.1%.

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

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 SEPTEMBER 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. 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 September 30, 2020.

The ICFR was designed to provide reasonable assurance that the financial information presented is reliable and that the financial statements were prepared according to the IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have evaluated the effectiveness of the ICFR as at September 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 September 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.

Apart from the Covid-19 risk described below, the information on business risks and enterprise risk management remains substantially unchanged. 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.

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

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

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

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

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

APPENDIX

INFORMATION FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

FINANCIAL RESULTS FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2020, AND 2019

SALES

Sales increased by $104 million, or 3%, to $3,873 million in the first nine months of 2020, compared with $3,769 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 Euro and US dollar was also beneficial. These benefits were partially offset by lower average selling prices and/or less favourable sales mix in Packaging Products business segments. In Specialty Products year-over-year sales performance levels were nonetheless negatively impacted as a result of the mill closure and business divestiture completed in 2019.

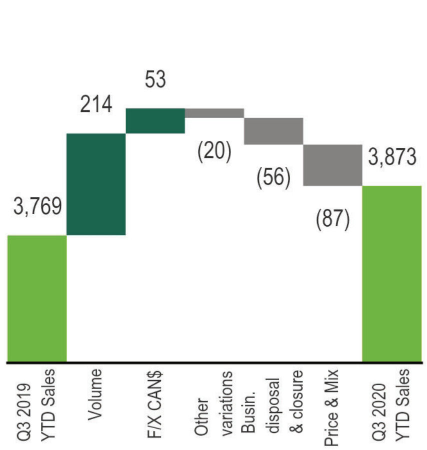
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an OIBD of $484 million in the first nine months of 2020, compared with $474 million in the same period of 2019[3], an increase of $10 million. Specific items[1] recorded in both periods impacted the OIBD by a variance of $47 million. Excluding specific items, the $57 million adjusted OIBD increase is mainly explained by the higher volumes and by lower production and energy costs. Conversely, lower average selling prices and sales mix had a negative impact on the 2020 OIBD levels. Higher average raw material prices negatively impacted margins in the first nine months of 2020 compared to the comparable period of 2019. Also, R&D tax credits ($18 million) and an expected credit loss for accounts receivable of $8 million related to Covid-19 had a negative impact on the 2020 OIBD levels in the first nine months of 2020.

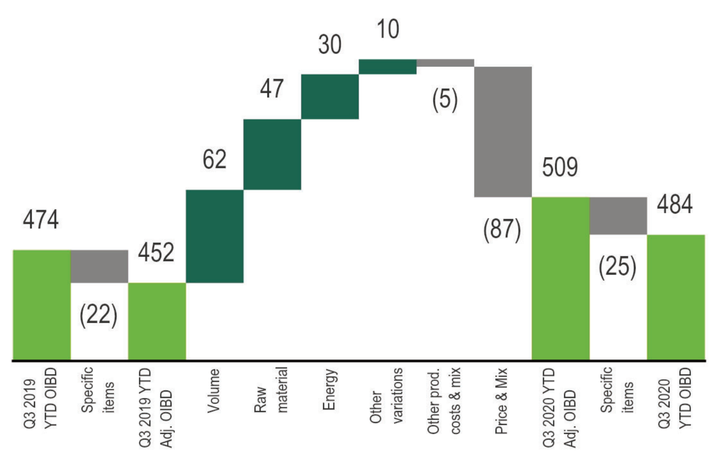
Adjusted OIBD[1] was $509 million in the first nine months of 2020, compared with $452 million in the same period of 2019.

The main variances[2] in sales and operating income before depreciation and amortization in the first nine months of 2020, compared with the same period of 2019[3], 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 nine months of 2020 and 2019 that adversely or positively affected its operating results[1].

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

2 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 September 30, 2020 and 2019" section for more details.

3 2019 third quarter consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 4 of the 2020 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

APPENDIX (CONTINUED)
INFORMATION FOR THE 9-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

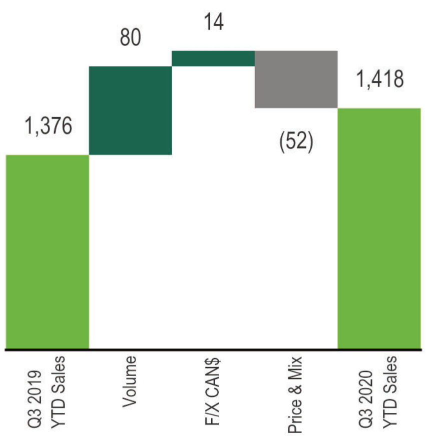
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

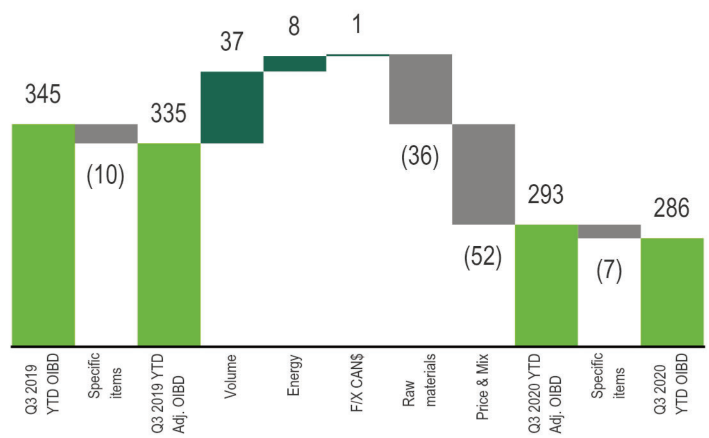
Our Performance (Q3 2019 YTD vs. Q3 2020 YTD)

The main variances[2] in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the first nine months 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 nine months of 2020 and 2019 that adversely or positively affected its operating results[1].

