Leading the way.

2021
Annual
Report

Cascades
Source of possibilities

2021 at a Glance

Containerboard Packaging

A Canadian leader

6th largest producer in North America

Specialty Products

A North American leader in industrial and food packaging

A leading North American producer of honeycomb paperboard

Recovery

A Canadian leader in the recovery of recyclable fibres

Tissue Papers

A Canadian leader

4th largest producer in North America

$3,956 M
Sales

$302 M
Operating income before depreciation and amortization (OIBD)

$330 M
Invested in property, plant & equipment, excluding right-of-use assets

$389 M
Adjusted OIBD[1]

1 Some information represent Non-IFRS financial measures, other financial measures or Non-IFRS ratios which are not standardized under IFRS and therefore might not be comparable to similar financial measures disclosed by other corporations. Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

Always leading the way in sustainable development

4.3 X[1]

less water consumed than the North American pulp and paper industry average (m^3/mt)

2.1 M

short tons of recycled fibres saved from landfills

83%

of the fibres used to manufacture our products are recycled

2.4 X[1]

less energy used than the North American pulp and paper industry average (GJ/mt)

45%[2]

less greenhouse gas emitted than the North American pulp and paper industry average (t CO_2 eq./mt)

1.2[3]

OSHA frequency rate

1 Source: FisherSolve™Next, ©2022 Fisher International, water (cubic meters of water discharged/metric ton of saleable products), energy (gigajoules of energy purchased/metric ton of saleable products)

2 Source: FisherSolve™Next, ©2022 Fisher International, direct and indirect emissions (scope 1 and 2) (tons of CO_2 equivalent emitted/metric ton of saleable products). Preliminary data.

3 OSHA frequency rate: number of accidents with lost time or temporary assignments or medical treatments X 200,000 hours/hour worked.

Financial Snapshot

(in millions of Canadian dollars, unless otherwise noted)	2021[1]	2020[1]	2019[1]
AS REPORTED			
Sales	**3,956**	4,105	3,948
Operating income	**50**	292	216
% of sales[2]	**1.3%**	7.1%	5.5%
Operating income before depreciation and amortization (OIBD)	**302**	543	458
% of sales[2]	**7.6%**	13.2%	11.6%
Net earnings	**162**	198	72
per share (in dollars)	**$1.60**	$2.04	$0.77
Dividend per share (in dollars)	**$0.48**	$0.32	$0.24
ADJUSTED[2]			
Operating income	**137**	295	254
% of sales	**3.5%**	7.2%	6.4%
Operating income before depreciation and amortization adjusted (OIBD)	**389**	546	496
% of sales	**9.8%**	13.3%	12.6%
Net earnings	**27**	187	96
per share (in dollars)	**$0.26**	$1.95	$1.02
FINANCIAL POSITION (AS AT DECEMBER 31)			
Total assets	**4,566**	5,412	5,188
Net debt[2]	**1,351**	1,679	1,963
Net debt/adjusted OIBD[2]	**3.5x**	2.5x	3.3x
Equity attributable to Shareholders	**1,879**	1,753	1,492
per share (in dollars)	**$18.63**	$17.14	$15.83
Working capital as a percentage of sales[2, 5]	**8.6%**	8.8%	9.8%
KEY INDICATORS			
Total shipments (in '000 of s.t.)[3]	**2,075**	2,189	2,076
Manufacturing capacity utilization rate[4]	**90%**	92%	90%
US$/CAN$ - Average rate	**$0.80**	$0.75	$0.75

1 2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

2 Some information represent Non-IFRS financial measures, other financial measures or Non-IFRS ratios which are not standardized under IFRS and therefore might not be comparable to similar financial measures disclosed by other corporations. Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

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

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

5 Percentage of sales = Average quarterly last twelve months (LTM) working capital / LTM sales (Not adjusted for retrospective reclassification of discontinued operations).

Financial Highlights

Symbol: CAS
(ON THE TORONTO STOCK EXCHANGE)

S&P/TSX Indices
- COMPOSITE CAP
- COMPOSITE HIGH DIVIDEND
- COMPOSITE TR
- SMALL CAP

MSCI Indices
- ACWI EX US IMI
- CANADA IMI EXTENDED ESG FOCUS INDEX

FTSE Indices
- CANADA ALL CAP
- DEVELOPED EX US ALL CAP
- DEVELOPED SMALL CAP EX-U.S.

Solactive Indices[1]
- CANADA BROAD MARKET
- ISS ESG SCREEN PARIS ALIGN DEVELOPED MARKETS

100.9 million
Common shares outstanding
as at December 31, 2021

145.4 million
Total number of common shares traded
in 2021

$0.48
Annual dividend per share
in 2021[2]

3.4%
Annual dividend yield
as at December 31, 2021

$18.49
Intraday high
in 2021

$12.82
Intraday low
in 2021

$1.41 billion
Market capitalization
as at December 31, 2021

Moody's: Ba2 (stable)
S&P: BB- (positive)
Corporate credit ratings
as at December 31, 2021

1 Solactive is a Germany-based index provider.
2 Quarterly dividend increased from $0.08 to $0.12 per share in Q2 2021.

Cascades Share Price Performance in 2021

Leading the way

Transfer Agent and Registrar

Computershare
Shareholders Services
1500 Robert-Bourassa Boulevard Suite 700
Montréal, Québec H3A 3S8 Canada

Telephone: 514-982-7555
Toll-free (Canada): 1-800-564-6253
Fax: 514-982-7635
service@computershare.com

Head Office

Cascades Inc.
404 Marie-Victorin Boulevard
Kingsey Falls, Québec J0A 1B0 Canada

Telephone: 819-363-5100
Fax: 819-363-5155

Investor Relations

Jennifer Aitken, MBA
Director, Investor Relations
investor@cascades.com
Telephone : 514-282-2697
www.cascades.com/investors

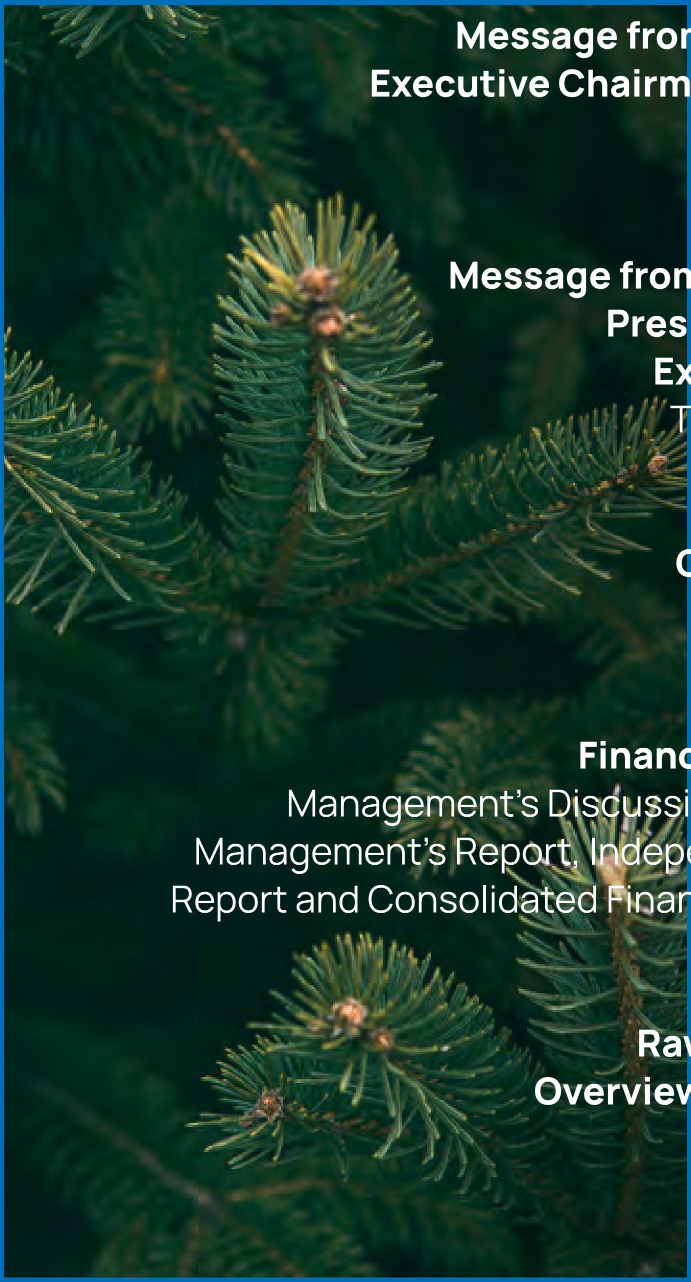
Cascades Inc.'s 2021 Annual Information Form will be available, upon request, from the Corporation's head office as of March 30, 2022.

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

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

Secrétaire corporatif
Cascades inc.
404, boulevard Marie-Victorin
Kingsey Falls (Québec)
J0A 1B0

Table of Contents



On the cover, Felipe Medina, Operator of the Thermoforming Machine 13, at the Cascades Plastics - Kingsey Falls facility:

"I believe that diversity allows for creativity and innovation because everyone brings their own unique background. At Cascades, diversity opens the way to innovative solutions, promotes a better ability to adapt to change and allows for evolution. I am very proud of this."

Alain Lemaire

Executive Chairman of the Board of Directors

Taking the Lead.

Dear Fellow Shareholders,

It is often said that necessity is the mother of all inventions. It certainly was part of the drive motivating my brothers and I when we founded Cascades almost six decades ago. Added to it was a steadfast belief that an important amount of material destined for the landfill could and should be given another life – recycled and reused to create something new. In so doing, we knew the environmental impact inherent in the transformation of materials could be reduced. This belief, and this commitment to build and enhance the circular economy, remains at the core of Cascades' business practices today.

Without question, the Corporation has changed –in some ways considerably– over the years. What remains intact, however, is our unwavering commitment to sustainability – making something new out of something old with less water, less energy, and with less impact on our natural surroundings – our commitment to the health, safety and well-being of our employees, and our dedication to positively contributing to social causes and our communities. This is nothing new for us. We are not simply realigning ourselves to keep up with the latest trend, it is not a marketing ploy nor a sales tactic. Rather, it is ingrained in Cascades' DNA.

It is in this spirit that Cascades launched its new Sustainability Action Plan in 2021, our fourth such plan and a natural extension of Cascades' 25+ year history of reporting on social and environmental indicators. Encompassing multiple targets, the plan is both broad in scope and ambitious in nature. Goals have been expanded, including the objective to reduce Scope 3 greenhouse gas (GHG) emissions levels by 22% by 2030 from the 2019 base year. Importantly, these GHG reduction targets were submitted and subsequently approved by SBTi (Science Based Targets initiative) and are all the more ambitious given that Cascades is already a leader on the environmental front, having consumed 4.3x less water and 2.4x less energy and emitted 45% fewer GHG Scope 1 and Scope 2 emissions than the North American pulp and paper industry in 2021. Cascades takes its environmental stewardship seriously. It is a priority.

From a practical standpoint, the modernization initiatives carried out over recent years have equipped the Corporation with the necessary tools and the required level of oversight to track progress, to adjust operational practices as needed, and to allocate resources to ensure that our sustainable development plan's objectives are met. Stewardship falls under the mandate of the Health and Safety, Environment and Sustainable Development Committee, with broader governance oversight extended to the entire Board of Directors.

The same holds true for the Corporation's newly announced strategic plan for 2022 – 2024, for which oversight will be comprehensive from a Board of Directors perspective. Every aspect of the plan was questioned, challenged, and discussed at the Board level prior to its launch, with external resources providing additional insight, analysis, competitive and market perspective and validation. Environmental, social and governance (ESG) practices and objectives are spelled out in the plan, as they are as much a part of the Corporation's DNA as they are of its future growth and success, as well as its positioning in the market, along with its activities and employees.

On behalf of the Board of Directors, I would like to thank Cascades' employees, shareholders, business partners, and stakeholders for their support throughout 2021. It was a difficult year from many perspectives, with the ongoing pandemic leading to unforeseeable and unpredictable operational constraints and causing an immeasurable impact on our activities. With its most recent strategic plan coming to an end, Cascades' Management team, supported by the Board of Directors, has put in place a rigorous plan of action that will position the Corporation to generate important sustainable value in the future. We look forward to updating all of the Corporation's stakeholders on our progress as this new plan is put into action.

Mario Plourde

President and Chief Executive Officer

The Path Forward.

Dear Fellow Shareholders,

Every year brings new challenges and opportunities, and in this regard, 2021 was no different. What distinguished 2021 was the scope and speed with which the pandemic triggered significant demand fluctuations, inflationary pressures on costs, constraints in the availability of labour, as well as logistical and supply chain disruptions. Without question, the business realities prevalent throughout 2021 meant that this past year was unlike any before, and the unprecedented operational complexities that evolved from the ongoing COVID-19 pandemic are clearly reflected in the Corporation's consolidated financial performance.

While the Cascades' management team is certainly not satisfied with these results, we do not believe that they are an accurate portrayal of what our operations can deliver. And, given the difficult and continuously evolving business context of the past year, we are proud of the level of resiliency shown by our employees and our operations.

A company is defined both by how it executes during usual business cycles and by how it navigates more challenging periods. What truly sets a company apart, however, is how it applies the operational insights gained during periods of unparalleled business and macro-economic environments, like those of the past 24 months, toward positive change and future growth. To this end, I am confident that Cascades is equipped to deliver important value momentum going forward. While this may seem optimistic in light of continued uncertainty surrounding the mid and long-term ramifications of the pandemic, this steadfast belief is founded on four key elements.

Our Employees

The first and most important of these are our employees. Cascaders have always exemplified a great deal of ingenuity, dedication, and determination. Their commitment and initiative have been the fundamental drivers behind Cascades' success over the past six decades and were indispensable to our ability to meet the needs of our customers while concurrently navigating the unprecedented human and operational challenges brought about by the pandemic. Our employees have been the heart of Cascades since our founding, and their resolve and versatility will be the foundation of its future successes.

Our Sustainability Leadership

For almost 60 years Cascades has been a champion of responsible products and has striven to continuously optimize its production practices to minimize their environmental impact and provide our customers with innovative solutions that embody the circular economy. While this may not have always been the simplest approach, it has always been the right one, and we are proud that our longstanding environmental commitment has been recognized for the third straight year with Cascades being ranked as the 18th most sustainable company in the world by Corporate Knights. Cascades' new 2021 – 2025 Sustainability Action Plan takes this commitment even further, and clearly demonstrates not only the Corporation's longstanding dedication to minimizing the impact on its natural environment, but also our perseverance to always do more with less. Our expertise in providing our customers with industry-leading sustainable solutions and dedication to minimizing our environmental footprint will be important differentiators in Cascades' competitive positioning and a key catalyst for our future growth and value creation.

Our Track-Record of Adaptability

Cascades has consistently demonstrated an openness to change, a capacity to transform its operations, and an ability to make strategically important changes to its business portfolio throughout its history. The Corporation's exit from the European boxboard market, which generated net proceeds of $450 million in 2021, highlights exactly this. The significant modernization initiatives and investments completed over the past decade are similarly concrete indications of these changes. Over this timeframe we have streamlined our business portfolio, modernized our platforms and equipment, realigned and optimized our internal business processes, and tailored our product offerings to provide an ever-growing number of innovative sustainable solutions that meet the evolving needs of our customers. As a result, Cascades is in the best position it has ever been to capitalize on business opportunities and generate significant value on multiple fronts.

Our Comprehensive 2022 – 2024 Strategic Plan

The path forward to do just this is laid out in Cascades' 2022 – 2024 new Strategic Plan. With our last plan finishing at the end of 2021, the Corporation completed an extensive analysis of the competitive positioning of our operations that took into consideration existing market dynamics, central elements shaping future market fundamentals and a wide range of scenarios for both macro-economic factors and demand forecasts. Comprehensive in scope, the in-depth review considered the prevailing business context of the past two years and exhaustive analytical analysis supported by external resources.

Broadly speaking, the highlights of our 2022 – 2024 Strategic Plan can be broken down into the following areas, key strategic growth drivers and value creating initiatives in our packaging and tissue segments:

The key pillars of the action plan for our packaging segments include:

1. Completing the Bear Island project start-up in December 2022
2. Growing our integration level with new converting capacity in the U.S.
3. Driving development initiatives and commercial launches of new sustainable products
4. Generating packaging revenues of over $3.5 billion and OIBD margins[1] of 19% - 21% in Containerboard Packaging and 17% to 19% in Specialty Products Packaging in 2024

The key pillars to accelerate profitability and strengthen fundamentals in our tissue papers segment include:

1. Focusing on execution and efficiency at the production level, particularly in our U.S. operations, while strengthening commercial strategies to drive value
2. Leveraging this segment's well-invested asset base while limiting annual capital expenditures to $35 million through 2024
3. Generating revenues of $1.7 billion and OIBD margins[1] of 9% - 10% in 2024.

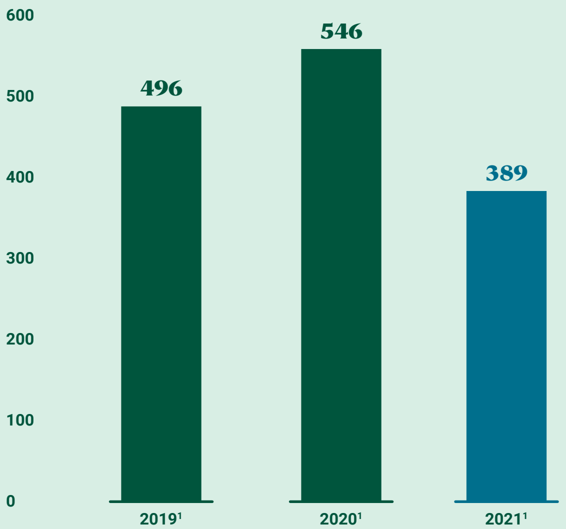
I am confident we have the right team and the right experience to deliver on this plan. We have taken significant steps to reposition our businesses and adapt to evolving market dynamics and customer needs over the past 10 years. I am proud of the work we have accomplished, and this renewed vision equips Cascades to deliver for our customers and our shareholders.

On behalf of the Cascades management team, I would like to thank you for your continued support through this past year. The year 2021 was indeed challenging on many fronts, but the operational and human insights gained will be the catalysts for our path forward. We are intently focused and committed to drive value on multiple fronts for Cascades and our stakeholders, and to continue "leading the way" in our unwavering belief that our industry-leading sustainability practices are inseparable from our responsibility as a corporate citizen, and an integral part of our growth in the future.

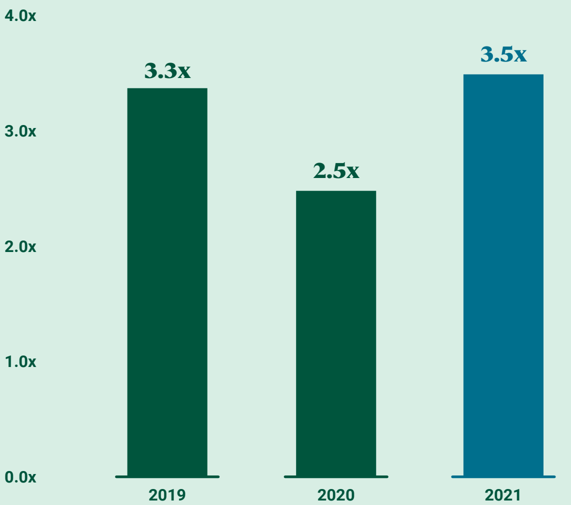
1 Please refer to "Forward-looking Statements" and "Supplemental Information on Non-IFRS Measures and Other Financial Measures" sections for a complete reconciliation.

Sales ($M)

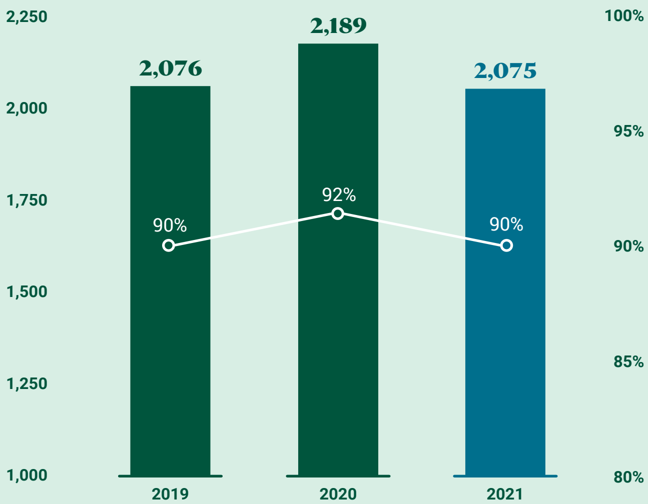
Adjusted OIBD[2] ($M)



Net debt/Adjusted OIBD[2]



Total shipments and manufacturing capacity utilization rate[3] ('000 s.t. and %)



1 2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

2 Some information represent Non-IFRS financial measures, other financial measures or Non-IFRS ratios which are not standardized under IFRS and therefore might not be comparable to similar financial measures disclosed by other corporations. Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

3 Containerboard and Tissue Papers segments only.

Eco-responsible packaging solutions for fruits and vegetables

Cascades Fresh™ offers solutions that help growers achieve their sustainability goals while preserving the freshness of their products all the way to the consumer.