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

2 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 September 30, 2020 and 2019" section for more details.

	Q3 2019 YTD	Q3 2020 YTD	Change in %
Shipments[2] ('000 s.t.)	1,082	1,145	6%
Average Selling Price (CAN$/unit)	1,272	1,239	-3%
Sales ($M)	1,376	1,418	3%
OIBD[1] ($M) (as reported)	345	286	-17%
% of sales	25%	20%	
(adjusted)[1]	335	293	-13%
% of sales	24%	21%	
Operating income ($M) (as reported)	259	199	-23%
(adjusted)[1]	249	206	-17%

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 10.3 billion square feet in the first nine months of 2020 compared to 9.8 billion square feet in the same period of 2019.

3 Including sales to other partners in Greenpac.

Shipments increased by 63,000 s.t., or 6%, in the first nine months of 2020 compared to the same period of 2019. This reflects a 42,000 s.t., or 8% increase in external shipments from our containerboard mills due to higher market demand in the current period and a 5% increase in the capacity utilization rate. Consequently, the mill integration rate decreased by 56% in the first nine months of 2020, compared with 58% in the last year. Including sales to other partners[3], the integration rate was 69% in the first nine months of 2020, down slightly from 71% during the same period last year. On the converting side, shipments increased by 5%. This outperformed the Canadian and US markets which both increased by 2%.

The average selling price denominated in Canadian dollars decreased by 5% 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 $42 million, or 3%, compared with the first nine months of 2019. Higher volume added $80 million to sales, while the 2% average depreciation of the Canadian dollar added $14 million. These benefits were partly offset by a less favourable mix of products sold and a lower average selling price which had a combined negative impact of $52 million.

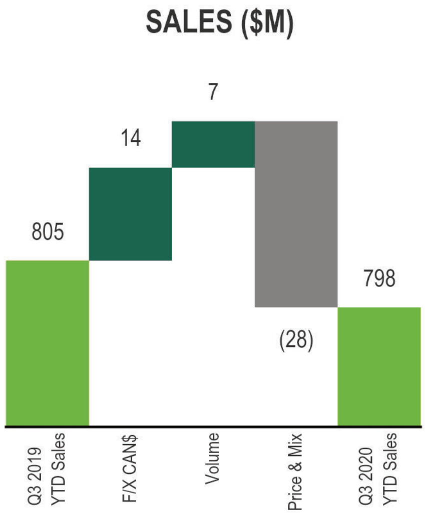
Operating income before depreciation and amortization (OIBD) decreased by $59 million, or 17% during the first nine months of 2020 compared with the same period of 2019. Excluding specific items[1] in both periods, the $42 million decrease reflects a lower average selling price and less favourable mix of products sold, which had a combined negative impact of $52 million. Higher costs of brown recycled fibre grades subtracted a further $36 million. Conversely, the 2% average depreciation of the Canadian dollar benefited results by $1 million while higher volume and lower energy costs added $37 million and $8 million to our results, respectively.

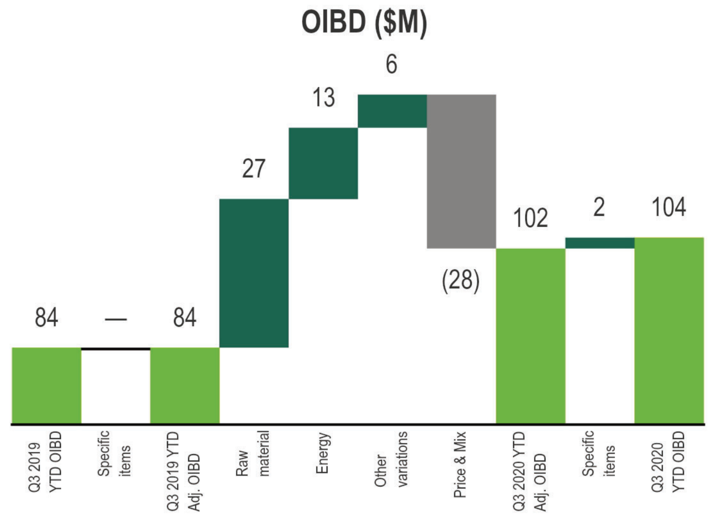
The segment incurred some specific items[1] in the first nine months of 2020 and 2019 that affected OIBD[1].

PACKAGING PRODUCTS - BOXBOARD EUROPE

Our Performance (Q3 2019 YTD vs. Q3 2020 YTD)

The main variances[2] in sales and operating income before depreciation and amortization for the Boxboard Europe segment in the first nine months of 2020, compared with the same period of 2019, are shown below:





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

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

2 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 September 30, 2020 and 2019" section for more details.

	Q3 2019 YTD	Q3 2020 YTD	Change in %
Shipments[2] ('000 s.t.)	985	993	1%
Average Selling Price[3] (CAN$/unit)	778	773	-1%
(euro€/unit)	521	508	-2%
Sales ($M)	805	798	-1%
OIBD[1] ($M) (as reported)	84	104	24%
% of sales	10%	13%	
(adjusted)[1]	84	102	21%
% of sales	10%	13%	
Operating income ($M) (as reported)	51	69	35%
(adjusted)[1]	51	67	31%

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 2,000 s.t., or 2%, in the first nine months of 2020 compared to the same period of 2019. Shipments of virgin boxboard increased by 8,000 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 €12, or 3%, while the average selling price of virgin boxboard decreased by €19, or 2%. The 2% average depreciation of the Canadian dollar against the euro partly offset the decrease in the average selling price in Canadian dollars.

The $7 million year-over-year decrease in sales in the first nine months of 2020 reflects the lower average selling prices, which impacted sales by $28 million. Offsetting this were the 2% average depreciation of the Canadian dollar compared to the euro, which contributed $14 million and higher volumes, which added a further $7 million to sales in the first nine months of 2020.

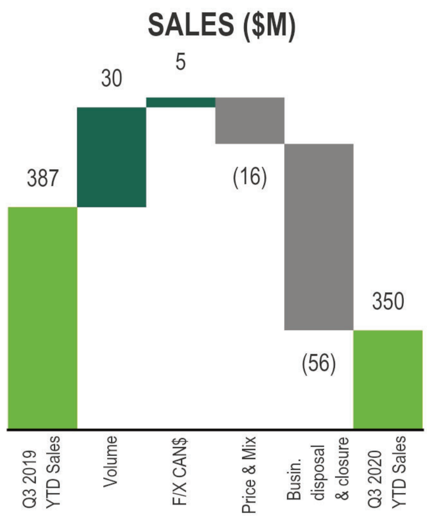
Operating income before depreciation and amortization (OIBD) increased by $20 million in the first nine months of 2020 compared to the same period of 2019. Excluding specific items[1], the $18 million increase is explained by lower raw material costs and energy costs (including tax credits), as well as other positive variances, which added $27 million, $13 million, and $6 million, respectively. These were partially offset by lower average selling prices, which subtracted $28 million.

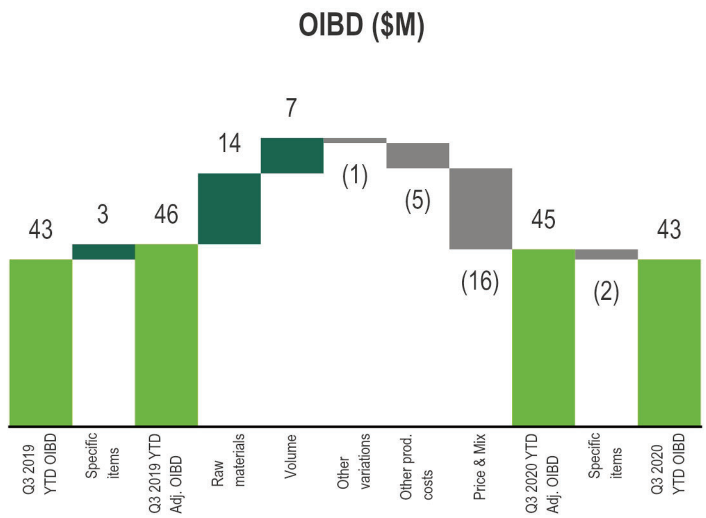
The segment incurred some specific items[1] in the first nine months of 2020 that affected OIBD[1].

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Performance (Q3 2019 YTD vs. Q3 2020 YTD)

The main variances[2] in sales and operating income before depreciation and amortization for the Specialty Products segment in the first nine months of 2020, compared with the same period of 2019, are shown below:





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

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

2 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 September 30, 2020 and 2019" section for more details.

Q3 2019 YTD	Q3 2020 YTD	Change in %
Sales ($M)		
387	350	-10%
OIBD[1] ($M) (as reported)		
43	43	—
% of sales		
11%	12%	
(adjusted)[1]		
46	45	-2%
% of sales		
12%	13%	
Operating income ($M) (as reported)		
31	30	-3%
(adjusted)[1]		
34	32	-6%

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

Sales decreased by $37 million, or 10%, compared with the same period of 2019. This was primarily due to the $56 million impact related to the divestiture of European activities and closure of the vinyl backing felt mill in 2019. The lower average selling price and less favourable sales mix reduced sales levels by a further $16 million in the current period. These were partly offset by increased volume in the consumer products, plastics and moulded pulp packaging sub-segments, which added $30 million to sales, as well as a favourable exchange rate which added $5 million to sales.

Operating income before depreciation and amortization (OIBD) remained stable in the first nine months of 2020 compared to the same period of 2019. Higher volumes and lower raw material costs in all sub-segments, except in our industrial packaging, added $7 million and $14 million, respectively, to results. These benefits were offset by a lower average selling price and changes in sales mix and higher operating and maintenance costs, which impacted results by $16 million and $5 million, respectively. The elimination of the $1 million of OIBD generated by the divested European activities and closed vinyl backing felt mill in the second portion of 2019 also contributed to the decrease.