North America's first 100% recycled[1] paperboard tray

Our tray is coated with a water-based barrier coating which makes it recyclable[2] and compostable.

In addition, the use of this tray reduces GHG emissions by 34% compared to those made from virgin wood-based moulded pulp[3].

1 Excluding coating.

2 How2Recycle® has pre-qualified this tray as recyclable in Canada and the United States.

3 Source: Life Cycle Assessment of Cascades trays, AGÉCO Group, July 2021.

Cascades PRO® Tandem® dispensers

Our range of dispensers ensures the highest level of hygiene and protection. Able to complement any space, their innovative features and solutions also offer unrivalled efficiency to save you time and money.

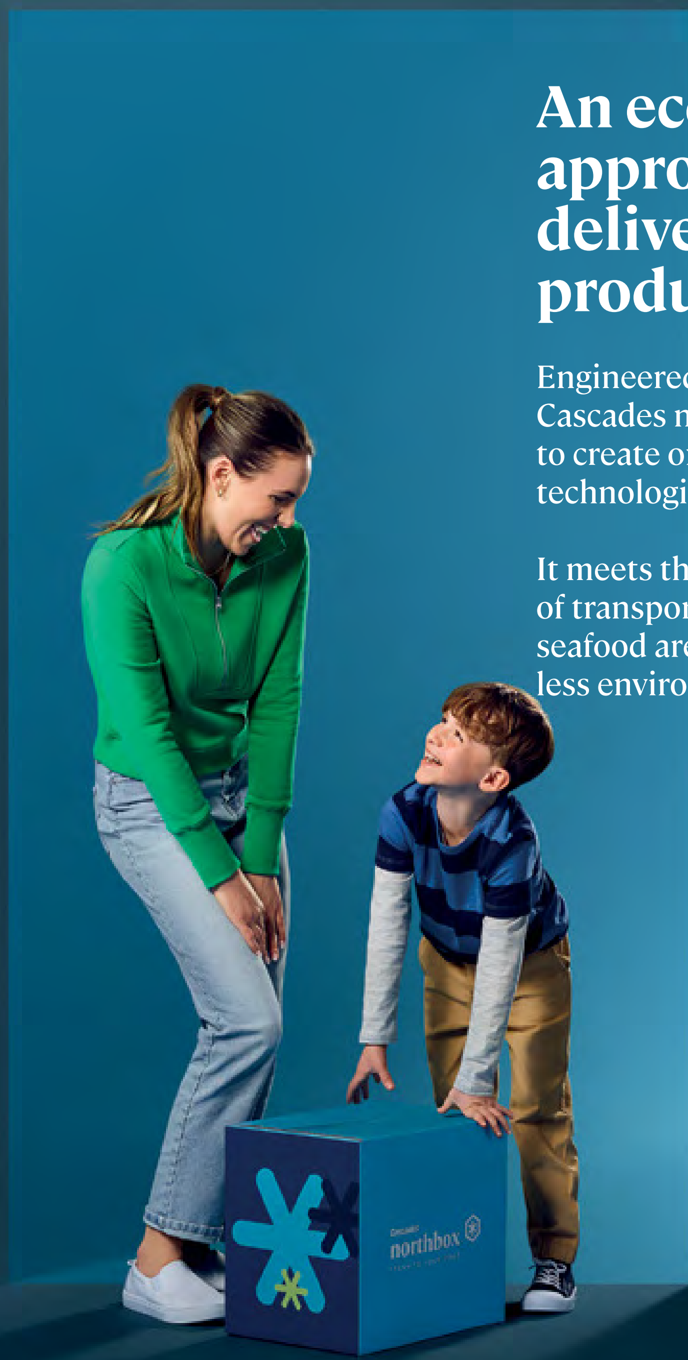
Cascades “goes soft on the planet”

Cascades is breaking new ground by becoming the first company of its category in Canada[1] to launch 100% recycled packaging for its entire line of Cascades Fluff & Tuff® products. This packaging has a 76% lower potential impact on global warming[2].

1 First company in the toilet paper and paper towel category in Canada. Research completed by July 30, 2021.
2 Compared to its virgin resin equivalent. Statistic based on LCA Study Ageco (2021). Cascades Sustainability Report.

We transform your challenges into solutions!

Cascades E-com™ provides a range of eco-friendly packaging solutions designed for online businesses that reflect the trends and challenges of our clients' markets.



An ecodesign approach for delivery of fresh products

Engineered for freshness, Cascades northbox® is lab-tested to create one of the best-insulated technologies on the market.

It meets the thermal requirements of transport so meal kits and fresh seafood are delivered safely with less environmental impact.

Cascades northbox® XTEND™

The new Cascades northbox XTEND technology[1] is up to 20% more efficient to keep your products cold. Its design allows you to ship products for longer transit time or in areas with hot weather.

Thanks to our innovation, our customers now have a northbox® alternative all year long. In addition, our solution is not only made from recycled fibre but it is also recyclable[2].

1 Design patent pending.

2 Tested by Innofibre, a leading laboratory for the certification for paper-based products. How2Recycle® has prequalified this product as widely recyclable in Canada and in the United States.

Financial Information

DISCONTINUED OPERATIONS

On July 5, 2021, the Corporation announced the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or $462 million including foreign exchange contracts and before related transaction fees of $12 million. The transaction closed on October 26, 2021. The Corporation recorded a gain of $228 million before income taxes of $24 million. The Corporation used tax assets to offset this tax expense, resulting in no income tax payable on this transaction. The operations are presented as discontinued operations since the second quarter of 2021 with reclassification of first quarter of 2021, as well as the comparative years 2020 and 2019.

On February 15, 2021, the Boxboard Europe segment, via its ownership in Reno de Medici S.p.A., announced the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. The transaction was closed on April 30, 2021 and resulted in a loss of $2 million which is presented within the results from discontinued operations of the Boxboard Europe segment.

See the "Business Highlights" section and Note 5 of the 2021 Audited Consolidated Financial Statements for all details regarding the discontinued operations. The following tables reconcile our consolidated results and consolidated cash flows:

	For the 3-month period ended March 31, 2021		
(in millions of Canadian dollars) (unaudited)	As reported in the first quarter of 2021	Discontinued operations - Boxboard Europe	As reported
Consolidated results			
Sales	**1,182**	**(240)**	**942**
Cost of sales and expenses (excluding depreciation and amortization)	**932**	**(200)**	**732**
Depreciation and amortization	**76**	**(11)**	**65**
Selling and administrative expenses	**108**	**(21)**	**87**
Restructuring costs	**5**	**—**	**5**
Foreign exchange loss	**1**	**—**	**1**
Loss on derivative financial instruments	**8**	**—**	**8**
	1,130	**(232)**	**898**
Operating income	**52**	**(8)**	**44**
Financing expense	**23**	**(1)**	**22**
Interest expense on employee future benefits	**1**	**—**	**1**
Foreign exchange gain on long-term debt and financial instruments	**(3)**	**—**	**(3)**
Share of results of associates and joint ventures	**(2)**	**—**	**(2)**
Earnings before income taxes	**33**	**(7)**	**26**
Provision for income taxes	**8**	**(2)**	**6**
Net earnings from continuing operations including non-controlling interests for the period	**25**	**(5)**	**20**
Results from discontinued operations	**3**	**5**	**8**
Net earnings including non-controlling interests for the period	**28**	**—**	**28**
Net earnings attributable to non-controlling interests	**6**	**—**	**6**
Net earnings attributable to Shareholders for the period	**22**	**—**	**22**

	For the 3-month period ended March 31, 2021		
(in millions of Canadian dollars) (unaudited)	As reported in the first quarter of 2021	Discontinued operations - Boxboard Europe	As reported
Consolidated net cash flow			
Cash flow from (used for):			
Operating activities	**84**	**(27)**	**57**
Investing activities	**(82)**	**7**	**(75)**
Financing activities	**(51)**	**9**	**(42)**
Change in cash and cash equivalents from discontinued operations	**(1)**	**6**	**5**
Net change in cash and cash equivalents during the period	**(50)**	**(5)**	**(55)**
Currency translation on cash and cash equivalents	**(6)**	**5**	**(1)**
Cash and cash equivalents - Beginning of period	**384**	**—**	**384**
Cash and cash equivalents - End of period	**328**	**—**	**328**

(in millions of Canadian dollars) (unaudited)	For the 3-month period ended March 31, 2020			For the 6-month period ended June 30, 2020			For the 9-month period ended September 30, 2020			**For the year ended December 31, 2020**		
	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	**As reported in 2020**	**Discontinued operations - Boxboard Europe**	**As reported**
Consolidated results												
Sales	1,313	(272)	1,041	2,598	(537)	2,061	3,873	(798)	3,075	**5,157**	**(1,052)**	**4,105**
Cost of sales and expenses (excluding depreciation and amortization)	1,021	(218)	803	2,011	(416)	1,595	3,016	(623)	2,393	**4,022**	**(829)**	**3,193**
Depreciation and amortization	71	(11)	60	146	(23)	123	227	(35)	192	**299**	**(48)**	**251**
Selling and administrative expenses	131	(24)	107	241	(48)	193	348	(72)	276	**460**	**(93)**	**367**
Loss (gain) on acquisitions, disposals and others	1	—	1	2	—	2	(5)	—	(5)	**(43)**	**—**	**(43)**
Impairment charges and restructuring costs	—	—	—	15	—	15	31	—	31	**52**	**(9)**	**43**
Foreign exchange gain	—	—	—	(1)	—	(1)	—	(1)	(1)	**—**	**(1)**	**(1)**
Loss (gain) on derivative financial instruments	(1)	1	—	—	—	—	(1)	2	1	**1**	**2**	**3**
	1,223	(252)	971	2,414	(487)	1,927	3,616	(729)	2,887	**4,791**	**(978)**	**3,813**
Operating income	90	(20)	70	184	(50)	134	257	(69)	188	**366**	**(74)**	**292**
Financing expense	27	(1)	26	54	(2)	52	79	(3)	76	**105**	**(4)**	**101**
Interest expense (revenue) on employee future benefits and other liabilities	1	—	1	2	—	2	3	—	3	**(7)**	**—**	**(7)**
Loss on repurchase of long-term debt	—	—	—	—	—	—	6	—	6	**6**	**—**	**6**
Foreign exchange loss (gain) on long-term debt and financial instruments	17	—	17	8	—	8	(3)	—	(3)	**(6)**	**—**	**(6)**
Fair value revaluation loss on investments	—	—	—	—	—	—	—	—	—	**3**	**—**	**3**
Share of results of associates and joint ventures	(3)	—	(3)	(6)	—	(6)	(9)	—	(9)	**(14)**	**—**	**(14)**
Earnings before income taxes	48	(19)	29	126	(48)	78	181	(66)	115	**279**	**(70)**	**209**
Provision for income taxes	15	(5)	10	27	(10)	17	24	(14)	10	**45**	**(19)**	**26**
Net earnings from continuing operations including non-controlling interests for the period	33	(14)	19	99	(38)	61	157	(52)	105	**234**	**(51)**	**183**
Results from discontinued operations	—	14	14	—	38	38	—	52	52	**—**	**51**	**51**
Net earnings including non-controlling interests for the period	33	—	33	99	—	99	157	—	157	**234**	**—**	**234**
Net earnings attributable to non-controlling interests	11	—	11	23	—	23	32	—	32	**36**	**—**	**36**
Net earnings attributable to Shareholders for the period	22	—	22	76	—	76	125	—	125	**198**	**—**	**198**

(in millions of Canadian dollars) (unaudited)	For the 3-month period ended March 31, 2020			For the 6-month period ended June 30, 2020			For the 9-month period ended September 30, 2020			**For the year ended December 31, 2020**		
	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	As reported in 2020	Discontinued operations - Boxboard Europe	As reported	**As reported in 2020**	**Discontinued operations - Boxboard Europe**	**As reported**
Consolidated net cash flow												
Cash flow from (used for):												
Operating activities	117	(17)	100	245	(39)	206	381	(62)	319	**587**	**(110)**	**477**
Investing activities	(73)	11	(62)	(115)	13	(102)	(159)	19	(140)	**(203)**	**35**	**(168)**
Financing activities	(58)	10	(48)	(129)	24	(105)	(155)	34	(121)	**(156)**	**39**	**(117)**
Change in cash and cash equivalents from discontinued operations	—	1	1	—	6	6	—	14	14	**—**	**41**	**41**
Net change in cash and cash equivalents during the period	(14)	5	(9)	1	4	5	67	5	72	**228**	**5**	**233**
Currency translation on cash and cash equivalents	12	(5)	7	6	(4)	2	5	(5)	—	**1**	**(5)**	**(4)**
Cash and cash equivalents - Beginning of period	155	—	155	155	—	155	155	—	155	**155**	**—**	**155**
Cash and cash equivalents - End of period	153	—	153	162	—	162	227	—	227	**384**	**—**	**384**

(in millions of Canadian dollars) (unaudited)	For the 3-month period ended March 31, 2019			For the 6-month period ended June 30, 2019			For the 9-month period ended September 30, 2019			**For the year ended December 31, 2019**		
	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	**As reported in 2019**	**Discontinued operations - Boxboard Europe**	**As reported**
Consolidated results												
Sales	1,230	(279)	951	2,505	(549)	1,956	3,769	(805)	2,964	**4,996**	**(1,048)**	**3,948**
Cost of sales and expenses (excluding depreciation and amortization)	991	(227)	764	2,000	(447)	1,553	2,998	(657)	2,341	**3,943**	**(854)**	**3,089**
Depreciation and amortization	67	(11)	56	139	(22)	117	212	(33)	179	**289**	**(47)**	**242**
Selling and administrative expenses	104	(23)	81	215	(43)	172	320	(64)	256	**453**	**(86)**	**367**
Gain on acquisitions, disposals and others	(10)	—	(10)	(7)	—	(7)	(29)	—	(29)	**(24)**	**—**	**(24)**
Impairment charges and restructuring costs	9	—	9	10	—	10	11	—	11	**78**	**(14)**	**64**
Foreign exchange gain	—	—	—	(1)	—	(1)	(1)	—	(1)	**(2)**	**—**	**(2)**
Gain on derivative financial instruments	(3)	—	(3)	(5)	—	(5)	(4)	—	(4)	**(2)**	**(2)**	**(4)**
	1,158	(261)	897	2,351	(512)	1,839	3,507	(754)	2,753	**4,735**	**(1,003)**	**3,732**
Operating income	72	(18)	54	154	(37)	117	262	(51)	211	**261**	**(45)**	**216**
Financing expense	25	(1)	24	50	(3)	47	74	(4)	70	**101**	**(5)**	**96**
Interest expense on employee future benefits and other liabilities	14	—	14	24	—	24	48	(1)	47	**42**	**(1)**	**41**
Loss on repurchase of long-term debt	—	—	—	—	—	—	—	—	—	**14**	**—**	**14**
Foreign exchange gain on long-term debt and financial instruments	(6)	—	(6)	(7)	—	(7)	(7)	—	(7)	**(6)**	**—**	**(6)**
Share of results of associates and joint ventures	(2)	—	(2)	(4)	—	(4)	(6)	—	(6)	**(9)**	**—**	**(9)**
Earnings before income taxes	41	(17)	24	91	(34)	57	153	(46)	107	**119**	**(39)**	**80**
Provision for income taxes	8	(5)	3	18	(9)	9	30	(11)	19	**19**	**(14)**	**5**
Net earnings from continuing operations including non-controlling interests for the period	33	(12)	21	73	(25)	48	123	(35)	88	**100**	**(25)**	**75**
Results from discontinued operations	—	12	12	—	25	25	—	35	35	**—**	**25**	**25**
Net earnings including non-controlling interests for the period	33	—	33	73	—	73	123	—	123	**100**	**—**	**100**
Net earnings attributable to non-controlling interests	9	—	9	18	—	18	25	—	25	**28**	**—**	**28**
Net earnings attributable to Shareholders for the period	24	—	24	55	—	55	98	—	98	**72**	**—**	**72**

(in millions of Canadian dollars) (unaudited)	For the 3-month period ended March 31, 2019			For the 6-month period ended June 30, 2019			For the 9-month period ended September 30, 2019			**For the year ended December 31, 2019**		
	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	As reported in 2019	Discontinued operations - Boxboard Europe	As reported	**As reported in 2019**	**Discontinued operations - Boxboard Europe**	**As reported**
Consolidated net cash flow												
Cash flow from (used for):												
Operating activities	52	(37)	15	140	(47)	93	297	(49)	248	**460**	**(101)**	**359**
Investing activities	(66)	17	(49)	(132)	24	(108)	(471)	31	(440)	**(540)**	**49**	**(491)**
Financing activities	12	6	18	(29)	21	(8)	195	26	221	**121**	**36**	**157**
Change in cash and cash equivalents from discontinued operations	—	12	12	—	—	—	—	(12)	(12)	**—**	**12**	**12**
Net change in cash and cash equivalents during the period	(2)	(2)	(4)	(21)	(2)	(23)	21	(4)	17	**41**	**(4)**	**37**
Currency translation on cash and cash equivalents	(4)	2	(2)	(4)	2	(2)	(6)	4	(2)	**(9)**	**4**	**(5)**
Cash and cash equivalents - Beginning of period	123	—	123	123	—	123	123	—	123	**123**	**—**	**123**
Cash and cash equivalents - End of period	117	—	117	98	—	98	138	—	138	**155**	**—**	**155**

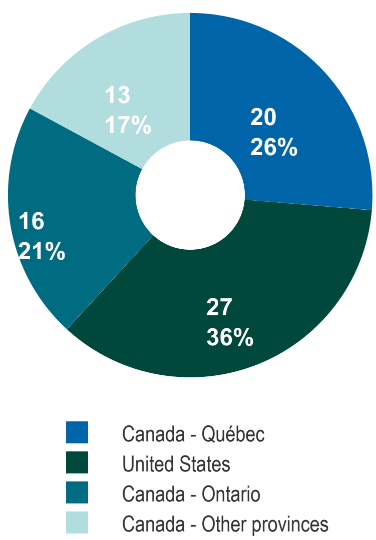
OUR BUSINESS

Cascades Inc. is a paper and packaging company that produces, converts and sells packaging and tissue products composed primarily of recycled fibres. Established in 1964 in Kingsey Falls, Québec, Canada, the Corporation was founded by the Lemaire brothers, who saw the economic and social potential of building a company focused primarily on the sustainable development principles of reusing, recovering and recycling. More than 55 years later, Cascades is a multinational business with close to 80 operating facilities[1] and approximately 10,000 employees[1] across Canada and the United States. The Corporation currently operates three business segments:

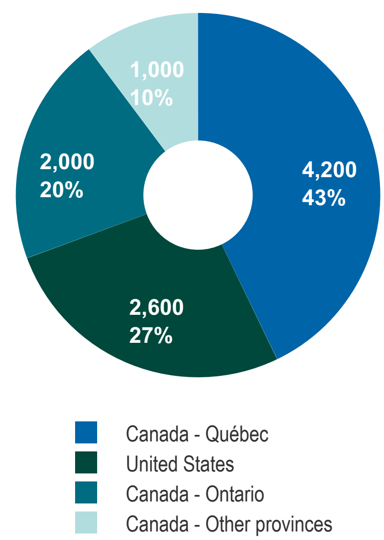
(Business segments) (unaudited)	Number of Facilities[1]	2021 Sales[2] (in $M)	2021 Operating Income (loss) Before Depreciation and Amortization (OIBD)[2] (in $M)	2021 Adjusted OIBD[2, 3] (in $M)	2021 Adjusted OIBD Margin[2, 3] (%)
PACKAGING PRODUCTS					
Containerboard	25	2,009	350	372	18.5%
Specialty Products	18	548	74	74	13.5%
TISSUE PAPERS	15	1,272	(38)	27	2.1%

The location of our plants[4] and employees in North America are as follows:

Our facilities



Our employees



1 *Including significant 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 2021 Audited Consolidated Financial Statements for more information on associates and joint ventures.*

3 *Some information represent Non-IFRS financial measures, other financial measures or Non-IFRS ratios which are not standardized under IFRS and therefore might not be comparable to similar financial measures disclosed by other corporations. Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.*

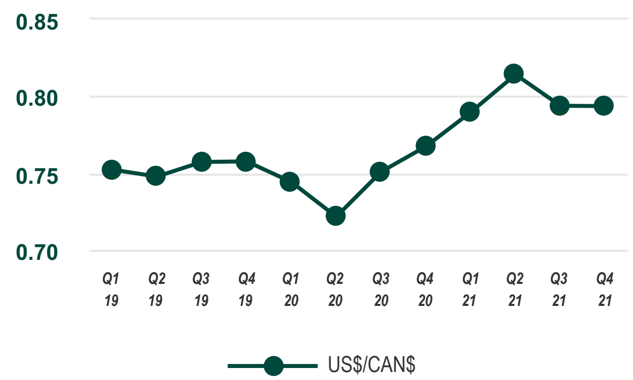
4 *Excluding sales offices, distribution and transportation hubs and corporate offices. Including main associates and joint ventures.*

BUSINESS DRIVERS

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

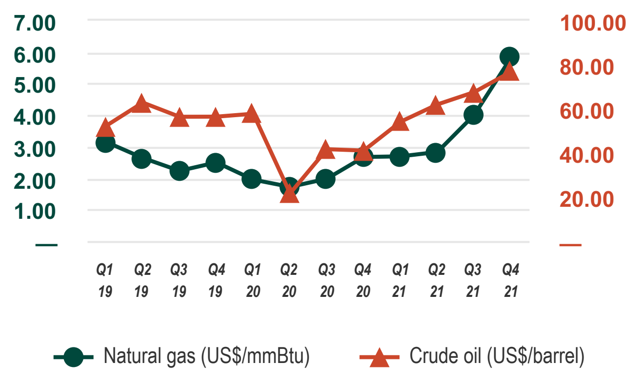
EXCHANGE RATES

On a year-over-year basis, the average value of the Canadian dollar increased by 7% compared to the US dollar in 2021.



ENERGY COSTS

The average price of natural gas increased by 85% in 2021 compared to the previous year. In the case of crude oil, the average price was 61% higher in 2021 than in 2020.



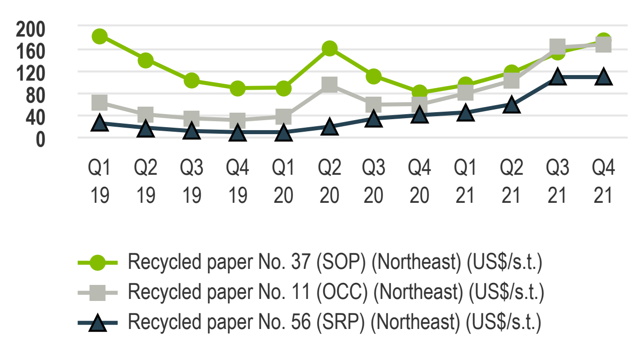
	2019					2020					**2021**
(unaudited)	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**Q3**	**Q4**	**YEAR**
US$/CAN$ - Average rate	$0.75	$0.74	$0.72	$0.75	$0.77	$0.75	**$0.79**	**$0.81**	**$0.79**	**$0.79**	**$0.80**
US$/CAN$ - End of period rate	$0.77	$0.71	$0.74	$0.75	$0.79	$0.79	**$0.80**	**$0.81**	**$0.79**	**$0.79**	**$0.79**
Natural Gas Henry Hub - US$/ mmBtu	$2.63	$1.95	$1.72	$1.98	$2.67	$2.08	**$2.69**	**$2.83**	**$4.01**	**$5.83**	**$3.84**
Crude oil (US$/barrel)	$56.98	$57.78	$21.65	$41.67	$41.07	$40.54	**$54.16**	**$62.01**	**$67.60**	**$76.84**	**$65.15**

Source: Bloomberg

RAW MATERIALS

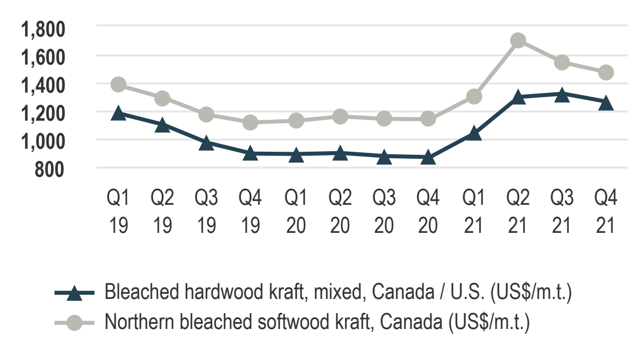
Reference prices - recycled fibre costs in North America[1]

The brown grade recycled paper No. 11 (old corrugated containers, OCC) and the recycled paper No. 56 (sorted residential papers, SRP) index prices increased by 108% and 233%, respectively, in 2021 compared to 2020. The white grade recycled paper No. 37 (sorted office papers, SOP) increased by 23% in 2021 compared to 2020. The variances in fibre costs reflected changes in both supply and demand levels of fibre throughout the year as a result of the COVID-19 pandemic.



Reference prices - virgin pulp in North America[1]

In 2021, the reference price for NBSK and NBHK increased by 30% and 39% respectively, compared to 2020, reflecting global demand supply dynamics.



1 *Source: RISI, excluding mixed papers*

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIALS

These indexes should only be used as trend indicators; they may differ from our actual selling prices and purchasing costs. (unaudited)	2019 YEAR	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 YEAR	**2021 Q1**	**2021 Q2**	**2021 Q3**	**2021 Q4**	**2021 YEAR**	**2021 vs. 2020 Change**	**2021 vs. 2020 %**
Selling prices (average)													
PACKAGING PRODUCTS													
Containerboard (US$/short ton)													
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	734	715	715	715	748	723	**772**	**825**	**858**	**875**	**833**	**110**	**15%**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	638	615	615	615	648	623	**675**	**735**	**775**	**795**	**745**	**122**	**20%**
Specialty Products (US$/short ton)													
Uncoated recycled boxboard - 20-pt. bending chip (series B)	730	710	700	700	720	708	**740**	**793**	**867**	**980**	**845**	**137**	**19%**
TISSUE PAPERS (US$/short ton)													
Parent rolls, recycled fibres (transaction)	1,142	1,111	1,138	1,123	1,110	1,120	**1,115**	**1,159**	**1,170**	**1,178**	**1,156**	**36**	**3%**
Parent rolls, virgin fibres (transaction)	1,429	1,416	1,450	1,427	1,418	1,428	**1,453**	**1,550**	**1,544**	**1,511**	**1,515**	**87**	**6%**
Raw materials prices (average)													
RECYCLED PAPER													
North America (US$/short ton)													
Sorted residential papers, No. 56 (SRP - Northeast average)	15	8	18	33	39	24	**44**	**59**	**108**	**108**	**80**	**56**	**233%**
Old corrugated containers, No. 11 (OCC - Northeast average)	41	36	93	58	59	61	**79**	**102**	**162**	**167**	**127**	**66**	**108%**
Sorted office papers, No. 37 (SOP - Northeast average)	128	89	160	109	80	109	**94**	**117**	**153**	**173**	**134**	**25**	**23%**
VIRGIN PULP (US$/metric ton)													
Northern bleached softwood kraft, Canada	1,239	1,127	1,158	1,140	1,138	1,141	**1,302**	**1,598**	**1,542**	**1,472**	**1,478**	**337**	**30%**
Bleached hardwood kraft, mixed, Canada/US	1,036	890	897	875	868	883	**1,037**	**1,297**	**1,320**	**1,262**	**1,229**	**346**	**39%**

Source: RISI and Cascades.

SENSITIVITY TABLE[1]

The following table provides a quantitative estimate of the impact that potential changes in the prices of our main products, the costs of certain raw materials, energy and the exchange rates may have on Cascades' annual OIBD, assuming, for each price change, that all other variables remain constant. Estimates are based on Cascades' 2021 manufacturing and converting external shipments and consumption quantities. It is important to note that this table does not consider the Corporation's use of hedging instruments for risk management. These hedging policies and portfolios (see the "Risk Factors" section) should also be considered in order to fully analyze the Corporation's sensitivity to the highlighted factors.

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

	SHIPMENTS/ CONSUMPTION ('000 SHORT TONS, '000 MMBTU FOR NATURAL GAS)	INCREASE	OIBD IMPACT (IN MILLIONS OF CAN$)
SELLING PRICE (MANUFACTURING AND CONVERTING)[2]			
Packaging			
Linerboard 42-lb. unbleached kraft, Eastern US	400	US$25/s.t.	**13**
Corrugating medium 26-lb. semichemical, Eastern US	330	US$25/s.t.	**10**
Uncoated recycled boxboard - 20-pt. bending chip, Eastern US	140	US$25/s.t.	**4**
Converting products (cartonboard based only)	840	US$25/s.t.	**26**
	1,710		**53**
Tissue Papers	550	US$25/s.t.	**17**
	2,260		**70**
RAW MATERIALS[2]			
Packaging			
Brown grades (OCC and others)	1,500	US$15/s.t.	**(28)**
Groundwood grades (SRP and others)	110	US$15/s.t.	**(2)**
	1,610		**(30)**
Tissue Papers			
Virgin pulp	180	US$30/s.t.	**(7)**
Brown grades (OCC and others)	160	US$15/s.t.	**(3)**
White grades (SOP and others)	330	US$15/s.t.	**(6)**
	670		**(16)**
NATURAL GAS			
Packaging	4,000	US$1.00/mmBtu	**(5)**
Tissue Papers	4,200	US$1.00/mmBtu	**(5)**
	8,200		**(10)**
EXCHANGE RATE[3]			
U.S. subsidiaries translation		CAN$/US$ 0.01 change	**1**

1 *Sensitivity calculated according to 2021 volumes or consumption with year-end closing exchange rate of CAN$/US$ 1.25, excluding hedging programs and the impact of related expenses such as discounts, commissions on sales and profit-sharing.*

2 *Based on 2021 external manufacturing and converting shipments, as well as fibre and pulp consumption. Including purchases sourced internally from our recovery and recycling operations. Adjusted to reflect acquisitions, disposals and closures, if needed.*

3 *As an example, from CAN$/US$ 1.25 to CAN$/US$ 1.26.*

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES AND OTHER FINANCIAL 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 that of other corporations and some of these items may arise in the future and may reduce the Corporation's available cash.

They include, but are not limited to, charges for (reversals of) impairment of assets, restructuring gains or costs, loss on refinancing and repurchase of long-term debt, some deferred tax asset provisions or reversals, premiums paid on repurchase of long-term debt, gains or losses on the acquisition or sale of a business unit, gains or losses on the share of results of associates and joint ventures, unrealized gains or losses on derivative financial instruments that do not qualify for hedge accounting, unrealized gains or losses on interest rate swaps and option fair value revaluation, foreign exchange gains or losses on long-term debt and financial instruments, fair value revaluation gains or losses on investments, specific items of discontinued operations and other significant items of an unusual, non-cash or non-recurring nature.

RECONCILIATION AND USES OF NON-IFRS AND OTHER FINANCIAL 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 and capital measures as well as 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 and other financial measures are used in our financial disclosures:

Non-IFRS measures

- 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.
- Working capital: Used to assess the short-term liquidity of the Corporation.

Other financial measures

- Total debt: Used to calculate all the Corporation's debt including long-term debt and bank loans. Often put in relation to equity to calculate the debt-to-equity ratio.
- Net debt: Used to calculate the Corporation's total debt less cash and cash equivalents. Often put in relation to adjusted OIBD to calculate net debt to adjusted OIBD ratio.

Non-IFRS ratios

- Net debt to adjusted OIBD ratio: Used to assess the Corporation's ability to pay its debt 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.
- Adjusted OIBD margin : Used to assess operating performance and the contribution of each segment on a comparable basis.
- Adjusted net earnings per common share: Used to assess the Corporation's consolidated financial performance on a comparable basis.
- Net debt / Net debt + Shareholders' equity: Used to evaluate the Corporation's financial leverage and thus the risk to Shareholders.
- Working capital as a percentage of sales: Used to assess the Corporation's operating liquidity performance.
- Adjusted free cash flow per common share: Used to assess the Corporation's financial flexibility.

Non-IFRS and other financial 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 and other financial 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:

					2021[1]
(in millions of Canadian dollars) (unaudited)	**Containerboard**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**230**	**59**	**(108)**	**(131)**	**50**
Depreciation and amortization	**120**	**15**	**70**	**47**	**252**
Operating income (loss) before depreciation and amortization	**350**	**74**	**(38)**	**(84)**	**302**
Specific items:					
Gain on acquisitions, disposals and others	**—**	**—**	**(40)**	**—**	**(40)**
Impairment charges	**1**	**—**	**88**	**—**	**89**
Restructuring costs	**4**	**—**	**17**	**—**	**21**
Unrealized loss on derivative financial instruments	**17**	**—**	**—**	**—**	**17**
	22	**—**	**65**	**—**	**87**
Adjusted operating income (loss) before depreciation and amortization	**372**	**74**	**27**	**(84)**	**389**
Adjusted operating income (loss)	**252**	**59**	**(43)**	**(131)**	**137**

					2020[1]
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	321	42	72	(143)	292
Depreciation and amortization	115	16	73	47	251
Operating income (loss) before depreciation and amortization	436	58	145	(96)	543
Specific items:					
Loss (gain) on acquisitions, disposals and others	(45)	2	—	—	(43)
Impairment charges	6	—	23	1	30
Restructuring costs	4	—	7	2	13
Unrealized loss on derivative financial instruments	2	—	—	1	3
	(33)	2	30	4	3
Adjusted operating income (loss) before depreciation and amortization	403	60	175	(92)	546
Adjusted operating income (loss)	288	44	102	(139)	295

1 2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

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

(in millions of Canadian dollars) (unaudited)	2021[1]	2020[1]
Net earnings attributable to Shareholders for the year	**162**	198
Net earnings attributable to non-controlling interests	**25**	36
Results from discontinued operations	**(234)**	(51)
Provision for income taxes	**9**	26
Fair value revaluation loss on investments	**—**	3
Share of results of associates and joint ventures	**(18)**	(14)
Foreign exchange gain on long-term debt and financial instruments	**(3)**	(6)
Financing expense and interest expense (revenue) on employee future benefits and other liabilities and loss on repurchase of long-term debt	**109**	100
Operating income	**50**	292
Specific items:		
Gain on acquisitions, disposals and others	**(40)**	(43)
Impairment charges	**89**	30
Restructuring costs	**21**	13
Unrealized loss on derivative financial instruments	**17**	3
	87	3
Adjusted operating income	**137**	295
Depreciation and amortization	**252**	251
Adjusted operating income before depreciation and amortization	**389**	546

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

	NET EARNINGS		NET EARNINGS PER COMMON SHARE[2]	
(in millions of Canadian dollars, except per common share amounts and number of common shares) (unaudited)	2021	2020	2021	2020
As per IFRS	**162**	198	**$1.60**	$2.04
Specific items:				
Gain on acquisitions, disposals and others	**(40)**	(43)	**($0.32)**	($0.38)
Impairment charges	**89**	30	**$0.75**	$0.24
Restructuring costs	**21**	13	**$0.15**	$0.10
Unrealized loss on derivative financial instruments	**17**	3	**$0.11**	$0.03
Loss on repurchase of long-term debt	**20**	6	**$0.13**	$0.05
Unrealized loss (gain) on interest rate swaps and options fair value	**1**	(11)	**—**	($0.12)
Foreign exchange gain on long-term debt and financial instruments	**(3)**	(6)	**($0.02)**	($0.05)
Fair value revaluation loss on investments	**—**	3	**—**	$0.02
Included in discontinued operations, net of tax	**(224)**	6	**($2.14)**	$0.04
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[2]	**(16)**	(12)	**—**	($0.02)
	(135)	(11)	**($1.34)**	($0.09)
Adjusted	**27**	187	**$0.26**	$1.95
Weighted average basic number of common shares outstanding			**101,884,051**	95,924,835

1 2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

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

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

(in millions of Canadian dollars) (unaudited)	2021[1]	2020[1]
Cash flow from operating activities from continuing operations	**211**	477
Changes in non-cash working capital components	**36**	(19)
Depreciation and amortization	**(252)**	(251)
Net income taxes received	**(2)**	(9)
Net financing expense paid	**96**	76
Premium and transaction fees paid on long-term debt redemption	**24**	4
Gain on acquisitions, disposals and others	**40**	43
Impairment charges and restructuring costs	**(110)**	(43)
Unrealized loss on derivative financial instruments	**(17)**	(3)
Provisions for contingencies and charges and other liabilities, net of dividends received	**24**	17
Operating income	**50**	292
Depreciation and amortization	**252**	251
Operating income before depreciation and amortization	**302**	543

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

(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	2021[1]	2020[1]
Cash flow from operating activities from continuing operations	**211**	477
Changes in non-cash working capital components	**36**	(19)
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	**247**	458
Restructuring costs paid	**25**	11
Premium and transaction fees paid on long-term debt redemption	**24**	4
Specific items paid	**49**	15
Adjusted cash flow from operating activities from continuing operations	**296**	473
Capex expenditures	**(286)**	(219)
Change in intangible and other assets	**(15)**	(9)
Lease obligation payments	**(47)**	(43)
Proceeds from disposals of property, plant and equipment	**53**	55
	1	257
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(55)**	(45)
Adjusted free cash flow generated (used)	**(54)**	212
Adjusted free cash flow generated (used) per common share (in Canadian dollars)	**($0.53)**	$2.21
Weighted average basic number of common shares outstanding	**101,884,051**	95,924,835

1 2021 first quarter, 2020 and 2019 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

The following table reconciles working capital as reported:

(in millions of Canadian dollars, except ratios) (unaudited)	**December 31, 2021**	December 31, 2020	December 31, 2019
Accounts receivables	**510**	659	610
Inventories	**494**	569	598
Trade and other payable	**(707)**	(861)	(792)
Working capital	**297**	367	416

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, except ratios) (unaudited)	**December 31, 2021**	December 31, 2020	December 31, 2019
Long-term debt	**1,450**	1,949	2,022
Current portion of long-term debt	**74**	102	85
Bank loans and advances	**1**	12	11
Total debt	**1,525**	2,063	2,118
Less: Cash and cash equivalents	**174**	384	155
Net debt as reported	**1,351**	1,679	1,963
Last twelve months adjusted OIBD (before discontinued operations for the year ended December 31, 2020 and 2019)	**389**	675	604
Net debt / Adjusted OIBD ratio	**3.5x**	2.5x	3.3x

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

The Corporation incurred the following specific items in 2021 and 2020:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

2021

The Tissue Papers segment recorded a $40 million gain from the sale of buildings related to closed plants in the USA and in Canada.

2020

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

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

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

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

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

IMPAIRMENT CHARGES

2021

The Containerboard Packaging segment recorded an impairment charge of $1 million on an asset that became idle following the introduction of a new technology. The recoverable amount was lower than its carrying amount which was based on its fair value less cost of disposal determined using the market approach of comparable assets on the market.

The Tissue Papers segment recorded an impairment charge of $1 million on spare parts related to the closure of plants in Pittston and Ransom, Pennsylvania, USA and Waterford, New York, USA and in Laval, Québec, Canada.

The COVID-19 pandemic has led to lower than usual volumes in the Tissue Papers segment. Specifically, volume impacts in the Away-from-Home market began in the second quarter of 2020, while lower volumes in the Consumer Products market started in the second quarter of 2021 following higher than usual demand in the prior year. The current market dynamic led the Corporation to record an impairment charge totaling $71 million on the segment's goodwill and other intangible assets reflecting uncertainty of the recoverable amount of the segment compared to its carrying value. The Tissue Papers segment also recorded an impairment charge of $16 million on property, plant and equipment of one of its United States CGUs due to sustained difficult market conditions and assets underperformance. The recoverable amount of these assets was determined using the market approach of comparable assets on the market, OIBD multiples or an income approach.

2020

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

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

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

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

RESTRUCTURING COSTS

2021

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

The Containerboard Packaging segment also recorded closure costs totaling $1 million related to the closure of plants in Ontario, Canada.

The Tissue Papers segment recorded additional restructuring charges and closure costs totaling $17 million related to closed plants.

2020

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

The Containerboard Packaging segment also recorded restructuring charges totaling $3 million following the announcement of the closure of its Etobicoke, Ontario, Canada converting facility, which was permanently closed in mid-September 2021.

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

The Tissue Papers segment recorded restructuring charges totaling $4 million as part of the network optimization and profitability improvement initiatives. The segment also recorded restructuring charges totaling $3 million following the announcement of the closure of plants in Pittston and Ransom, Pennsylvania, USA and Waterford, New York, USA.

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

LOSS ON DERIVATIVE FINANCIAL INSTRUMENTS

In 2021, the Corporation recorded an unrealized loss of $17 million, compared to an unrealized loss of $3 million in 2020, on certain derivative financial instruments not designated for hedge accounting.

LOSS ON REPURCHASE OF LONG-TERM DEBT

In 2021, the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million) and wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid transactions fees totaling $2 million.