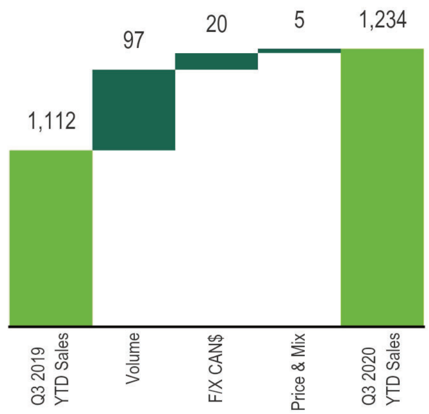
The segment incurred some specific items[1] in the first nine months of 2020 and 2019 that affected OIBD[1].

TISSUE PAPERS

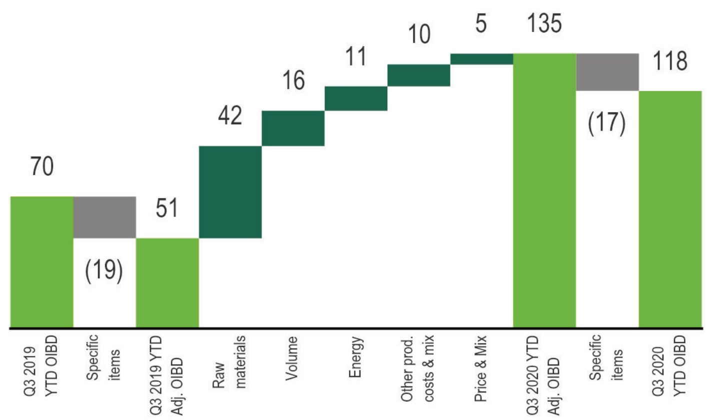
Our Performance (Q3 2019 YTD vs. Q3 2020 YTD)

The main variances[2] in sales and operating income before depreciation and amortization for the Tissue Papers segment in the first nine months of 2020, compared with the same period of 2019[3], are shown below:

SALES ($M)



OIBD ($M)



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

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.
2 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 September 30, 2020 and 2019" section for more details.
3 2019 third quarter consolidated results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 4 of the 2020 third quarter Unaudited Condensed Interim Consolidated Financial Statements for more details.

	Q3 2019 YTD	Q3 2020 YTD	Change in %
Shipments[3] ('000 s.t.)	462	492	6%
Average Selling Price (CAN$/unit)	2,409	2,507	4%
Sales ($M)	1,112	1,234	11%
OIBD[1 2] ($M) (as reported)	70	118	69%
% of sales	6%	10%	
(adjusted)[1]	51	135	165%
% of sales	5%	11%	
Operating income[2] ($M) (as reported)	27	62	130%
(adjusted)[1]	8	79	888%

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

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

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

External manufacturing shipments increased by 8,000 s.t., or 26%, during the first nine months of 2020. This largely reflects better inventory management and an additional sales effort, resulting in a lower integration rate of 72% in the current period, down from 76% in the same period of 2019. Converted product shipments increased by 22,000 s.t., or 1%, mainly driven by an increase in demand in the Consumer Products market counterbalanced by a decrease in demand for Away-from-Home products due to the Covid-19.

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, combined with a more favourable mix of converted products sold and the price increases announced in the past year. These benefits were partially offset by a higher proportion of sales attributable to parent rolls.

The 11% increase in sales in the first nine months of 2020 was driven by a $97 million increase related to higher volumes and a $20 million beneficial impact related to the favourable exchange rate. 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 $5 million to sales.

Operating income before depreciation and amortization (OIBD) increase by $48 million, or 69%, in the first nine months of 2020, compared to the same period of 2019. Excluding specific items[1] in both periods, the adjusted OIBD increased by $84 million, or 165%, reflects a $42 million benefit from lower recycled paper costs and higher volumes, which contributed $16 million. The lower transportation costs, reduction of expenses and fixed costs related to plant closures in the second quarter of 2020 as well as R&D tax credits recorded in the quarter, which had a combined favourable impact of $10 million. In addition, lower energy costs and net impact of higher selling prices and mix of customers and of products sold also added $11 million, $5 million, respectively.