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 related unamortized financing costs.

OPTION FAIR VALUE REVALUATION

In 2021, the Corporation recorded in the line item "Interest expense (revenue) on employee future benefits and other liabilities" an unrealized loss of $1 million, compared to an unrealized loss of $2 million in 2020, pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC.

In 2020, the Corporation also recorded in the line item "Interest expense (revenue) on employee future benefits and other liabilities" an unrealized gain of $13 million on 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 2021, the Corporation recorded a gain of $3 million on its US$ denominated debt and related financial instruments, compared to a gain of $6 million in 2020. This is composed of a gain of $3 million in 2021, compared to a gain of $3 million in 2020, on foreign exchange forward contracts not designated for hedge accounting. It also includes a nil result in 2021, compared to a gain of $3 million in 2020, on the US$ denominated long-term debt, net of our net investment hedges in the US, as well as forward exchange contracts designated as hedging instruments.

FAIR VALUE REVALUATION LOSS ON INVESTMENTS

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

PROVISION FOR INCOME TAXES

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

DISCONTINUED OPERATIONS

2021

The Boxboard Europe segment recorded a $2 million loss from the sale of all the shares of its French subsidiary which produces virgin fibre-based boxboard. The Boxboard Europe segment also recorded a $18 million gain from a business acquisition. The segment also recorded an unrealized gain on financial instruments of $6 million (before income tax of $2 million).

The Corporate Activities recorded a gain of $228 million (before income tax of $24 million) from the sale of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM).

2020

The Boxboard Europe segment recorded an impairment charge of $9 million (before income tax of $1 million) on some assets as their recoverable amount was lower than their carrying amount. Recoverable amount of the assets was based on their fair value less cost of disposal. The segment also recorded an unrealized gain on financial instruments of $2 million.

Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - 2021

In 2021, the Corporation posted net earnings of $162 million, or $1.60 per common share, compared to net earnings of $198 million, or $2.04 per common share, in 2020. On an adjusted basis[2], the Corporation generated net earnings of $27 million during 2021, or $0.26 per common share, compared to net earnings of $187 million, or $1.95 per common share, in 2020.

For the year ended December 31, 2021[1], consolidated sales totaled $3,956 million, a decrease of $149 million, or 4%, compared to $4,105 million in 2020[1]. This largely reflects the sales decrease of 21% in both Consumer Products and Away-from-Home markets of the Tissue Papers segment, offsetting higher sales in our Packaging segments.

The Corporation recorded an operating income before depreciation and amortization (OIBD) of $302 million during 2021[1], compared to $543 million in 2020[1]. On an adjusted basis[2], operating income before depreciation and amortization stood at $389 million in 2021[1], compared to $546 million in 2020[1]. This largely reflects the increase in raw material and freight costs for all segments along with lower volume in our Tissue Paper segment, while the Packaging Products segments benefited from higher selling prices.

As a response to the effects of the COVID-19 pandemic, the Corporation continues to review the assumptions for operating plans, regularly updates the financial and cash flow forecasts and monitors the credit risk as well as the evolution of the market. The Corporation continues to closely monitor the consequences of 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. The COVID-19 pandemic has led to lower than usual volumes in the Tissue Papers segment. Specifically, volume impacts in the Away-from-Home market began in the second quarter of 2020, while lower volumes in the Consumer Products market started in the second quarter of 2021 following higher than usual demand in the prior year. The Corporation recorded impairment charges in the Tissue Papers segment on property, plant and equipment, goodwill and other intangible assets (see Notes 9, 10 and 26 of the 2021 Audited Consolidated Financial Statements).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.

FINANCIAL OVERVIEW - 2020

Annual consolidated sales reached $4,105 million in 2020[1], an increase of $157 million, or 4%, compared to 2019[1]. This performance reflected strong sales driven mostly by increased demand in the Tissue Papers Consumer Products and overall packaging solutions, mainly attributable to the repercussions of the COVID-19 pandemic which contributed to higher demand for the essential products we offer and favourable exchange rates. However, these items were partly offset by lower average selling prices and mix of products for the Packaging Products segments.

The Corporation recorded an operating income before depreciation and amortization (OIBD) of $543 million in 2020[1], compared to $458 million in 2019[1]. On an adjusted basis[2], operating income before depreciation and amortization stood at $546 million in 2020[1], compared to $496 million in 2019[1]. This largely reflected year-over-year improved results in the Tissue Papers segment. Energy costs were lower for all segments while pricing of raw materials were also beneficial for all segments except Containerboard. Volume increased for all segments while year-over-year average selling price and mix were lower for the Packaging Products segments and positive for Tissue Papers.

MARGIN IMPROVEMENT PROGRAM

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

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

The objective of this program is to improve adjusted OIBD margin[2] by 1% annually in 2020, 2021 and 2022, with these improvements calculated from the levels of 2019, our baseline year.

Following on the initiatives implemented in 2020 and new ones started in 2021, we were able to continue improving our competitiveness by achieving approximately $230 million as of December 2021 of adjusted OIBD[2], net of related costs to implement such initiatives. This is measured against our 2019 baseline. These benefits offset some headwinds related to increased raw material and production costs, foreign exchange variation and current lower demand for tissue paper products. As part of its ongoing continuous improvement, the Corporation is setting new objectives and baseline for 2022 and the coming years.

1 *2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

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

KEY PERFORMANCE INDICATORS

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

(unaudited)	2019[6] YEAR	2020[6] Q1	Q2	Q3	Q4	YEAR	2021 Q1[6]	Q2	Q3	Q4	YEAR
OPERATIONAL											
Total shipments (in '000 s.t.)[1]											
Packaging Products											
Containerboard	1,447	374	360	411	399	1,544	**391**	**385**	**377**	**368**	**1,521**
Boxboard Europe	1,290	351	326	316	312	1,305	**361**	**318**	**295**	**—**	**974**
	2,737	725	686	727	711	2,849	**752**	**703**	**672**	**368**	**2,495**
Tissue Papers	629	181	167	145	152	645	**123**	**138**	**148**	**145**	**554**
Total before discontinued operations	3,366	906	853	872	863	3,494	**875**	**841**	**820**	**513**	**3,049**
Discontinued operations - Boxboard Europe	(1,290)	(351)	(326)	(316)	(312)	(1,305)	**(361)**	**(318)**	**(295)**	**—**	**(974)**
Total	2,076	555	527	556	551	2,189	**514**	**523**	**525**	**513**	**2,075**
Integration rate[2]											
Containerboard	58%	57%	57%	53%	55%	56%	**57%**	**57%**	**58%**	**58%**	**58%**
Tissue Papers	76%	72%	73%	76%	79%	75%	**79%**	**69%**	**71%**	**76%**	**74%**
Manufacturing capacity utilization rate[3]											
Containerboard	91%	98%	92%	98%	97%	96%	**97%**	**96%**	**94%**	**89%**	**94%**
Tissue Papers	88%	88%	87%	73%	86%	83%	**80%**	**78%**	**84%**	**85%**	**82%**
Consolidated total	90%	95%	90%	90%	93%	92%	**92%**	**90%**	**91%**	**88%**	**90%**
FINANCIAL											
Working capital											
In millions of CAN$, at end of period[4]	416	493	497	467	367	367	**376**	**377**	**410**	**297**	**297**
As a percentage of sales[5]	9.8%	9.6%	9.4%	9.2%	8.8%	8.8%	**8.4%**	**8.4%**	**8.5%**	**8.6%**	**8.6%**

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

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

5 Percentage of sales = Average quarterly last twelve months (LTM) working capital / LTM sales (Not adjusted for retrospective reclassification of discontinued operations).

6 Adjusted for discontinued operations. Please refer to the "Discontinued operations" section for more details.

HISTORICAL FINANCIAL INFORMATION

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	2019[2] YEAR	2020[2] Q1	Q2	Q3	Q4	YEAR	2021 Q1[2]	Q2	Q3	Q4	YEAR
Sales											
Packaging Products											
Containerboard	1,827	458	454	506	500	1,918	**503**	**497**	**507**	**502**	**2,009**
Boxboard Europe	1,048	272	265	261	254	1,052	**286**	**253**	**355**	**—**	**894**
Specialty Products	492	113	120	117	123	473	**122**	**131**	**144**	**151**	**548**
Inter-segment sales	(14)	(3)	(5)	(4)	(6)	(18)	**(7)**	**(7)**	**(10)**	**(8)**	**(32)**
	3,353	840	834	880	871	3,425	**904**	**874**	**996**	**645**	**3,419**
Tissue Papers	1,509	446	424	364	381	1,615	**292**	**297**	**344**	**339**	**1,272**
Inter-segment sales and Corporate Activities	134	27	27	31	32	117	**32**	**38**	**45**	**44**	**159**
Total before discontinued operations	4,996	1,313	1,285	1,275	1,284	5,157	**1,228**	**1,209**	**1,385**	**1,028**	**4,850**
Discontinued operations - Boxboard Europe	(1,048)	(272)	(265)	(261)	(254)	(1,052)	**(286)**	**(253)**	**(355)**	**—**	**(894)**
Total	3,948	1,041	1,020	1,014	1,030	4,105	**942**	**956**	**1,030**	**1,028**	**3,956**
Operating income (loss)											
Packaging Products											
Containerboard	328	74	54	71	122	321	**65**	**64**	**58**	**43**	**230**
Boxboard Europe	45	20	30	19	5	74	**12**	**(1)**	**24**	**—**	**35**
Specialty Products	36	8	11	11	12	42	**15**	**14**	**13**	**17**	**59**
	409	102	95	101	139	437	**92**	**77**	**95**	**60**	**324**
Tissue Papers	6	28	31	3	10	72	**—**	**(22)**	**29**	**(115)**	**(108)**
Corporate Activities	(154)	(40)	(32)	(31)	(40)	(143)	**(36)**	**(33)**	**(27)**	**(35)**	**(131)**
Total before discontinued operations	261	90	94	73	109	366	**56**	**22**	**97**	**(90)**	**85**
Discontinued operations - Boxboard Europe	(45)	(20)	(30)	(19)	(5)	(74)	**(12)**	**1**	**(24)**	**—**	**(35)**
Total	216	70	64	54	104	292	**44**	**23**	**73**	**(90)**	**50**
Operating income before depreciation (OIBD)	458	130	127	123	163	543	**109**	**87**	**136**	**(30)**	**302**
OIBD / Sales (%)[2]	11.6%	12.5%	12.5%	12.1%	15.8%	13.2%	**11.6%**	**9.1%**	**13.2%**	**(2.9%)**	**7.6%**
Adjusted OIBD[1]											
Packaging Products											
Containerboard	441	99	94	100	110	403	**108**	**100**	**94**	**70**	**372**
Boxboard Europe	108	30	43	29	27	129	**23**	**11**	**17**	**—**	**51**
Specialty Products	55	12	17	16	15	60	**18**	**18**	**17**	**21**	**74**
	604	141	154	145	152	592	**149**	**129**	**128**	**91**	**497**
Tissue Papers	86	45	54	36	40	175	**20**	**1**	**12**	**(6)**	**27**
Corporate Activities	(86)	(25)	(22)	(19)	(26)	(92)	**(24)**	**(21)**	**(16)**	**(23)**	**(84)**
Total before discontinued operations	604	161	186	162	166	675	**145**	**109**	**124**	**62**	**440**
Discontinued operations - Boxboard Europe	(108)	(30)	(43)	(29)	(27)	(129)	**(23)**	**(11)**	**(17)**	**—**	**(51)**
Total	496	131	143	133	139	546	**122**	**98**	**107**	**62**	**389**
Adjusted OIBD / Sales (%)[1, 2]	12.6%	12.6%	14.0%	13.1%	13.5%	13.3%	**13.0%**	**10.3%**	**10.4%**	**6.0%**	**9.8%**
Net earnings (loss)	72	22	54	49	73	198	**22**	**3**	**32**	**105**	**162**
Adjusted[1]	96	39	58	48	42	187	**29**	**8**	**(1)**	**(9)**	**27**
Net earnings (loss) from continuing operations per basic common share (in Canadian dollars)[2]	$0.61	$0.15	$0.43	$0.43	$0.73	$1.74	**$0.17**	**$0.04**	**$0.18**	**($0.98)**	**($0.59)**
Net earnings (loss) from discontinued operations per basic common share (in Canadian dollars)[2]	$0.16	$0.09	$0.14	$0.08	($0.01)	$0.30	**$0.05**	**($0.02)**	**$0.14**	**$2.02**	**$2.19**
Net earnings (loss) per common share (in Canadian dollars)											
Basic	$0.77	$0.24	$0.57	$0.51	$0.72	$2.04	**$0.22**	**$0.02**	**$0.32**	**$1.04**	**$1.60**
Diluted	$0.75	$0.23	$0.57	$0.50	$0.72	$2.02	**$0.22**	**$0.02**	**$0.32**	**$1.03**	**$1.59**
Basic, adjusted[1]	$1.02	$0.42	$0.61	$0.50	$0.42	$1.95	**$0.29**	**$0.07**	**($0.01)**	**($0.09)**	**$0.26**
Cash flow from operating activities (excluding changes in non-cash working capital components)[2]	323	124	125	78	131	458	**82**	**87**	**58**	**20**	**247**
Net debt[1]	1,963	2,212	2,077	1,982	1,679	1,679	**1,654**	**1,707**	**1,760**	**1,351**	**1,351**

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

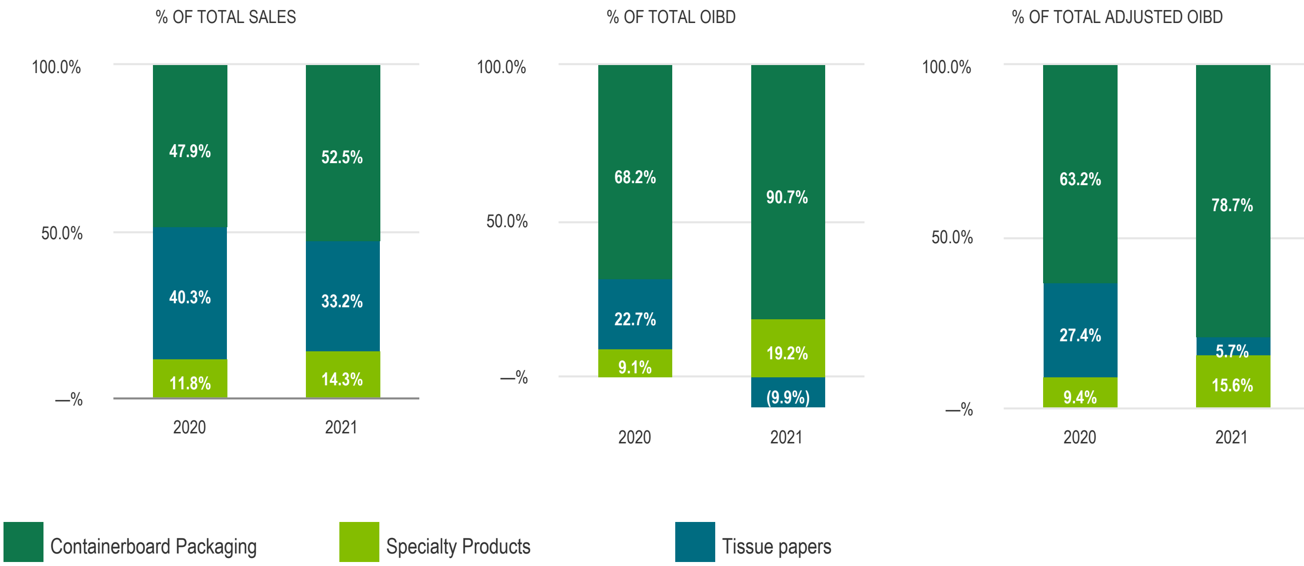
2 *2021 first quarter, 2020 and 2019 consolidated results and consolidated cash flow have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the “Discontinued Operations” section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

The following graphics show the breakdown of sales[1, 4], before corporate activities and inter-segment eliminations, operating income (loss) before depreciation and amortization[2, 4], and adjusted operating income before depreciation and amortization[2, 3, 4] by business segment:

SALES BREAKDOWN[1, 4]

OPERATING INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION BREAKDOWN[2, 4]

ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION BREAKDOWN[2, 3, 4]



FORWARD-LOOKING STATEMENTS

The following document is the annual 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 Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2021 and 2020. Information contained herein includes any significant developments as at February 23, 2022, the date on which the MD&A was approved by the Corporation's Board of Directors. For additional information, readers are referred to the Corporation's Annual Information Form ("AIF"), which is published separately. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

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

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

1 Excluding inter-segment sales and Corporate activities.

2 Excluding Corporate activities.

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

4 2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

BUSINESS HIGHLIGHTS

As part of the annual review of its corporate strategy, the Corporation analyzes its overall business and the environment in which it competes, sets objectives for the following year and the years ahead and approves its budgets, all with a view to enhancing shareholder value. On February 24, 2022, Management and the Board of Directors will disclose the highlights of this review to Shareholders of the Corporation.

The following transactions should be taken into consideration when reviewing the overall and segmented analysis of the Corporation's 2021 and 2020 results.

BUSINESS START-UP, ACQUISITION, DISPOSAL AND CLOSURE

BOXBOARD EUROPE

- On October 26, 2021, the Corporation closed the transaction of the Boxboard Europe segment and recorded, in discontinued operations, a gain of $228 million before income taxes of $24 million. The Corporation used tax assets to offset this tax expense, resulting in no income tax payable on this transaction. The operations are presented as discontinued operations since the second quarter of 2021 with reclassification of first quarter of 2021, as well as the comparative years 2020 and 2019.

BEAR ISLAND PROJECT

- The Bear Island project, the Corporation's major for conversion of assets to recycled containerboard production, is progressing according to plan. The initial total investment was set at US$380 million and is now revised to a range of US$425-450 million due to continued inflationary pressure on material and labour costs. Since 2018 we have invested $177 million to acquire the site and prepare the building and the equipment for its expected start-up in December 2022. The project incurred $6 million of operational costs in 2021 (2020 - $4 million).

SIGNIFICANT FACTS AND DEVELOPMENTS

2021

- On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million). The Corporation incurred transaction fees of $2 million, wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid US$5 million ($6 million) of interest accrued on these notes.

- On August 5, 2021, the Corporation announced an increase of its quarterly dividend from $0.08 to $0.12 per common share.

- On April 30, 2021, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million revolving credit facility. The amendment extends the term on the facility to July 7, 2025. The financial conditions remain unchanged.

2020

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

- On November 25, 2020, the Corporation announced the forthcoming closure of its tissue converting operations of its Laval plant, located in Québec, Canada. Operations ceased June 30, 2021 and volume has been transferred to other plants.

- On October 8, 2020, the Corporation announced the forthcoming closure of its tissue production and converting operations at its Ransom and Pittston plants, located in Pennsylvania, USA. Operations ceased in December 2020 and January 2021 and volume has been transferred to other plants.

- On October 5, 2020, to finance the equity portion of the Bear Island project, the Corporation entered into an agreement with underwriters pursuant to which the Corporation issued and the underwriters purchased on a bought deal basis 7,441,000 common shares at a price of $16.80 per common share for gross proceeds of $125 million.

- On 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 premium and wrote off $2 million unamortized financing costs related to these notes.

- On July 28, 2020, the Corporation announced the closure of its Etobicoke, Ontario, Canada, Containerboard Packaging facility as part of the strategic repositioning of its containerboard platform in Ontario, Canada. Operations permanently closed in June 2021 and production capacity has been redeployed to other units within the region.

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

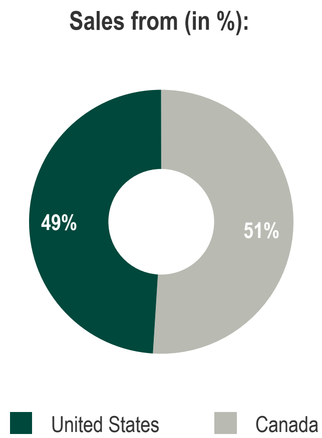
- The Corporation exercised its option to purchase the 20.20% interest in Greenpac Holding LLC ("Greenpac") held by the Caisse de dépôt et placement du Québec (CDPQ) on November 30, 2019 for an exercise price of US$93 million ($121 million). The transaction closed January 3, 2020 and increased the Corporation's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

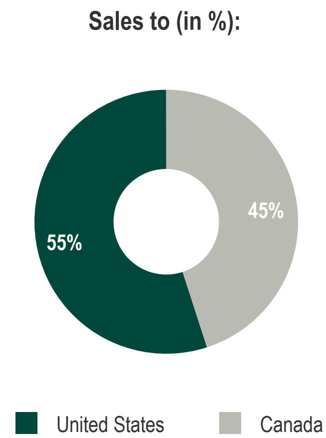
FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021 COMPARED TO THE YEAR ENDED DECEMBER 31, 2020

SALES

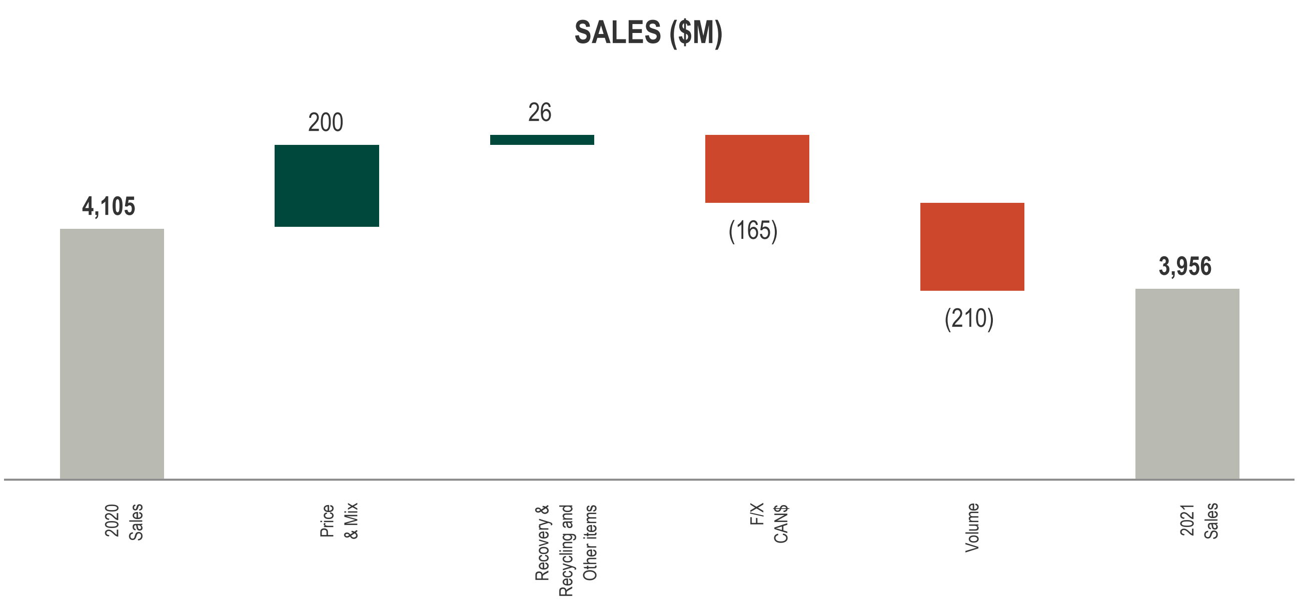
Sales decreased by $149 million, or 4%, to $3,956 million in 2021[1], compared with $4,105 million in 2020[1]. This was largely a reflection of the 21% decrease in sales in both Consumer Products and Away-from-Home markets in the Tissue Papers segment. The 7% average appreciation of the Canadian dollar compared to the US dollar had a negative impact on the sales of all the segments. This was partially compensated by the net volume increase and favourable price and mix in the Packaging Products segments and in our Recovery and Recycling activities.

Sales by geographic segment are as follows:





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



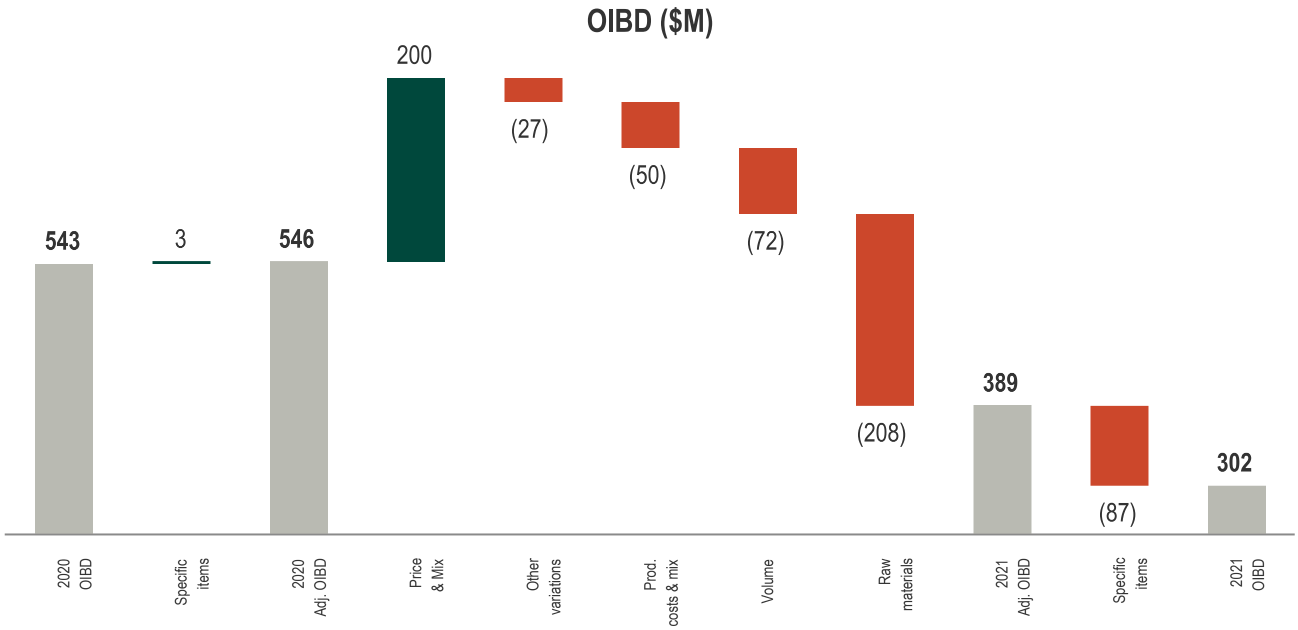
1 *2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an OIBD of $302 million in 2021[1], compared with $543 million in 2020[1], a decrease of $241 million. Specific items[2] recorded in both years impacted the OIBD respectively. Excluding specific items, the $157 million adjusted OIBD[2] decrease reflected lower volumes in the Tissue segment while Packaging Products segments volume remained stable. Solid price increases in Packaging segments mitigated headwinds from raw material cost increases, overall inflationary costs pressure, and the impact of COVID-19 on our operations and logistics. Railway disruption mainly in Canada also had a negative impact at the end of the year.

Adjusted OIBD[2] was $389 million in 2021[1], compared with $546 million in 2020[1], a decrease of $157 million.

The main variances in OIBD in 2021[1], compared to 2020[1], are shown below:
(in millions of Canadian dollars)



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

The sales and OIBD variances analysis by segment is shown in each business segment review (please refer to "Business Segment Review" for more details).

The Corporation incurred certain specific items in 2021 and 2020 that adversely or positively affected its operating results[2].

1 *2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

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

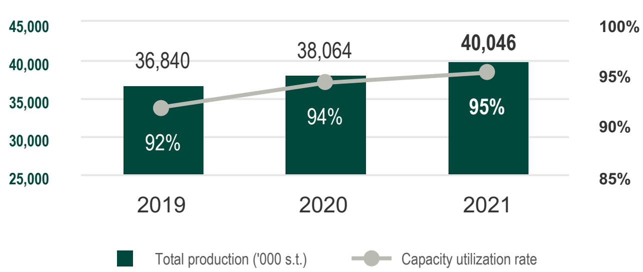
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

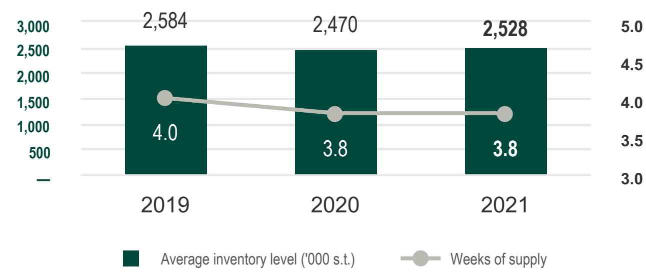
U.S. containerboard industry production and capacity utilization rate[1]

Total U.S.containerboard production amounted to 40 million short tons in 2021, an increase of 5% compared to 2020, a reflection of stronger demand levels driven by the COVID-19 pandemic. As a result, the industry's capacity utilization rate increased to 95% in 2021 from 94% in 2020.



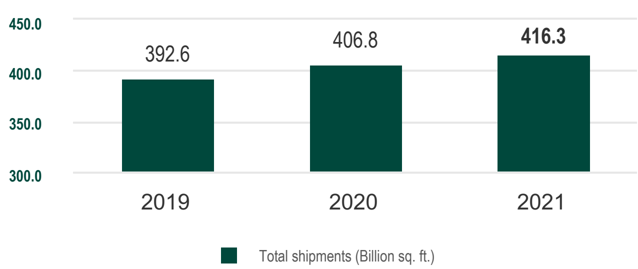
U.S. containerboard inventories at box plants and mills[2]

The average inventory level increased by 2% year-over-year in 2021, reflecting another year of strong demand driven by the COVID-19 pandemic. The number of weeks of supply in inventory averaged 3.8x for the year, stable from 2020.



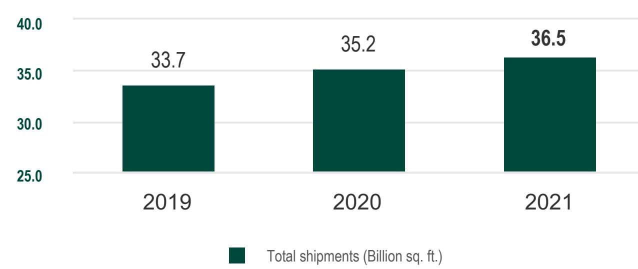
U.S corrugated box industry shipments[2]

Total U.S. corrugated box shipments increased by 2% in 2021 compared to 2020. This reflects strong demand related to continued essential manufacturing activity, in addition to heightened demand, including e-commerce, related to the COVID-19 pandemic.



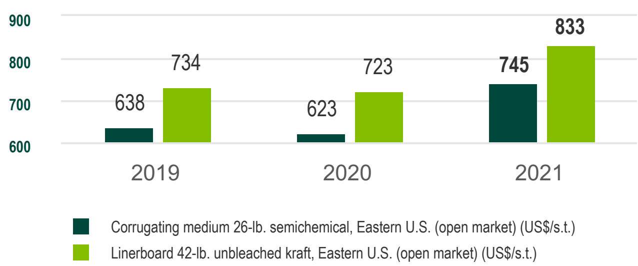
Canadian corrugated box industry shipments[3]

Canadian corrugated box shipments increased by 4% in 2021 compared to 2020. This reflects continuation of essential manufacturing and services, in addition to heightened demand, including e-commerce, related to the COVID-19 pandemic.



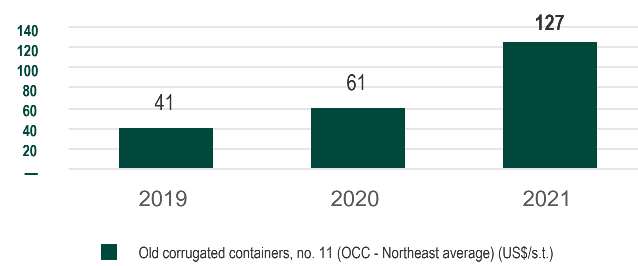
Reference prices - containerboard[1]

2021 reference prices for linerboard and corrugating medium increased by 15% and 20%, respectively, compared to 2020. This was largely driven by demand dynamics, as a result of the COVID-19 pandemic.



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

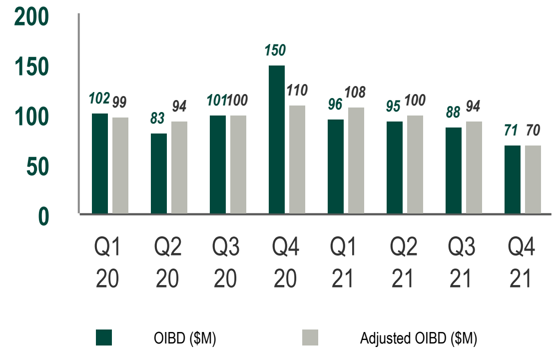
The average reference price of old corrugated containers no.11 ("OCC") increased by 108% in 2021 compared to 2020. This was largely due to increased demand levels for the fibre throughout the year as demand for packaging products increased as a result of the COVID-19 pandemic.



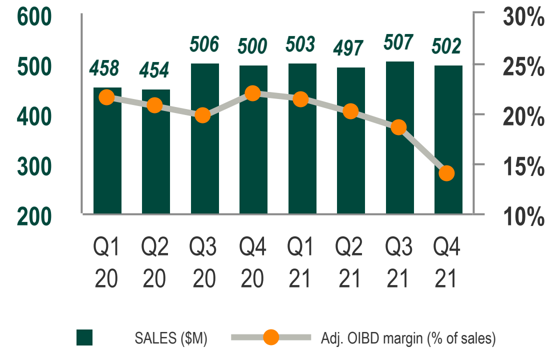
1 *Source: RISI*
2 *Source: Fibre Box Association*
3 *Source: Canadian Corrugated and Containerboard Association*

Our Performance

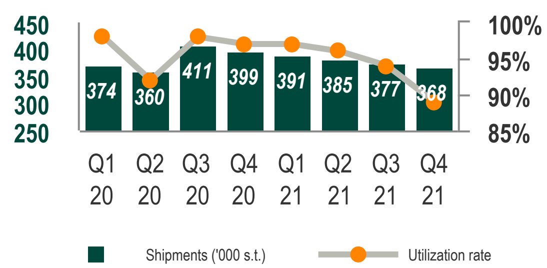
OIBD and adjusted OIBD[2] ($M)



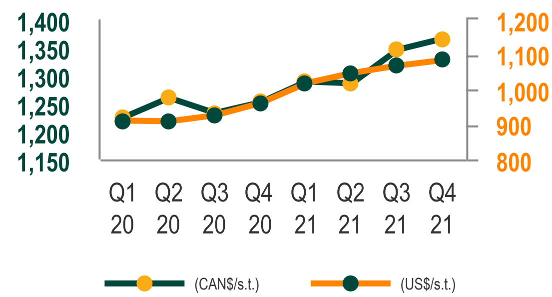
Sales ($M) and adjusted OIBD margin[2]



Shipments and manufacturing capacity utilization rate

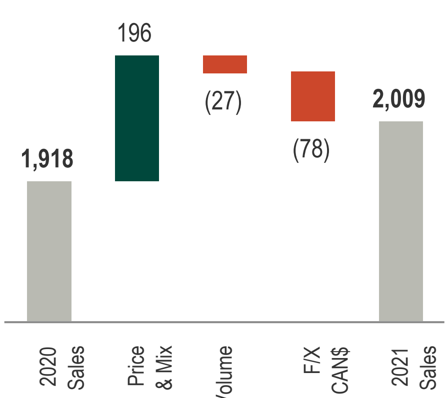


Average selling price

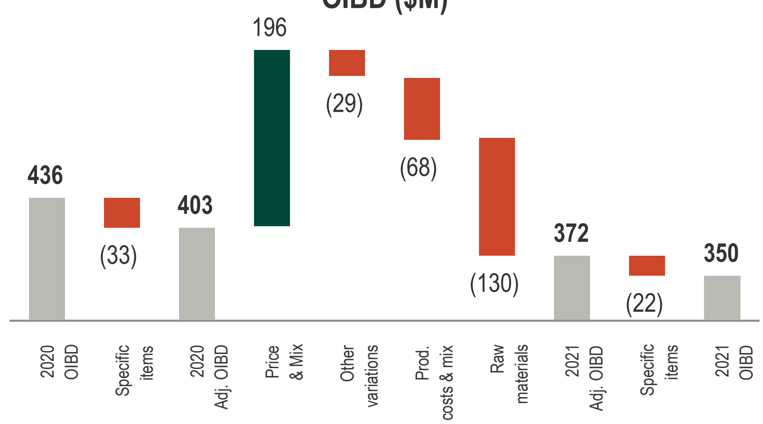


The main variances[1] in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in 2021, compared to 2020, are shown below:

SALES ($M)



OIBD ($M)



The Corporation incurred certain specific items in 2021 and 2020 that adversely or positively affected its operating results[2].

1 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2021, compared to year ended December 31, 2020" section for more details.*

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

	2020	2021	Change in %
Shipments[2] ('000 s.t.)	1,544	1,521	-1%
Average Selling Price (CAN$/unit)	1,242	1,321	6%
Sales ($M)	1,918	2,009	5%
OIBD ($M) (as reported)	436	350	-20%
% of sales	23%	17%	
(adjusted)[1]	403	372	-8%
% of sales	21%	19%	
Operating income ($M) (as reported)	321	230	-28%
(adjusted)[1]	288	252	-13%

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

2 Shipments do not take into account the elimination of business sector inter-segment shipments. Including 14.1 billion square feet in 2021 compared to 14 billion square feet in 2020, an increase of 1%.

3 Including sales to other partners in Greenpac.

Shipments decreased by 23,000 s.t., or 1%, in 2021 compared to 2020.

This reflect a 32,000 s.t. or 4% decrease in external parent roll shipments compared to 2020. This was driven by a higher mill integration rate in the current period and a 2% decrease in the manufacturing utilization rate to 94%, mainly related to production slowdown impact of 7,000 s.t. at the Niagara Falls complex due to water effluent treatment system issues during the second half of the year. Moreover, a transportation availability shortage towards the end of 2021 negatively impacted parent rolls shipments by 20,000 s.t..

Shipments from converting activities increased by 9,000 s.t., or 1%. This underperformed the Canadian market increase of 4% and the US market increase of 5%. Consequently, the mill integration rate increased to 58% in 2021 from 56% in 2020. Including sales to other partners[3], the integration rate was 73% in 2021, up from 69% in 2020.

The average selling price denominated in Canadian dollars increased by 6% in 2021. This reflected a 5% increase for parent rolls and a 5% for converted products. Similarly, the higher proportion of converted products sold also increased the average selling price by 1%. The 7% average appreciation of the Canadian dollar compared to the US dollar had a net negative impact on average selling prices during the period and partly offset these increases.

Sales increased by $91 million, or 5%, in 2021 compared to 2020. The higher average selling price and the favourable sales mix added $174 million and $22 million to sales, respectively. These benefits were partly offset by lower volume that had a negative impact of $27 million on sales and the 7% average appreciation of the Canadian dollar against the US dollar which negatively impacted sales by $78 million.

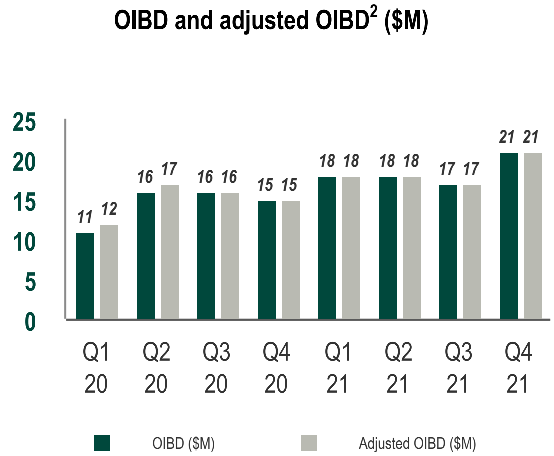
Operating income before depreciation and amortization (OIBD) decreased by $86 million, or 20%, in 2021 compared to 2020. Excluding specific items[1] in both years, adjusted OIBD[1] decreased by $31 million, or 8%, reflecting the impact of inflationary pressure and of COVID-19 on our operations and our supply chain costs combined with transportation capacity challenges notably the railway disruption at the end of the year following flooding in western Canada. The segment a delivered a higher average selling price and a favourable mix of products sold, which had a combined positive impact of $196 million. These benefits were offset by a negative raw material cost impact of $130 million and higher logistic and distribution costs that subtracted an additional $19 million. Other headwinds included a $10 million negative impact related to the 1% volume decrease, an $11 million negative impact related to the 7% average appreciation of the Canadian dollar and higher energy costs that subtracted a further $8 million. Other production costs, including repair and maintenance, labor and other costs, had a combined negative impact of $49 million on profitability. These variances include a total negative impact of $13 million related to the water effluent issues at our Niagara Falls site.

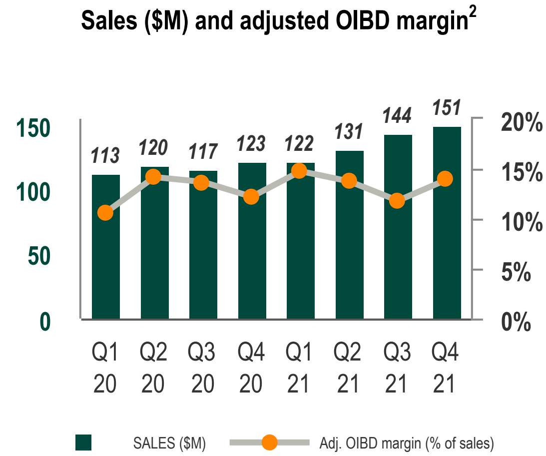
The segment incurred some specific items[1] in 2021 and 2020 that affected OIBD.