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

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	NOTE	September 30, 2020	December 31, 2019
			Adjusted, Note 4
Assets			
Current assets			
Cash and cash equivalents		**227**	155
Accounts receivable		**661**	606
Current income tax assets		**23**	32
Inventories		**606**	598
Current portion of financial assets	7	**9**	10
		1,526	1,401
Long-term assets			
Investments in associates and joint ventures		**86**	80
Property, plant and equipment	5	**2,785**	2,770
Intangible assets with finite useful life		**166**	182
Financial assets	7	**19**	16
Other assets		**48**	55
Deferred income tax assets		**179**	153
Goodwill and other intangible assets with indefinite useful life		**534**	527
		5,343	5,184
Liabilities and Equity			
Current liabilities			
Bank loans and advances		**9**	11
Trade and other payables		**800**	788
Current income tax liabilities		**19**	17
Current portion of other debt without recourse to the Corporation to be refinanced	6	**162**	—
Current portion of long-term debt	6	**91**	85
Current portion of provisions for contingencies and charges		**7**	5
Current portion of financial liabilities and other liabilities	7 and 10	**30**	137
		1,118	1,043
Long-term liabilities			
Long-term debt	6	**1,947**	2,022
Provisions for contingencies and charges		**55**	49
Financial liabilities	7	**4**	5
Other liabilities		**212**	198
Deferred income tax liabilities		**210**	198
		3,546	3,515
Equity			
Capital stock	8	**498**	491
Contributed surplus		**13**	15
Retained earnings		**1,089**	1,003
Accumulated other comprehensive loss		**(10)**	(17)
Equity attributable to Shareholders		**1,590**	1,492
Non-controlling interests		**207**	177
Total equity		**1,797**	1,669
		5,343	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 September 30, 2020	2019	For the 9-month periods ended September 30, 2020	2019
			Adjusted, Note 4		Adjusted, Note 4
Sales		**1,275**	1,264	**3,873**	3,769
Cost of sales and expenses					
Cost of sales (including depreciation and amortization of $81 million for 3-month period (2019 — $73 million) and $227 million for 9-month period (2019 — $212 million))		**1,086**	1,071	**3,243**	3,210
Selling and administrative expenses		**107**	105	**348**	320
Gain on acquisitions, disposals and others	9	**(7)**	(22)	**(5)**	(29)
Impairment charges and restructuring costs	9	**16**	1	**31**	11
Foreign exchange loss (gain)		**1**	—	**—**	(1)
Loss (gain) on derivative financial instruments		**(1)**	1	**(1)**	(4)
		1,202	1,156	**3,616**	3,507
Operating income		**73**	108	**257**	262
Financing expense		**25**	24	**79**	74
Interest expense on employee future benefits and other liabilities		**1**	24	**3**	48
Loss on repurchase of long-term debt	6	**6**	—	**6**	—
Foreign exchange gain on long-term debt and financial instruments		**(11)**	—	**(3)**	(7)
Share of results of associates and joint ventures		**(3)**	(2)	**(9)**	(6)
Earnings before income taxes		**55**	62	**181**	153
Provision for (recovery of) income taxes		**(3)**	12	**24**	30
Net earnings including non-controlling interests for the period		**58**	50	**157**	123
Net earnings attributable to non-controlling interests		**9**	7	**32**	25
Net earnings attributable to Shareholders for the period		**49**	43	**125**	98
Net earnings per common share					
Basic		**$ 0.51**	$ 0.45	**$ 1.32**	$ 1.04
Diluted		**$ 0.50**	$ 0.44	**$ 1.30**	$ 1.02
Weighted average basic number of common shares outstanding		**95,019,694**	93,860,367	**94,577,538**	93,886,909
Weighted average number of diluted common shares		**96,077,440**	95,519,226	**95,735,264**	95,437,252

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 September 30, 2020	2019	For the 9-month periods ended September 30, 2020	2019
		Adjusted, Note 4		Adjusted, Note 4
Net earnings including non-controlling interests for the period	**58**	50	**157**	123
Other comprehensive income (loss)				
Items that may be reclassified subsequently to earnings				
Translation adjustments				
Change in foreign currency translation of foreign subsidiaries	**(14)**	1	**43**	(57)
Change in foreign currency translation related to net investment hedging activities	**7**	(3)	**(27)**	32
Cash flow hedges				
Change in fair value of foreign exchange forward contracts	**—**	—	**—**	1
Change in fair value of interest rate swaps	**—**	—	**—**	(1)
Change in fair value of commodity derivative financial instruments	**2**	1	**2**	(1)
	(5)	(1)	**18**	(26)
Items that are not released to earnings				
Actuarial gain (loss) on employee future benefits	**(4)**	2	**(19)**	(13)
Recovery of income taxes	**1**	—	**5**	3
	(3)	2	**(14)**	(10)
Other comprehensive income (loss)	**(8)**	1	**4**	(36)
Comprehensive income including non-controlling interests for the period	**50**	51	**161**	87
Comprehensive income attributable to non-controlling interests for the period	**12**	4	**43**	13
Comprehensive income attributable to Shareholders for the period	**38**	47	**118**	74

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

CONSOLIDATED STATEMENTS OF EQUITY

For the 9-month period ended September 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 (loss)								
Net earnings		**—**	**—**	**125**	**—**	**125**	**32**	**157**
Other comprehensive income (loss)		**—**	**—**	**(14)**	**7**	**(7)**	**11**	**4**
		—	**—**	**111**	**7**	**118**	**43**	**161**
Dividends		**—**	**—**	**(22)**	**—**	**(22)**	**(13)**	**(35)**
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**	**1,089**	**(10)**	**1,590**	**207**	**1,797**

For the 9-month period ended September 30, 2019

Adjusted, Note 4

(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	—	—	98	—	98	25	123
Other comprehensive loss	—	—	(10)	(14)	(24)	(12)	(36)
	—	—	88	(14)	74	13	87
Dividends	—	—	(15)	—	(15)	(14)	(29)
Issuance of common shares upon exercise of stock options	5	(1)	—	—	4	—	4
Redemption of common shares	(5)	—	(3)	—	(8)	—	(8)
Disposal of a subsidiary	—	—	—	—	—	(1)	(1)
Capital contribution from a non-controlling interest	—	—	(3)	—	(3)	—	(3)
Balance - End of period	490	15	1,056	(12)	1,549	178	1,727