BUSINESS SEGMENT REVIEW

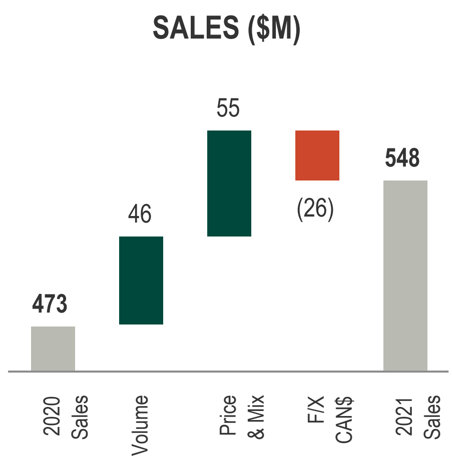
PACKAGING PRODUCTS - SPECIALTY PRODUCTS

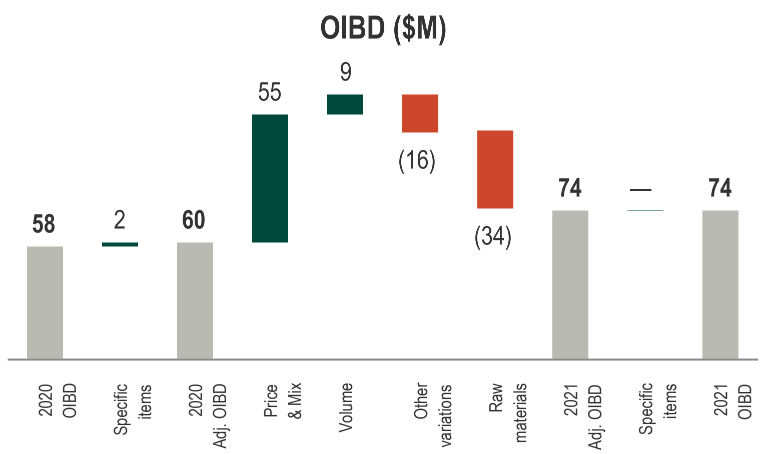
Our Performance





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





The Corporation incurred certain specific items in 2021 and 2020 that adversely or positively affected its operating results[2].

1 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2021, compared to year ended December 31, 2020" section for more details.*

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

	2020	2021	Change in %
Sales ($M)	473	548	16%
OIBD ($M) (as reported)	58	74	28%
% of sales	12%	14%	
(adjusted)[1]	60	74	23%
% of sales	13%	14%	
Operating income ($M) (as reported)	42	59	40%
(adjusted)[1]	44	59	34%

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

Sales increased by $75 million, or 16%, in 2021 compared to 2020. The combination of volume increases, higher average selling price and a favourable sales mix increased sales levels by $101 million in the period. These were partly offset by the 7% average appreciation of the Canadian dollar compared to the US dollar, which decreased sales by $26 million.

Operating income before depreciation and amortization (OIBD) increased by $16 million, or 28%, in 2021 compared to 2020. Excluding specific items[1] in 2020, the adjusted OIBD[1] increased by $14 million, or 23%. It is worth noting that despite stronger results in 2021, the COVID-19 situation had negative impacts on our operations and logistics, limiting our ability to deliver more products to our customers and deliver a stronger financial performance. However, the segment's solid performance reflects higher overall volumes and realized spreads, which positively impacted results by $30 million. Lower SG&A and direct labour costs also positively impacted our performance by $4 million. These benefits were partially offset by the less favourable exchange rate and higher operating, maintenance and transportation costs, which negatively impacted results by $20 million.

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

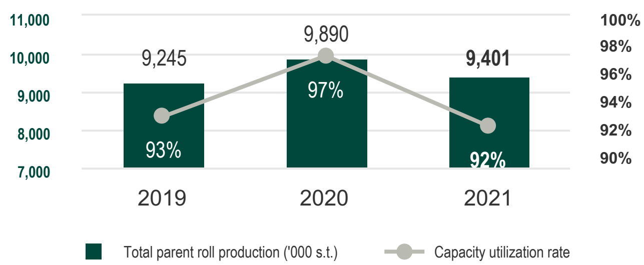
BUSINESS SEGMENT REVIEW

TISSUE PAPERS

Our Industry

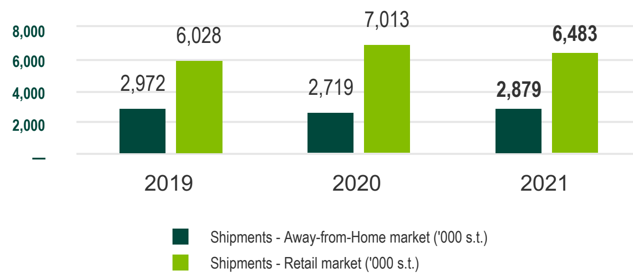
U.S. tissue paper industry production (parent rolls) and capacity utilization rate[1]

Total parent roll production decreased by 5% in 2021. The average capacity utilization rate of 92% in 2021 decreased by 5% compared to 97% in 2020. Decreased demand level is most notably related to the COVID-19 pandemic, that negatively impacted retail tissue products in the first half of 2021.



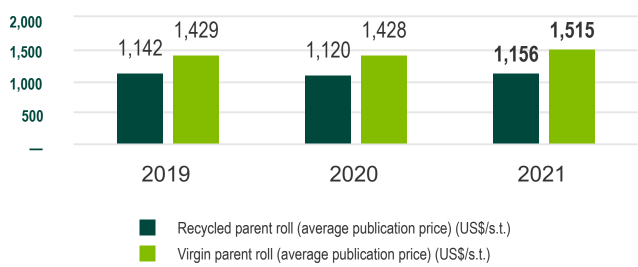
U.S. tissue paper industry converted product shipments[1]

In 2021, shipments for the retail and the Away-from-Home markets decreased by 8% and increased by 6%, respectively, compared to 2020. This largely reflects the decreased demand for retail tissue products in the first half of 2021 and higher demand for Away-from-Home tissue products as a result of recovery related to the COVID-19 pandemic.



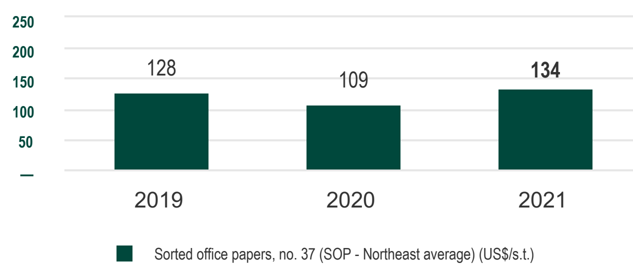
Reference prices - parent rolls[1]

In 2021, the reference price for recycled and virgin parent rolls respectively increased by 3% and 6%, compared to 2020.



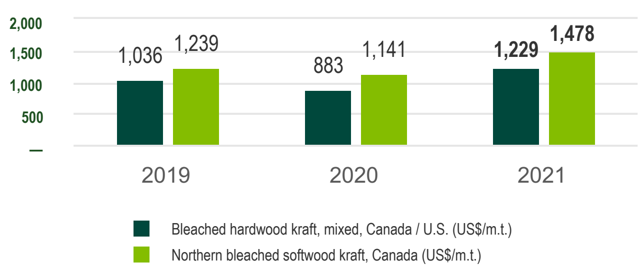
Reference prices - recovered papers (white grade)[1]

The reference price of sorted office papers No.37 ("SOP") increased by 23% in 2021 compared to 2020.



Reference prices - market pulp[1]

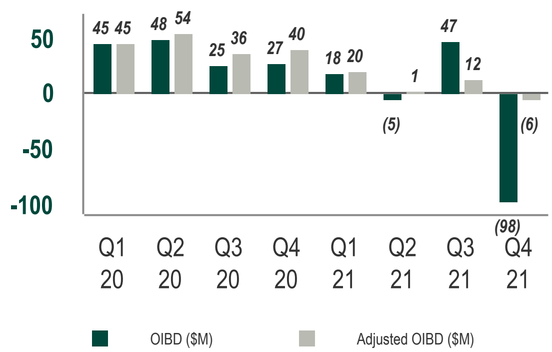
In 2021, the reference price for NBSK and NBHK increased by 30% and 39%, respectively, compared to 2020, reflecting global demand supply dynamics.



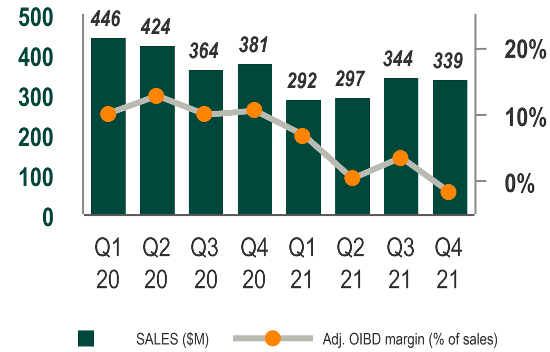
1 *Source: RISI*

Our Performance

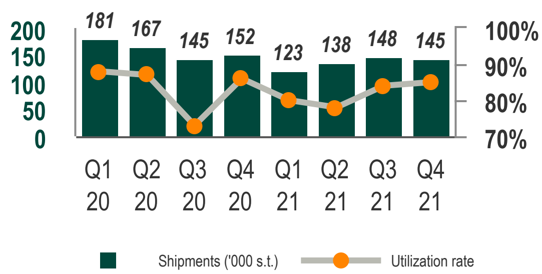
OIBD and adjusted OIBD[2] ($M)



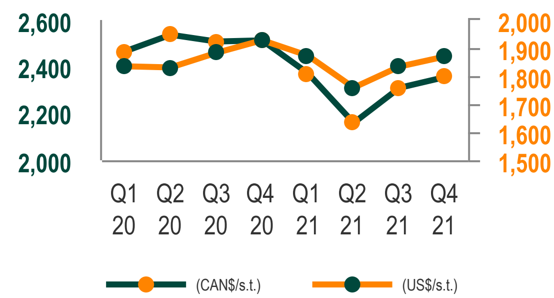
Sales ($M) and adjusted OIBD margin[2]



Shipments and manufacturing capacity utilization rate

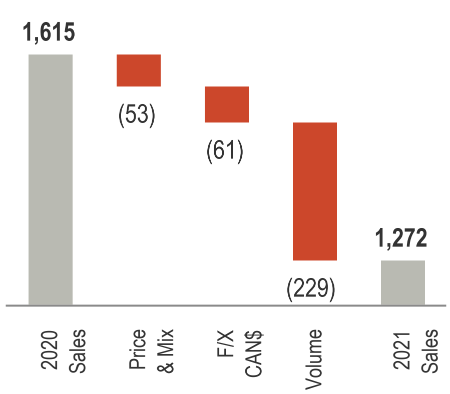


Average selling price

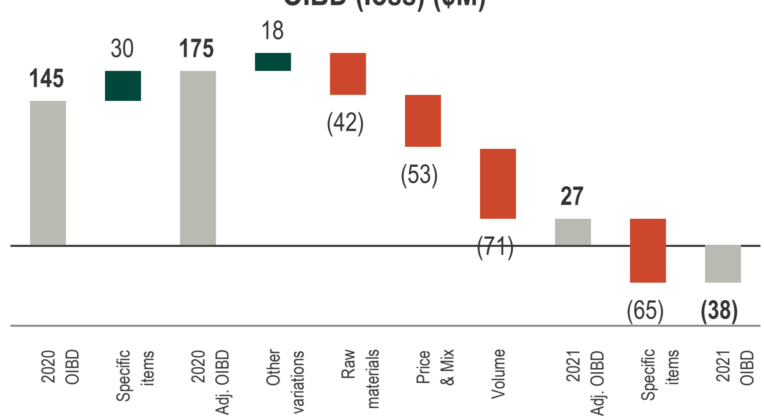


The main variances[1] in sales and operating income (loss) before depreciation and amortization for the Tissue Papers segment in 2021, compared to 2020, are shown below:

SALES ($M)



OIBD (loss) ($M)



The Corporation incurred certain specific items in 2021 and 2020 that adversely or positively affected its operating results[2].

1 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2021, compared to year ended December 31, 2020" section for more details.*

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

	2020	2021	Change in %
Shipments[2] ('000 s.t.)	645	554	-14%
Average Selling Price (CAN$/unit)	2,505	2,299	-8%
Sales ($M)	1,615	1,272	-21%
OIBD (loss) ($M) (as reported)	145	(38)	-126%
% of sales	9%	(3)%	
(adjusted)[1]	175	27	-85%
% of sales	11%	2%	
Operating income (loss) ($M) (as reported)	72	(108)	-250%
(adjusted)[1]	102	(43)	-142%

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

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

Following strong demand in 2020 and inventory management from customers in 2021, the Tissue market faced important volume contraction in 2021 compared to 2020. Converted product shipments decreased by 92,000 s.t., or 18%. This is the result of lower demand in both the Consumer Products (-23%) and the Away-from-Home (-11%) markets and reflects the volatility in customer buying patterns due to COVID-19 which makes year-over-year comparisons difficult. External manufacturing shipments of parent rolls increased by 1,000 s.t., or 1%, in 2021 compared to 2020. The integration rate was 74% during the period, compared to 75% in the same period of 2020.

Selling prices were slightly higher for the Away-from-Home market and stable in Consumer Products, while the overall 8% decrease in the average selling price was primarily due to the 7% average appreciation of the Canadian dollar compared to the US dollar, a higher proportion of sales attributable to parent rolls and a less favourable mix of converted products sold.

Sales decreased by $343 million, or 21% in 2021 compared to 2020. This was driven by lower volumes, which reduced sales by $229 million, a $61 million impact related to the less favourable exchange rate and a $53 million impact due to lower average selling price & mix, as explained above.

Operating income (loss) before depreciation and amortization (OIBD) decreased by $183 million to an operating loss of $38 million, in 2021 compared to 2020. Excluding specific items[1] in both years, the adjusted OIBD[1] decreased by $148 million, or 85%, and was mainly due to lower volumes which had a negative impact of $71 million, and a less favourable average selling price & mix which further impacted results by $53 million. Higher raw material and energy costs reduced results by $42 million and $14 million, respectively. Lower fixed costs and SG&A following network optimizations, asset base modernization, plant closures and cost control initiatives undertaken over the last year helped to partially offset the impacts these factors had on OIBD.

The COVID-19 pandemic has caused significant volatility in this business segment, including labour and supply chain challenges and higher production costs. The difficult labour market is limiting our ability to achieve productivity efficiency targets following the recent modernization of our assets. The Corporation has put in place an important plan of action to resolve these issues in 2022.

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

CORPORATE ACTIVITIES

Corporate Activities incurred some specific items[1] in 2021 and 2020 that affected OIBD. Corporate Activities registered an adjusted OIBD[1] loss of $84 million in 2021, compared to a loss of $92 million in 2020. The OIBD performance of our Recovery and Recycling activities was higher by $5 million in 2021.

In 2021, the Corporate Activities recorded a gain of $228 million (before income tax of $24 million) from the sale of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM). This amount is included in discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details. In 2020, the Corporate Activities recorded an impairment charge of $1 million related to renewable energy assets and restructuring charges totaling $2 million as part of profitability improvement initiatives.

STOCK-BASED COMPENSATION EXPENSE

Stock-based compensation expense recognized in Corporate Activities amounted to $5 million in 2021, compared to $7 million in 2020. For more details on stock-based compensation, please refer to Note 21 of the 2021 Audited Consolidated Financial Statements.

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense increased by $1 million to $252 million in 2021[2], compared to $251 million in 2020[2]. The Corporation reviewed the useful life of equipment and the residual value of its buildings over the last twelve months which resulted in a lower depreciation charge in 2021. The appreciation of the Canadian dollar also reduced depreciation and amortization expense. This was more than offset by the commissioning of new equipments mainly in the Tissue segment and in the Containerboard segment converting assets as part of the strategic repositioning of its platform in Ontario, Canada.

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

The financing expense and interest expense (revenue) on employee future benefits and other liabilities amounted to $89 million in 2021[2], compared to $94 million in 2020[2], a decrease of $5 million. The variance is mainly attributable to higher capitalized interests and to lower indebtedness from positive operating cash flows, the partial redemption of senior notes following the monetization of our RDM equity investment in October 2021, our equity issuance in the fourth quarter of 2020 and the financing and redemption of unsecured senior notes in the third quarter of 2020 which have more than offset the impact on indebtedness from capital expenditures, including the Bear Island project, dividends paid and redemption of common shares.

In 2021, the Corporation recorded an unrealized loss of $1 million, compared to an unrealized loss of $2 million in 2020, pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC.

In 2020, the Corporation recorded an unrealized gain of $13 million on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project, which was not exercised.

LOSS ON REPURCHASE OF LONG-TERM DEBT

In 2021, the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million) and wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid transactions fees totaling $2 million.

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 related unamortized financing costs.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In 2021, the Corporation recorded a gain of $3 million on its US$ denominated debt and related financial instruments, compared to a gain of $6 million in 2020. Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for more details.

FAIR VALUE REVALUATION LOSS ON INVESTMENTS

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

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

2 *2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to $18 million in 2021, compared to $14 million in 2020. Please refer to Note 8 of the 2021 Audited Consolidated Financial Statements for more information on associates and joint ventures.

PROVISION FOR INCOME TAXES

In 2021[1], the Corporation recorded an income tax provision of $9 million, which compares to an income tax provision of $26 million in 2020[1].

(in millions of Canadian dollars) (unaudited)	**2021**[1]	2020[1]
Provision for (recovery of) income taxes based on the combined basic Canadian and provincial income tax rate	**(10)**	55
Adjustment for income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	**—**	(3)
Prior years reassessment	**4**	(5)
Reversal of deferred income tax assets related to prior year losses	**18**	—
Change in future income taxes resulting from enacted tax rate change	**—**	(1)
Permanent differences	**(2)**	(12)
Change in deferred income tax assets relating to capital tax losses	**—**	(8)
Other	**(1)**	—
	19	(29)
Provision for income taxes	**9**	26

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

In 2021, the Corporation recorded the reversal of $18 million in tax assets related to prior year losses of one of its subsidiaries as it does not expect to be able to use them before they expire.

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.

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. The normal effective tax rate is expected to be in the range of 21% to 27%. The weighted-average applicable tax rate was 26.0% in 2021.

RESULTS FROM DISCONTINUED OPERATIONS

Results from discontinued operations amounted to $234 million in 2021[1], compared to $51 million in 2020[1]. Results from discontinued operations attributable to Shareholders amounted to $221 million in 2021[1], compared to $29 million in 2020[1]. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for all details on results from discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS

Cash flows from operating activities from continuing operations generated $211 million in 2021[1], compared to $477 million generated in 2020[1]. Changes in non-cash working capital components used $36 million liquidity in 2021[1], compared to $19 million generated in 2020[1] mainly due to higher inventory resulting from increased raw material and production costs. Also, the decrease in operating cash flow is driven by lower profitability in the Tissue Papers and Containerboard segments. As at December 31, 2021, average quarterly LTM working capital as a percentage of LTM sales[3] stood at 8.6%, which compares to 8.8% as at December 31, 2020[2].

Cash flow from operating activities from continuing operations, excluding changes in non-cash working capital components, stood at $247 million in 2021[1], compared to $458 million in 2020[1]. This cash flow measurement is relevant to the Corporation's ability to pursue its capital expenditure program and reduce its indebtedness.

1 2021 first quarter, 2020 and 2019 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

2 Not adjusted for retrospective reclassification of discontinued operations

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

On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes and paid transaction fees of $2 million and an early repurchase premium totaling US$18 million ($22 million) (see "Business Highlights" section for more details).

On August 17, 2020, the Corporation completed the financing and redemption of unsecured senior notes and paid $4 million in premium for early redemption (see "Business Highlights" section for more details).

The Corporation paid $96 million of financing expense in 2021[1], compared to $76 million in 2020[1]. The variance is mainly explained by the early payment of $6 million of interest paid in 2021 following the partial redemption of unsecured senior notes and by the interest payment of $23 million normally planned for January 2020 but made in December 2019 following the redemption of unsecured senior notes.

The Corporation also received $2 million of income taxes in 2021[1], compared to $9 million received in 2020[1].

In 2021, the Corporation paid $25 million for severances and other restructuring costs related to closures and margin improvement initiatives, compared to $11 million in 2020.

INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Investing activities from continuing operations used $247 million in 2021[1], compared to $168 million used in 2020[1].

DISPOSALS IN ASSOCIATES AND JOINT VENTURES

In 2021, the Corporation sold its participation in an associate for an amount of $1 million.

In 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.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	**2021[1]**	2020[1]
Total acquisitions	**373**	266
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	**(44)**	6
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	**(43)**	(53)
Payments for property, plant and equipment	**286**	219
Proceeds from disposals of property, plant and equipment	**(53)**	(55)
Payments for property, plant and equipment net of proceeds from disposals	**233**	164

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

1 *2021 first quarter, 2020 and 2019 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

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

CONTAINERBOARD PACKAGING

- Bear Island assets in Virginia, USA for site preparation and conversion of equipment to recycled containerboard manufacturing (see "Business Highlights" section for more details).
- Investment in converting assets as part of the strategic repositioning of our containerboard platform in Ontario, Canada, following the announced closure of our Etobicoke plant.
- Investment in converting equipment in the US North-East region to add capacity and better serve the increasing demand for our products in our strategic markets.

SPECIALTY PRODUCTS

- Investment in equipment to add capacity in flexible and rigid plastic packaging products.
- Investment in insulated container converting equipment to increase capacity and better serve increasing demand in this market.

TISSUE PAPERS

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

PROCEEDS FROM DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

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

2021[1]

The Tissue Papers segment received $51 million from the sale of assets of plants that were closed in the US and Canada.

2020[1]

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

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

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

CHANGE IN INTANGIBLE AND OTHER ASSETS

In 2021[1], the Corporation invested $12 million ($7 million in 2020[1]) in its ERP information technology system and other software developments. In 2020, the Corporation invested $2 million for an additional participation in one of its equity investments.

CASH RECEIVED IN BUSINESS COMBINATIONS

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

1 2021 first quarter, 2020 and 2019 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

FINANCING ACTIVITIES FROM CONTINUING OPERATIONS

Financing activities from continuing operations used $529 million in liquidity in 2021[1], compared to $117 million used in 2020[1], including $41 million ($31 million in 2020) in dividend payments to the Corporation's Shareholders.

ISSUANCE AND REDEMPTION OF UNSECURED SENIOR NOTES

On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million). The Corporation incurred transaction fees of $2 million, wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid US$5 million ($6 million) of interest accrued on these notes.

Partial redemption was used as follows:

(in millions of Canadian dollars) (unaudited)	**2021**
Transaction fees	**(2)**
Repurchase of 2026 and 2028 Notes	**(372)**
Premium paid on long-term debt redemption	**(22)**
Decrease of credit facility	**(396)**

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 a premium of US$3 million ($4 million). The Corporation also wrote off $2 million unamortized financing costs related to these notes.

Issuance proceed was used as follows:

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

SETTLEMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

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

ISSUANCE OF COMMON SHARES ON PUBLIC OFFERING

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

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

The Corporation issued 235,732 common shares at an average price of $6.50 as a result of the exercise of stock options in 2021, representing an aggregate amount of $2 million (in 2020 - $7 million for 1,225,489 common shares issued at an average price of $5.89).

The Corporation purchased 1,651,600 common shares for cancellation at an average price of $15.45 for $26 million in 2021 (in 2020 - $8 million for 635,554 common shares for cancellation purchased at an average price of $12.41).

PAYMENT OF OTHER LIABILITIES

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

1 *2021 first quarter, 2020 and 2019 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

DIVIDENDS PAID TO NON-CONTROLLING INTERESTS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Dividends paid to non-controlling interests in Greenpac and Falcon Packaging amounted to $14 million in 2021[1] ($14 million in 2020[1]). In 2021, the Corporation also increased its participation in a distributor in the Specialty Products segment for a contribution of $2 million.

CASH FLOWS FROM DISCONTINUED OPERATIONS

In 2021[1], the Boxboard Europe segment received $4 million from the sale of the land of a closed plant. The Boxboard Europe segment completed two acquisitions and paid a total of €141 million ($210 million). The Boxboard Europe segment received €5 million ($7 million) from the sale of its French subsidiary which produces virgin based boxboard. The €7 million ($11 million) cash balance of the subsidiary was also disposed resulting in a net cash balance decrease of €2 million ($4 million).

On July 5, 2021, the Corporation announced the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or $462 million including foreign exchange contracts and before related transaction fees of $12 million.

Please refer to the “Discontinued Operations” section and Note 5 of the 2021 Audited Consolidated Financial Statements for all details on cash flow from discontinued operations.

CONSOLIDATED FINANCIAL POSITION

AS AT DECEMBER 31, 2021, 2020 AND 2019

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

(in millions of Canadian dollars, unless otherwise noted) (unaudited)	**December 31, 2021**	December 31, 2020	December 31, 2019
Cash and cash equivalents	**174**	384	155
Total assets	**4,566**	5,412	5,188
Total debt[2]	**1,525**	2,063	2,118
Net debt[2]	**1,351**	1,679	1,963
Equity attributable to Shareholders	**1,879**	1,753	1,492
Non-controlling interests	**48**	204	177
Total equity	**1,927**	1,957	1,669
Total equity and net debt[2]	**3,278**	3,636	3,632
Ratio of net debt[2]/(total equity and net debt[2])	**41.2%**	46.2%	54.0%
Shareholders' equity per common share (in Canadian dollars)	**$18.63**	$17.14	$15.83

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

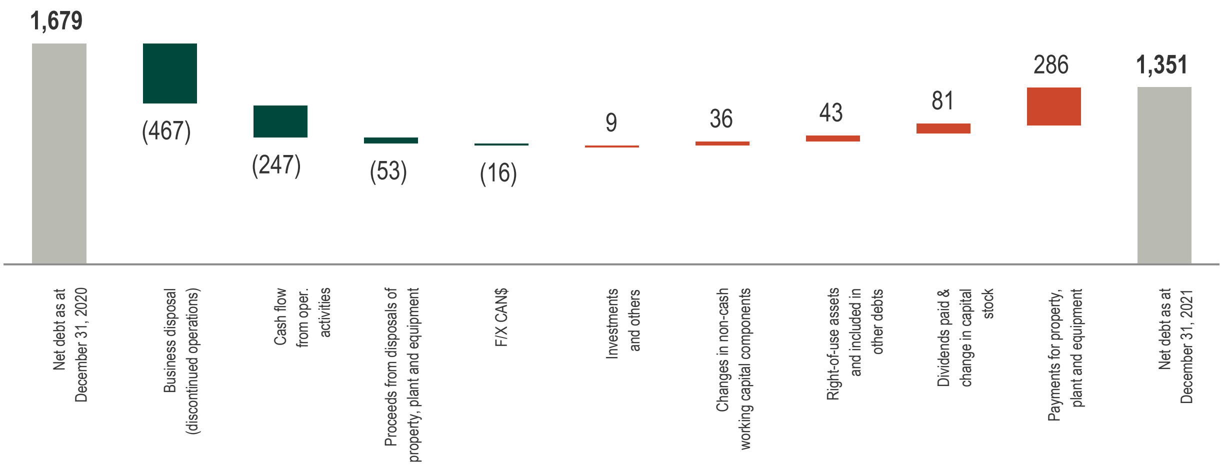
Credit rating (outlook)	MOODY'S	STANDARD & POOR'S
2020	Baa3/Ba2/Ba3 (stable)	BB+/BB-/BB- (stable)
2021	**Baa3/Ba2/Ba3 (stable)**	**BB+/BB-/BB- (positive)**

1 2021 first quarter, 2020 and 2019 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the “Discontinued Operations” section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

2 Please refer to the “Supplemental Information on Non-IFRS Measures and Other Financial Measures” section for a complete reconciliation.

NET DEBT[1] RECONCILIATION

The variances in the net debt[1] (total debt[1] less cash and cash equivalents) in 2021 are shown below, with the applicable financial ratios included.
(in millions of Canadian dollars)



675	Adjusted OIBD[1] (last twelve months) ($M)	**389**
2.5x	Net debt[1]/Adjusted OIBD[1]	**3.5x**

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. Forecasted 2022 capital expenditures are expected to be approximately $415 million, encompassing $275 million for the Bear Island containerboard conversion project in Virginia, USA. As at December 31, 2021, the Corporation had $730 million (net of letters of credit in the amount of $14 million) available on its $750 million credit facility (excluding the credit facilities of our subsidiary Greenpac). Cash and cash equivalents as at December 31, 2021 are comprised as follows: $144 million in the parent company and restricted subsidiaries (as defined in the credit agreement) and $30 million in unrestricted subsidiaries, mainly Greenpac.

EMPLOYEE FUTURE BENEFITS

The Corporation's employee future benefits assets and liabilities amounted to $482 million and $554 million respectively as at December 31, 2021, including an amount of $79 million for post-employment benefits other than pension plans. The pension plans include an amount of $33 million, which does not require any funding by the Corporation until it is paid to the employees. This amount is not expected to increase, as the Corporation has reviewed its benefits program to phase out some of them for future retirees.

With regard to pension plans, the Corporation's risk is limited, since all defined benefit pension plans are closed to new employees and less than 10% of its active employees are subject to those pension plans, while the remaining employees are part of the Corporation's defined contribution plans, such as group RRSPs or 401(k). Based on their liabilities balances as at December 31, 2021, 97% of the Corporation pension plans have been evaluated on December 31, 2020 (92% in 2019).

Considering the assumptions used and the asset ceiling limit, the deficit status for accounting purposes of its pension plans amounted to $10 million as at December 31, 2021, compared to $69 million in 2020. The 2021 pension plan expense was $6 million and the cash outflow was $5 million. Due to the investment returns in 2021 and the change in the assumptions, the expected expense for these pension plans is $5 million in 2022. As for the cash flow requirements, these pension plans are expected to require a net contribution of approximately $5 million in 2022. Finally, on a consolidated basis, the solvency ratio of the Corporation's pension plans has remained stable at approximately 100%.

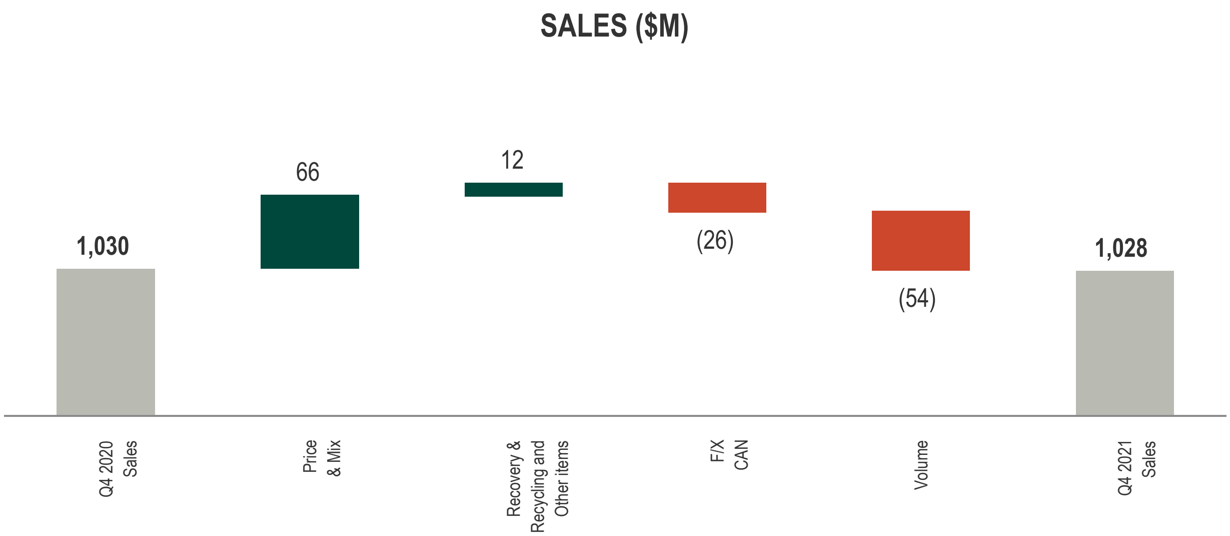
1 Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

COMMENTS ON THE FOURTH QUARTER OF 2021

For the 3-month period ended December 31, 2021, the Corporation posted net earnings of $105 million, or $1.04 per common share, compared with net earnings of $73 million, or $0.72 per common share, for the same period in 2020. On an adjusted basis[1], the Corporation generated net loss of $(9) million in the fourth quarter 2021, or $(0.09) per common share, compared with net earnings of $42 million, or $0.42 per common share, for the same period in 2020.

Sales of $1,028 million decreased by $2 million compared with $1,030 million for the same period last year[2]. This was driven by lower volume in both Tissue, especially in the Consumer Products market, and Packaging segment as well as the appreciation of the Canadian dollar compared to the US dollar. These benefits were partially offset by a higher average selling price in our Packaging segment.

The main variances[3] in sales in the fourth quarter of 2021, compared to the same period of 2020[2], are shown below:
(in millions of Canadian dollars)



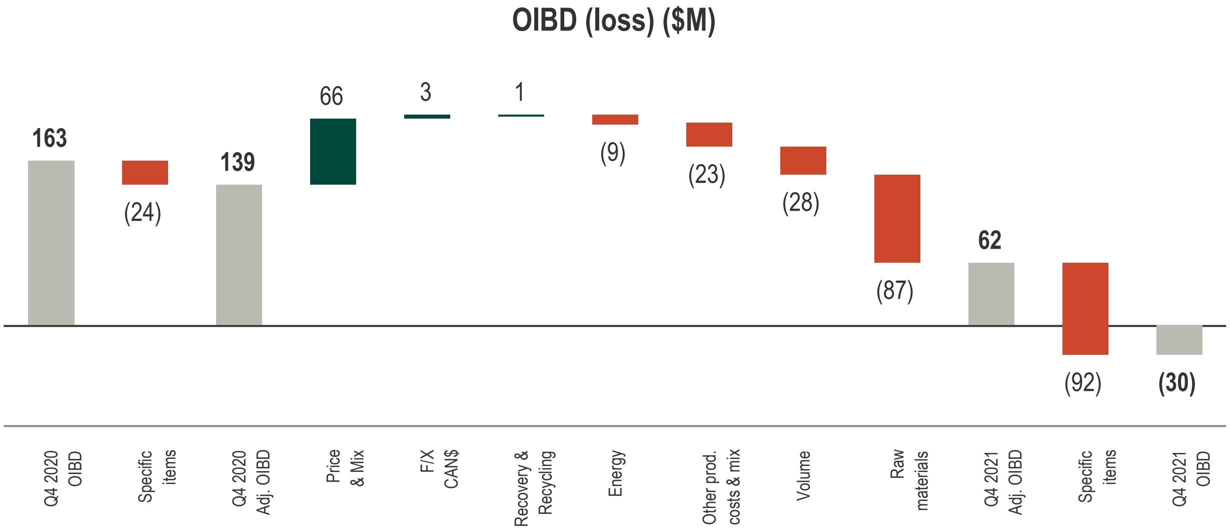
1 *Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section.*

2 *2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

3 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2021, compared to year ended December 31, 2020" section for more details.*

The Corporation recorded an operating income (loss) before depreciation and amortization (OIBD) of $(30) million in the fourth quarter 2021, compared with $163 million in the same period last year[1]. On an adjusted basis[2], fourth quarter 2021 OIBD stood at $62 million, versus $139 million in the previous year[1]. The $77 million adjusted OIBD[2] decrease reflects several factors such as lower volume, higher raw material and energy costs in both the Tissue and Packaging segments. Conversely, higher average selling prices in the Packaging segment partially offset these negative impacts.

The main variances[3] operating income (loss) before depreciation and amortization in the fourth quarter of 2021, compared to the same period of 2020[1], are shown below:
(in millions of Canadian dollars)



RECONCILIATION AND USES OF NON-IFRS AND OTHER FINANCIAL MEASURES

The reconciliation of operating income (loss) to OIBD, to adjusted operating income (loss)[2] and to adjusted OIBD[2] by business segment is as follows:

	For the 3-month period ended December 31, 2021				
(in millions of Canadian dollars) (unaudited)	Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	43	17	(115)	(35)	(90)
Depreciation and amortization	28	4	17	11	60
Operating income (loss) before depreciation and amortization	71	21	(98)	(24)	(30)
Specific items:					
Gain on acquisitions, disposals and others	—	—	(1)	—	(1)
Impairment charges	1	—	87	—	88
Restructuring costs	—	—	6	—	6
Unrealized loss (gain) on derivative financial instruments	(2)	—	—	1	(1)
	(1)	—	92	1	92
Adjusted operating income (loss) before depreciation and amortization[2]	70	21	(6)	(23)	62
Adjusted operating income (loss)[2]	42	17	(23)	(34)	2

1 *2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

2 *Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section.*

3 *For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the year ended December 31, 2021, compared to year ended December 31, 2020" section for more details.*

(in millions of Canadian dollars) (unaudited)	For the 3-month period ended December 31, 2020[1] Containerboard	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	122	12	10	(40)	104
Depreciation and amortization	28	3	17	11	59
Operating income (loss) before depreciation and amortization	150	15	27	(29)	163
Specific items:					
Loss (gain) on acquisitions, disposals and others	(40)	—	2	—	(38)
Impairment charges (reversals)	(2)	—	5	1	4
Restructuring costs	—	—	6	2	8
Unrealized loss on derivative financial instruments	2	—	—	—	2
	(40)	—	13	3	(24)
Adjusted operating income (loss) before depreciation and amortization[2]	110	15	40	(26)	139
Adjusted operating income (loss)[2]	82	12	23	(37)	80

Net earnings, as per IFRS, are reconciled below with operating income (loss), adjusted operating income[2] and adjusted operating income before depreciation and amortization[2]:

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended December 31, 2021	2020[1]
Net earnings attributable to Shareholders for the period	**105**	73
Net earnings attributable to non-controlling interests	**3**	4
Results from discontinued operations	**(204)**	1
Provision for (recovery of) income taxes	**(29)**	16
Fair value revaluation loss on investments	**—**	3
Share of results of associates and joint ventures	**(7)**	(5)
Foreign exchange gain on long-term debt and financial instruments	**—**	(3)
Financing expense and interest expense (revenue) on employee future benefits and other liabilities and loss on repurchase of long-term debt	**42**	15
Operating income (loss)	**(90)**	104
Specific items:		
Gain on acquisitions, disposals and others	**(1)**	(38)
Impairment charges	**88**	4
Restructuring costs	**6**	8
Unrealized loss (gain) on derivative financial instruments	**(1)**	2
	92	(24)
Adjusted operating income[2]	**2**	80
Depreciation and amortization	**60**	59
Adjusted operating income before depreciation and amortization[2]	**62**	139

1 2021 first quarter, 2020 and 2019 consolidated results have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

2 Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section.