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 September 30, 2020	2019	For the 9-month periods ended September 30, 2020	2019
			Adjusted, Note 4		Adjusted, Note 4
Operating activities					
Net earnings attributable to Shareholders for the period		**49**	43	**125**	98
Adjustments for:					
Financing expense and interest expense on employee future benefits and other liabilities		**26**	48	**82**	122
Loss on repurchase of long-term debt	6	**6**	—	**6**	—
Depreciation and amortization		**81**	73	**227**	212
Gain on acquisitions, disposals and others	9	**(7)**	(26)	**(5)**	(32)
Impairment charges and restructuring costs	9	**16**	1	**31**	6
Unrealized loss (gain) on derivative financial instruments		**(1)**	1	**(1)**	(4)
Foreign exchange gain on long-term debt and financial instruments		**(11)**	—	**(3)**	(7)
Provision for (recovery of) income taxes		**(3)**	12	**24**	30
Share of results of associates and joint ventures		**(3)**	(2)	**(9)**	(6)
Net earnings attributable to non-controlling interests		**9**	7	**32**	25
Net financing expense paid		**(49)**	(42)	**(73)**	(101)
Premium paid on repurchase of long-term debt	6	**(4)**	—	**(4)**	—
Net income taxes received (paid)		**(1)**	(12)	**1**	(14)
Dividends received		**2**	1	**7**	3
Employee future benefits and others		**(4)**	—	**(19)**	(22)
		106	104	**421**	310
Changes in non-cash working capital components		**30**	53	**(38)**	(13)
		136	157	**383**	297
Investing activities					
Disposals of associates and joint ventures		**4**	—	**3**	1
Payments for property, plant and equipment		**(52)**	(66)	**(165)**	(185)
Proceeds from disposals of property, plant and equipment		**7**	19	**9**	21
Change in intangible and other assets		**(3)**	(1)	**(8)**	(3)
Cash paid for business combinations	4	**—**	(300)	**—**	(314)
Proceeds on disposals of a subsidiary, net of cash disposed		**—**	9	**—**	9
		(44)	(339)	**(161)**	(471)
Financing activities					
Bank loans and advances		**—**	(2)	**(2)**	(2)
Change in credit facilities		**(138)**	252	**(81)**	317
Issuance of unsecured senior notes, net of related expenses	6	**409**	—	**409**	—
Repurchase of unsecured senior notes	6	**(264)**	—	**(264)**	—
Increase in other long-term debt		**—**	—	**—**	7
Payments of other long-term debt		**(22)**	(15)	**(64)**	(94)
Settlement of derivative financial instruments		**—**	—	**1**	—
Issuance of common shares upon exercise of stock options		**—**	4	**7**	4
Redemption of common shares	8	**—**	(3)	**(5)**	(8)
Payment of other liabilities	10	**—**	—	**(121)**	—
Dividends paid to non-controlling interests		**(4)**	(4)	**(13)**	(14)
Dividends paid to the Corporation's Shareholders		**(7)**	(8)	**(22)**	(15)
		(26)	224	**(155)**	195
Change in cash and cash equivalents during the period		**66**	42	**67**	21
Currency translation on cash and cash equivalents		**(1)**	(2)	**5**	(6)
Cash and cash equivalents - Beginning of period		**162**	98	**155**	123
Cash and cash equivalents - End of period		**227**	138	**227**	138

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 September 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	**307**	289	**199**	184	**—**	—	**—**	—	**506**	473
Boxboard Europe	**—**	—	**—**	—	**79**	88	**182**	168	**261**	256
Specialty Products	**42**	35	**75**	74	**—**	—	**—**	14	**117**	123
Intersegment sales	**(2)**	(4)	**(2)**	—	**—**	—	**—**	—	**(4)**	(4)
	347	320	**272**	258	**79**	88	**182**	182	**880**	848
Tissue Papers	**72**	64	**292**	320	**—**	—	**—**	3	**364**	387
Intersegment sales and Corporate Activities	**32**	28	**(1)**	1	**—**	—	**—**	—	**31**	29
	451	412	**563**	579	**79**	88	**182**	185	**1,275**	1,264

SALES

	For the 9-month periods ended September 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	**835**	824	**582**	550	**—**	—	**1**	2	**1,418**	1,376
Boxboard Europe	**—**	—	**—**	—	**240**	247	**558**	558	**798**	805
Specialty Products	**119**	104	**229**	233	**—**	1	**2**	49	**350**	387
Intersegment sales	**(9)**	(10)	**(3)**	(1)	**—**	—	**—**	—	**(12)**	(11)
	945	918	**808**	782	**240**	248	**561**	609	**2,554**	2,557
Tissue Papers	**207**	192	**1,026**	910	**—**	—	**1**	10	**1,234**	1,112
Intersegment sales and Corporate Activities	**86**	93	**(1)**	7	**—**	—	**—**	—	**85**	100
	1,238	1,203	**1,833**	1,699	**240**	248	**562**	619	**3,873**	3,769

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2020	2019	**2020**	2019
		Adjusted, Note 4		Adjusted, Note 4
Packaging Products				
Containerboard	**101**	120	**286**	345
Boxboard Europe	**31**	25	**104**	84
Specialty Products	**16**	14	**43**	43
	148	159	**433**	472
Tissue Papers	**25**	49	**118**	70
Corporate Activities	**(19)**	(27)	**(67)**	(68)
Operating income before depreciation and amortization	**154**	181	**484**	474
Depreciation and amortization	**(81)**	(73)	**(227)**	(212)
Financing expense and interest expense on employee future benefits and other liabilities	**(26)**	(48)	**(82)**	(122)
Loss on repurchase of long-term debt	**(6)**	—	**(6)**	—
Foreign exchange gain on long-term debt and financial instruments	**11**	—	**3**	7
Share of results of associates and joint ventures	**3**	2	**9**	6
Earnings before income taxes	**55**	62	**181**	153

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended September 30,		For the 9-month periods ended September 30,	
	2020	2019	**2020**	2019
Packaging Products				
Containerboard	**36**	19	**67**	55
Boxboard Europe	**14**	13	**23**	41
Specialty Products	**6**	4	**15**	11
	56	36	**105**	107
Tissue Papers	**23**	27	**62**	74
Corporate Activities	**5**	19	**16**	40
Total acquisitions	**84**	82	**183**	221
Proceeds from disposals of property, plant and equipment	**(7)**	(19)	**(9)**	(21)
Right-of-use assets acquisitions and acquisitions included in other debts	**(23)**	(9)	**(36)**	(42)
	54	54	**138**	158
Acquisitions for property, plant and equipment included in “Trade and other payables”				
Beginning of period	**19**	24	**46**	37
End of period	**(28)**	(31)	**(28)**	(31)
Payments for property, plant and equipment net of proceeds from disposals	**45**	47	**156**	164

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 November 11, 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.

In the beginning of 2020, as a 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 (nil in the third quarter). The Corporation continues to closely monitor the Covid-19 situation: the duration, spread or intensity of the pandemic as it continues to evolve, along with the supply chain, market pricing and customer demand. These factors may further impact the Corporation’s operating plan, its cash flows, its ability to raise funds and the valuation of its long-lived assets.

Further information on critical accounting estimates and judgments is detailed in the Audited Consolidated Financial Statements as at and for the year ended December 31, 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 the 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 paid a total consideration of US$237 million ($314 million) in cash as at September 30, 2019. In the fourth quarter of 2019, the Corporation received a cash consideration of US$2 million ($3 million) for working capital purchase price adjustment. These amounts are presented in the Consolidated Statement of Cash Flow in line item “Cash paid for business combinations” in Investing activities.

NOTE 5
RIGHT-OF-USE ASSETS

The Consolidated Balance Sheets include $171 million as at September 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	September 30, 2020	December 31, 2019
Revolving credit facility, weighted average interest rate of 2.21% as at September 30, 2020, consists of $47 million and US$- (December 31, 2019 - $108 million and US$11 million)	2023	**47**	123
5.75% Unsecured senior notes of US$200 million repurchased in 2020	2023	**—**	260
5.125% Unsecured senior notes of $175 million	2025	**175**	175
5.125% Unsecured senior notes of US$350 million	2026	**466**	455
5.375% Unsecured senior notes of US$600 million (including net unamortized premium of $17 million) (December 31, 2019 - US$300 million)	2028	**816**	390
Term loan of US$170 million, interest rate of 2.25% as at September 30, 2020	2025	**226**	221
Lease obligations of subsidiaries		**160**	153
Other debts of subsidiaries		**38**	39
Lease obligations without recourse to the Corporation		**32**	35
Other debts without recourse to the Corporation		**257**	272
		2,217	2,123
Less : Unamortized financing costs		**(17)**	(16)
Total long-term debt		**2,200**	2,107
Less:			
Current portion of lease obligations of subsidiaries		**33**	28
Current portion of other debts of subsidiaries		**16**	14
Current portion of lease obligations without recourse to the Corporation		**13**	11
Current portion of other debt without recourse to the Corporation to be refinanced		**162**	—
Current portion of other debts without recourse to the Corporation		**29**	32
		253	85
		1,947	2,022

a. As at September 30, 2020, the long-term debt had a fair value of $2,272 million (December 31, 2019 – $2,159 million).

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

Issuance proceed was used as follows:

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

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 September 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 September 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	**28**	**—**	**28**	**—**
	29	**1**	**28**	**—**
Financial liabilities				
Derivative financial liabilities	**(19)**	**—**	**(19)**	**—**
	(19)	**—**	**(19)**	**—**

				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 September 30, 2020, the Corporation redeemed 89,500 common shares under this program for an amount of $1 million.

NOTE 9

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

For the 9-month period ended September 30, 2020, the Corporation recorded the following losses and gains:

For the 3-month period ended September 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 assets	(5)	—	—	(5)	(2)	—	(7)

For the 9-month period ended September 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)
Gain on disposal of assets	(5)	—	—	(5)	(2)	—	(7)
Environmental provisions	—	—	5	5	—	—	5
	(5)	—	2	(3)	(2)	—	(5)

First quarter

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

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.

Third quarter

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

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

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

For the 9-month period ended September 30, 2020, the Corporation recorded the following impairment charges:

For the 3-month period ended September 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	—	—	—	—	11	—	11
Spare parts	—	—	—	—	2	—	2
	—	—	—	—	13	—	13

For the 9-month period ended September 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	11	—	19
Spare parts	—	—	—	—	7	—	7
	8	—	—	8	18	—	26

For the 9-month period ended September 30, 2020, the Corporation recorded the following restructuring costs:

For the 3-month period ended September 30, 2020

(in millions of Canadian dollars)	PACKAGING PRODUCTS				TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL			
Restructuring costs	3	—	—	3	—	—	3

For the 9-month period ended September 30, 2020

(in millions of Canadian dollars)	PACKAGING PRODUCTS				TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
	CONTAINER-BOARD	BOXBOARD EUROPE	SPECIALTY PRODUCTS	SUB-TOTAL			
Restructuring costs	4	—	—	4	1	—	5

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

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

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

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

Preliminary agreements for the acquisition
On September 30, 2020, the Boxboard Europe segment, through its equity ownership in Reno de Medici S.p.A., announced that it had signed four preliminary agreements for the acquisition of 100% of the share capital of Papelera del Principado S.A. ("Paprinsa") and three smaller adjoining companies, in Spain. The deals cover the acquisition of one of the main European players of the coated chipboard industry.

Capital expenditures
Capital expenditures contracted at the end of the reporting date but not yet incurred total $54 million.

NOTE 12
EVENTS AFTER THE REPORTING PERIOD

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

Tissue facilities closures
On October 8, 2020, the Corporation announced that it will progressively and permanently close tissue production and converting operations at its Ransom and Pittston plants, located in Pennsylvania. The combined volume of these plants will be transferred to our other Tissue Papers segment facilities with additional capacity that is attributable to our ongoing investments in our asset base. Estimated closure costs, which include severances, will be approximately $2 million. Equipment removal costs and environmental provision are still being assessed.

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

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

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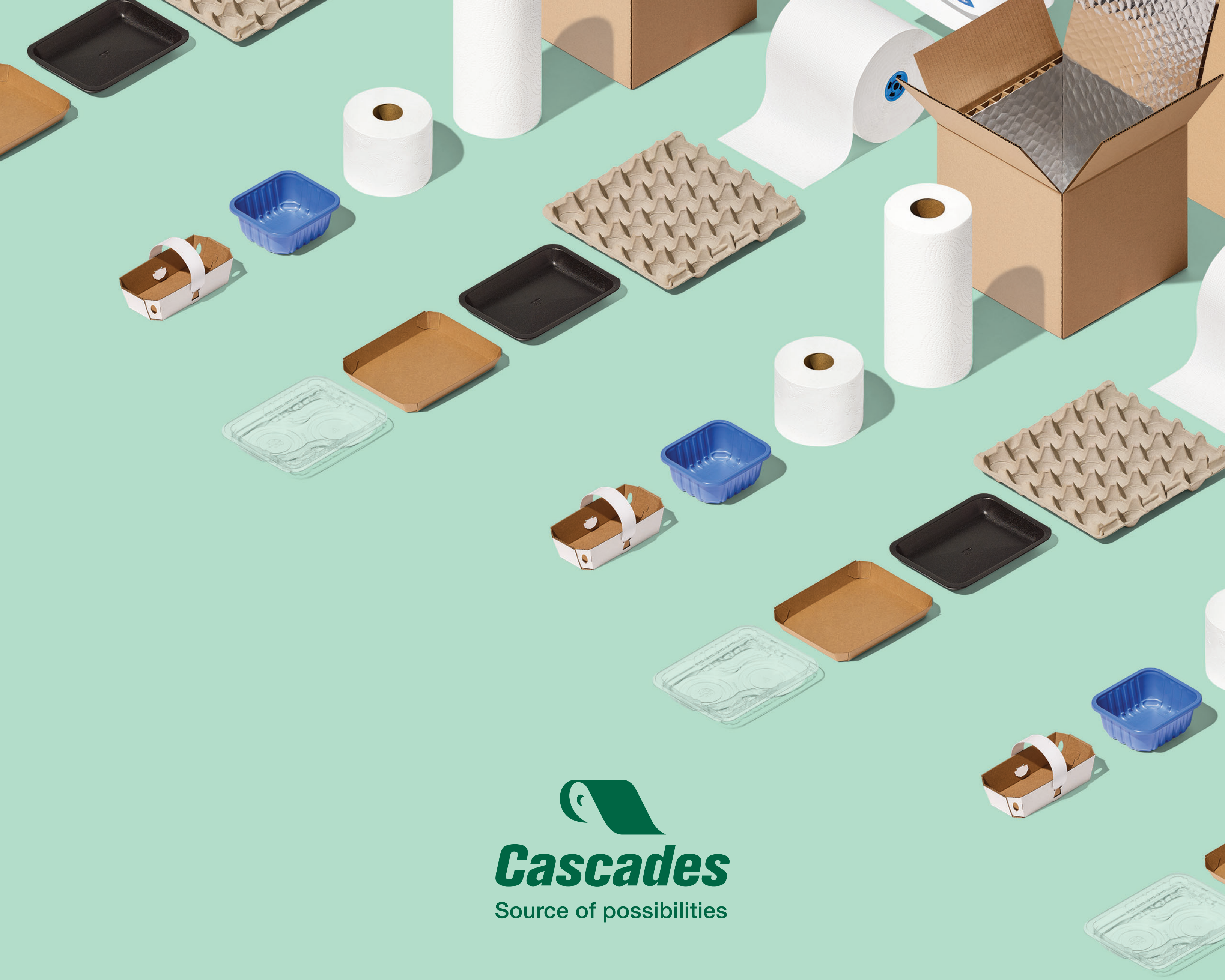

Cascades

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