The following table reconciles net earnings and net earnings per common share, as per IFRS, with adjusted net earnings (loss)[1] and adjusted net earnings (loss)[1] per common share:

(in millions of Canadian dollars, except per common share amounts) (unaudited)	NET EARNINGS (LOSS)		NET EARNINGS (LOSS) PER COMMON SHARE[2]	
	For the 3-month periods ended December 31,		For the 3-month periods ended December 31,	
	2021	2020	**2021**	2020
As per IFRS	**105**	73	**$1.04**	$0.72
Specific items:				
Gain on acquisitions, disposals and others	**(1)**	(38)	**($0.01)**	($0.34)
Impairment charges	**88**	4	**$0.74**	$0.04
Restructuring costs	**6**	8	**$0.04**	$0.05
Unrealized loss (gain) on derivative financial instruments	**(1)**	2	**($0.01)**	$0.02
Loss on repurchase of long-term debt	**20**	—	**$0.13**	—
Unrealized loss (gain) on interest rate swaps and option fair value	**1**	(11)	**—**	($0.12)
Foreign exchange gain on long-term debt and financial instruments	**—**	(3)	**—**	($0.02)
Fair value revaluation loss on investments	**—**	3	**—**	$0.02
Included in discontinued operations, net of tax	**(204)**	8	**($2.02)**	$0.05
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[2]	**(23)**	(4)	**—**	—
	(114)	(31)	**($1.13)**	($0.30)
Adjusted[1]	**(9)**	42	**($0.09)**	$0.42
Weighted average basic number of common shares outstanding			**100,858,870**	99.937437

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

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended December 31, 2021	2020[3]
Cash flow from operating activities from continuing operations	**69**	158
Changes in non-cash working capital components	**(49)**	(27)
Depreciation and amortization	**(60)**	(59)
Net income taxes received	**—**	(1)
Net financing expense paid	**11**	5
Premium and transaction fees paid on long-term debt redemption	**24**	—
Gain on acquisitions, disposals and others	**1**	38
Impairment charges and restructuring costs	**(94)**	(12)
Unrealized gain (loss) on derivative financial instruments	**1**	(2)
Provisions for contingencies and charges and other liabilities, net of dividends received	**7**	4
Operating income (loss)	**(90)**	104
Depreciation and amortization	**60**	59
Operating income (loss) before depreciation and amortization	**(30)**	163

1 *Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section.*

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

3 *2021 first quarter, 2020 and 2019 consolidated results and consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.*

The following table reconciles cash flow from operating activities from continuing operations with cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components) and adjusted cash flow from operating activities from continuing operations[2]. It also reconciles adjusted cash flow from operating activities from continuing operations[2] to adjusted free cash flow[2], which is also calculated on a per common share basis:

	For the 3-month periods ended December 31,	
(in millions of Canadian dollars, except per common share amounts or as otherwise noted) (unaudited)	**2021**	2020[1]
Cash flow from operating activities from continuing operations	**69**	158
Changes in non-cash working capital components	**(49)**	(27)
Cash flow from operating activities from continuing operations (excluding changes in non-cash working capital components)	**20**	131
Restructuring costs paid	**7**	6
Premium and transaction fees paid on long-term debt redemption	**24**	—
Specific items paid	**31**	6
Adjusted cash flow from operating activities from continuing operations[2]	**51**	137
Capex expenditures	**(95)**	(72)
Change in intangible and other assets	**(1)**	(2)
Lease obligation payments	**(12)**	(13)
Proceeds from disposals of property, plant and equipment	**2**	46
	(55)	96
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(16)**	(12)
Adjusted free cash flow generated (used)[2]	**(71)**	84
Adjusted free cash flow generated (used)[2] per common share (in Canadian dollars)	**($0.70)**	$0.84
Weighted average basic number of common shares outstanding	**100,858,870**	99,937,437

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

The Corporation incurred certain specific items in 2021 and 2020 that adversely or positively affected its operating results[2].
The main specific items, before income taxes, that impacted our fourth quarter results OIBD and/or net earnings were:

2021

- $1 million gain from the sale of the building related to a closed plant in the Tissue Papers segment in the USA (OIBD and net earnings);
- $1 million of impairment charge in the Containerboard Packaging segment on an asset became idle following the introduction of a new technology (OIBD and net earnings);
- $16 million of impairment charge on property, plant and equipment of one of its United States CGUs in the Tissue Papers segment due to sustained difficult market conditions and assets underperformance (OIBD and net earnings);
- $71 million of impairment charge in the Tissue Paper segment's goodwill and other intangible assets reflecting uncertainty of the recoverable amount of the segment compared to its carrying value. The COVID-19 pandemic has led to lower than usual volumes in the Tissue Papers segment. Specifically, volume impacts in the Away-from-Home market began in the second quarter of 2020, while lower volumes in the Consumer Products market started in the second quarter of 2021 following higher than usual demand in the prior year (OIBD and net earnings);
- $6 million additional restructuring charges and closure costs related to closed plants in the Tissue Papers segment (OIBD and net earnings);
- $1 million unrealized gain on financial instruments (OIBD and net earnings);
- $20 million loss on repurchase of long-term debt (net earnings);
- $1 million unrealized loss pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC (net earnings);
- $228 million gain (before income tax of $24 million) from the sale of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) in Corporate Activities. This amount is included in discontinued operations. Please refer to the “Discontinued Operations” section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details. (net earnings).

1 2021 first quarter, 2020 and 2019 consolidated cash flows have been adjusted to reflect retrospective adjustments of discontinued operations. Please refer to the “Discontinued Operations” section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details.

2 Please refer to the “Supplemental Information on Non-IFRS Measures and Other Financial Measures” section.

2020

- $40 million gain from the sale of a building and the land of the Containerboard Packaging facility located in Etobicoke, Ontario, Canada (OIBD and net earnings);
- $2 million environmental provision related to a closed plant in the Tissue Papers segment in the USA (OIBD and net earnings);
- $4 million of impairment charge, primarily in the Tissue Papers segment, related to changes in the valuation of certain assets due to the current economic and market demand conditions (OIBD and net earnings);
- $8 million of restructuring charges recorded in Tissue and Corporate Activities as part of profitability improvement and restructuring initiatives (OIBD and net earnings);
- $2 million unrealized loss on financial instruments (OIBD and net earnings);
- $13 million unrealized gain on 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 (net earnings);
- $2 million unrealized loss pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC (net earnings);
- $3 million foreign exchange gain on long-term debt and financial instruments (net earnings);
- $3 million fair value revaluation loss on investments (net earnings);
- $9 million (before income tax of $1 million) of impairment charge in the Boxboard Europe segment related to some assets as their recoverable amount was lower than the carrying amount. This amount is included in discontinued operations. Please refer to the "Discontinued Operations" section and Note 5 of the 2021 Audited Consolidated Financial Statements for more details (net earnings).

NEAR-TERM OUTLOOK

The ongoing pandemic and related ramifications on input costs, logistics, labour and demand remain unpredictable. Many of these factors continued in January, but we have begun to see improvement in labour availability in February. Demand remains solid for our packaging businesses, and results will reflect lower raw material costs in the near-term and roll-out of the announced price increases over the coming months. Without question the tissue segment remains challenging, and our priority is to return to our pre-pandemic performance trajectory. The fourth quarter was exceptionally difficult with major and unprecedented headwinds. However, despite these difficult conditions the year was also successful in terms of a well executed exit from Europe and increased financial capacity. Moreover, I would like to take this opportunity to express my heartfelt appreciation for our employees who have played such a key role in our ability to continue servicing our customers through these challenging times.

CAPITAL STOCK INFORMATION

COMMON SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol "CAS". From January 1, 2021 to December 31, 2021, Cascades' common share price fluctuated between $13.24 and $18.18. During the same period, 145.4 million Cascades common shares were traded. On December 31, 2021, Cascades common shares closed at $13.97. This compares with a closing price of $14.55 on the same closing day last year.

COMMON SHARES OUTSTANDING

As at December 31, 2021, the Corporation's issued and outstanding capital stock consisted of 100,860,362 common shares (102,276,230 as at December 31, 2020) and 2,373,416 issued and outstanding stock options (2,433,090 as at December 31, 2020). In 2021, the Corporation purchased 1,651,600 common shares for cancellation, while 235,732 stock options were exercised, 189,752 stock options were granted and 13,694 stock options were forfeited.

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

As at February 23, 2022, issued and outstanding capital stock consisted of 100,860,362 common shares and 2,373,416 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The normal course issuer bid announced on March 17, 2020 enabled the Corporation to purchase for cancellation up to 1,886,220 common shares between March 19, 2020 and March 18, 2021. During that period, the Corporation purchased 279,700 common shares for cancellation.

The current normal course issuer bid announced on March 17, 2021 enables the Corporation to purchase for cancellation up to 2,045,621 common shares between March 19, 2021 and March 18, 2022. During the period between March 19, 2021 and February 23, 2022, the Corporation purchased 1,651,600 common shares for cancellation.

DIVIDEND POLICY

On February 23, 2022, Cascades' Board of Directors declared a quarterly dividend of $0.12 per common share to be paid on March 10, 2022 to shareholders of record at the close of business on March 24, 2022. On February 23, 2022, dividend yield was 3.8%.

				2019				2020				**2021**
TSX Ticker: CAS	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**	**Q2**	**Q3**	**Q4**
Common shares outstanding (in millions)[1]	93.6	93.6	94.2	94.2	94.3	95.0	95.0	102.3	**102.3**	**102.3**	**100.9**	**100.9**
Closing price (in Canadian dollars)[1]	$8.34	$10.54	$11.58	$11.21	$12.57	$14.79	$16.84	$14.55	**$15.73**	**$15.26**	**$15.67**	**$13.97**
Average daily volume[2]	238,606	202,448	164,371	146,157	256,827	298,267	257,710	363,795	**342,616**	**433,394**	**278,277**	**272,438**
Dividend yield[1]	1.9%	1.5%	2.8%	2.9%	2.5%	2.2%	1.9%	2.2%	**2.0%**	**2.1%**	**3.1%**	**3.4%**

1 On the last day of the quarter.

2 Average daily volume on the Toronto Stock Exchange.

CASCADES' COMMON SHARE PRICE FOR THE PERIOD FROM JANUARY 1, 2019 TO DECEMBER 31, 2021
(in Canadian dollars)

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The Corporation's principal contractual obligations and commercial commitments relate to outstanding debt, capital expenditures, services agreements and obligations for its pension and post-employment benefit plans. The following table summarizes these obligations as at December 31, 2021:

CONTRACTUAL OBLIGATIONS

Payment due by period (in millions of Canadian dollars) (unaudited)	TOTAL	LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	OVER FIVE YEARS
Long-term debt, including capital and interest	1,900	140	1,064	696
Commitments for capital expenditures and intangible assets	112	112	—	—
Services agreements and exempted leases	39	29	9	1
Leases not yet commenced but already signed	25	5	19	1
Pension plans and other post-employment benefits[1]	893	36	144	713
Total contractual obligations	**2,969**	**322**	**1,236**	**1,411**

1 These amounts represent all the benefits payable to current members during the following years and thereafter without limitations. The majority of benefit payments are payable from trustee-administered funds. The difference will come from future investment returns expected on plan assets and future contributions that will be made by the Corporation for services rendered after December 31, 2021.

TRANSACTIONS WITH RELATED PARTIES

The Corporation has also entered into various agreements with its joint-venture partners, significantly influenced companies and entities that are affiliated with one or more of its directors for the supply of raw materials including recycled paper, virgin pulp and energy, as well as the supply of unconverted and converted products, and other agreements entered into in the normal course of business. Aggregate sales by the Corporation to its joint-venture partners and other affiliates totaled $324 million and $246 million for 2021 and 2020 respectively. Aggregate purchases to the Corporation from its joint-venture partners and other affiliates came to $76 million and $84 million for 2021 and 2020 respectively.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

A. NEW IFRS ADOPTED

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

In August 2020, the IASB issued Interest Rate Benchmark Reform-Phase 2, which amends *IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures* and *IFRS 16 Leases*. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

The standard became effective on January 1, 2021 and had no impact on the Corporation's financial statements.

B. RECENT IFRS PRONOUNCEMENT NOT YET ADOPTED

Amendment to *IAS 16*

In May 2020, the IASB issued an amendment to *IAS 16 Property, Plant and Equipment* which seeks to clarify the way entities should account for the proceeds from sale, and related production costs, of items produced by an asset prior to it being available for its intended use. The modification requires that sales proceeds recognized before the related asset is available for use are recognized in profit or loss together with the costs associated with the items sold, rather than by adjusting the cost of the asset under construction. The amendment is effective for periods commencing on or after January 1, 2022 and must be applied retrospectively to the earliest period presented in the financial statements. The Corporation does not anticipate a significant retrospective adjustment to its December 31, 2021 financial statements as there was no significant asset under construction in the testing phase at the end of 2021.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

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

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS
(see Note 26 of the 2021 Audited Consolidated Financial Statements)

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

The assumption used for revenues were based on the segment's internal budget and were projected for a period of five years and a long-term growth rate of 2% was applied thereafter. The assumption used for OIBD margin was based on the segment's historical performance and was kept constant. In arriving at its forecasts, the Corporation considers past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

DISCOUNT RATES

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

FOREIGN EXCHANGE RATES

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

SHIPMENTS

The assumptions used are based on the Corporation's internal budget for the next year and are usually held constant for the established capacity, for new capacity the ramp up is considered over the forecast period. In arriving at its budgeted shipments, the Corporation considers past experience, economic, industry and market trends.

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

B. INCOME TAXES

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

C. EMPLOYEE BENEFITS

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

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on years of service and Management's best estimate of expected plan investment performance, salary escalations, retirement ages of employees and expected health care costs. The accrued benefit obligation is evaluated using the market interest rate at the evaluation date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed annually.

D. GOODWILL, INTANGIBLE ASSETS AND BUSINESS COMBINATIONS

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

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

CRITICAL JUDGMENTS REGARDING THE PANDEMIC IMPACT

As a response to the effects of the COVID-19 pandemic, the Corporation continues to review the assumptions for operating plans, valuation of property plant and equipment and accounts receivable. The exercise resulted in no additional expected credit loss for accounts receivables. However, impairment charges were recorded in the Tissue Papers segment on property, plant and equipment, goodwill and other intangible assets (see Notes 9, 10 and 26 of the 2021 Audited Consolidated Financial Statements). The Corporation continues to closely monitor the consequences of the COVID-19 situation: the duration, spread or intensity of the pandemic as it continues to evolve, along with the supply chain, market pricing and customer demand. These factors may further impact the Corporation’s operating plan, its cash flows, its ability to raise funds and the valuation of its long-lived assets.

CONTROLS AND PROCEDURES

EVALUATION OF THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Corporation's President and Chief Executive Officer, and its Vice-President and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings".

The purpose of internal controls over financial reporting ("ICFR") is to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of financial statements in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer certify disclosures in annual and interim filings under Regulation 52-109 using the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

During the year ended December 31, 2021, there were no changes in the Corporation's ICFR that materially affected or are reasonably likely to materially affect the Corporation's ICFR.

RISK FACTORS

As part of its ongoing business operations, the Corporation is exposed to certain market risks, including risks ensuing from changes in selling prices for its principal products, costs of raw material, interest rates and foreign currency exchange rates, all of which impact the Corporation's financial position, operating results and cash flows. The Corporation manages its exposure to these and other market risks through regular operating and financing activities and, on a limited basis, through the use of derivative financial instruments. We use these derivative financial instruments as risk management tools, not for speculative investment purposes. The following is a discussion of key areas of business risks and uncertainties that we have identified, and our mitigating strategies. The risk areas below are listed in no particular order, as risks are evaluated based on both severity and probability. Readers are cautioned that the following is not an exhaustive list of all the risks we are exposed to, nor will our mitigation strategies eliminate all risks listed.

Risks relating to the Corporation's business

If the Corporation does not successfully manage the demand, supply and operational challenges associated with the effects of the 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, the 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 the 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 relies, including its suppliers, contract manufacturers, distributors and other contractors, to meet their obligations to the Corporation, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties or their inability to deliver goods or services based on governmental restrictions or other mandates and may adversely impact the Corporation's operations;

- Increased expenses related to the implementation of procedures to comply with governmental regulations and recommendations and maintain the health and safety of the Corporation's employees such as remote working (which, in turn, creates additional cyber security risks), health screenings and enhanced cleaning and sanitation protocols. The Corporation expects to continue to incur costs related to its mitigation efforts and it may have to enact additional, more expensive measures to continue to comply with governmental regulations and recommendations, which may become more stringent in the future, in order to ensure the health and safety of its employees; or
- Government actions in one or more of the jurisdictions in which Cascades operates, 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 deemed essential) and, as a result, forcing the Corporation to scale back its operations or halt them entirely, or government action resulting in any of our suppliers, contract manufacturers, distributors and other contractors no longer being deemed essential and thus impacting the Corporation's ability to deliver its products and services to its customers, which may adversely impact its operations and results.

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

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

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

The markets for some of the Corporation's products, particularly containerboard, are cyclical. As a result, prices for these types of products and for its two principal raw materials, recycled paper and virgin fibre, have fluctuated significantly in the past and will likely continue to fluctuate significantly in the future, principally due to market imbalances between supply and demand. Demand is heavily influenced by the strength of the global economy and the countries or regions in which Cascades does business, particularly Canada and the United States, the Corporation's two primary markets. Demand is also influenced by fluctuations in inventory levels held by customers and consumer preferences. Supply depends primarily on industry capacity and capacity utilization rates. In periods of economic weakness, reduced spending by consumers and businesses results in decreased demand, which can potentially cause downward price pressure. Industry participants may also, at times, add new capacity or increase capacity utilization rates, potentially causing supply to exceed demand and exerting downward price pressure. In addition, in the event of depressed market prices for recycled paper, the availability of recycled paper may decrease.

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

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

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

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

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

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

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

Some of the Corporation's competitors may, at times, have lower fibre, energy and labour costs, and less restrictive environmental and governmental regulations to comply with than Cascades. For example, fully integrated manufacturers, or those whose requirements for pulp or other fibre are met fully from their internal sources, may have some competitive advantages over manufacturers that are not fully integrated, such as Cascades, in periods of relatively high raw material pricing, in that the former are able to ensure a steady source of these raw materials at costs that may be lower than prices in the prevailing market. In contrast, competitors that are less integrated than Cascades may have cost advantages in periods of relatively low pulp or fibre prices because they may be able to purchase pulp or fibre at prices lower than the costs the Corporation incurs in the production process. Other competitors may be larger in size or scope than Cascades, which may allow them to achieve greater economies of scale on a global basis or to better withstand periods of declining prices and adverse operating conditions.

In addition, there has been an increasing trend among the Corporation's customers towards consolidation. With fewer customers in the market for the Corporation's products, the strength of its negotiating position with these customers could be weakened, which could have an adverse effect on its pricing, margins and profitability.

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

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

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

Cascades has customers and operations located outside Canada. In 2021, sales outside Canada, in Canadian dollars, represented approximately 55% of the Corporation's consolidated sales, including 55% in the United States. In 2021, 18% of sales from Canadian operations were made to the United States.

In addition, the Corporation's consolidated financial statements are reported in Canadian dollars, while a portion of its sales is made in other currencies, primarily the U.S. dollar. A decrease of the Canadian dollar against the U.S. dollar could adversely affect the Corporation's operating results and financial condition. As at December 31, 2021, the Corporation had, on a consolidated basis, total U.S. dollar-denominated debt of US$992 million.

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

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

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

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

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

The Corporation is also subject to the U.S. Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as well as to other applicable legislation in the United States and Canada that holds companies accountable for the investigation and remediation of hazardous substances. The Corporation, for some of our Québec plants, is also subject to an emissions market, aimed at reducing worldwide CO_2 emissions. Each unit has been allocated emission rights ("CO_2 quota"). On a calendar year basis, the Corporation must buy the necessary credits to cover its deficit, on the open market, if its emissions are higher than quota.

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

These conditions and liabilities may:

- require site remediation or other costs to maintain compliance or correct violations of environmental laws and regulations; or
- result in governmental or private claims for damage to persons, property or the environment.

Either of these possibilities could have a material adverse effect on the Corporation's financial condition or operating results.

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

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

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

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

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

As at December 31, 2021, the Corporation had approximately 10,000 employees, with approximately 30% of its workforce unionized. The Corporation's inability to negotiate acceptable contracts with its unions upon expiration of an existing contract could result in strikes or work stoppages by the affected workers, and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike or another form of work stoppage, Cascades could experience a significant disruption in operations or higher labour costs, which could have a material adverse effect on its business, financial condition, operating results and cash flow. Of the 29 collective bargaining agreements, 6 have expired and are currently under negotiation, 8 will expire in 2022 and 9 will expire in 2023.

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

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

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

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

- two 50%-owned joint ventures with Sonoco Products Corporation, of which one is in Canada (two plants) and one is in the United States (two plants), that produce specialty paper packaging products such as headers, rolls and wrappers; and
- a 79.90%-owned subsidiary, Greenpac Holding LLC, a North American manufacturer of linerboard. The percentage including indirect ownership stands at 86.35% for consolidation and accounting purposes (see Note 8 of the 2021 Audited Consolidated Financial Statements for more details).

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

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

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

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

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

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

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

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

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

IFRS requires that Cascades undertakes impairment tests of long-lived assets and goodwill to determine whether a write-down of such assets is required. A write-down of asset value as a result of impairment tests would result in a non-cash charge that reduces the Corporation's reported earnings. Furthermore, a reduction in the Corporation's asset value could have a material adverse effect on the Corporation's compliance with total debt-to-capitalization tests under its current credit facilities and, as a result, limit its ability to access further debt capital.

Messrs. Bernard, Laurent and Alain Lemaire and their families (the "Lemaires") collectively own a significant percentage of the common shares.

The Lemaires collectively own a significant percentage of the common shares of the Corporation and there may be situations in which their interests and the interests of other holders of shares do not align. There is no formal agreement among the Lemaires with respect to the voting of their common shares and, over the past few years, the control of their shares has become more dispersed within their respective families. However, because the Corporation's remaining shares are widely held, the Lemaires may still effectively be able to influence:

- the election of all of the Corporation's directors and, as a result, control matters requiring board approval;
- matters submitted to a shareholder vote, including mergers, acquisitions and consolidations with third parties and the sale of all or substantially all of the Corporation's assets; and
- the Corporation's business direction and policies.

If Cascades is not successful in retaining or replacing its key personnel, including its President and Chief Executive Officer, its Vice-President and Chief Financial Officer, its Chief of Strategy, Legal Affairs and Corporate Secretary and its Executive Chairman of the Board and co-founder Alain Lemaire, the Corporation's business, financial condition or operating results could be adversely affected.

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

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

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

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

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

Climate change could negatively affect Cascades’ business and operations.

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

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

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

Risks relating to the Corporation's indebtedness

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

The Corporation has a significant amount of debt. As at December 31, 2021, it had $1,351 million of net debt[1] outstanding on a consolidated basis, including lease obligations and net cash and cash equivalents of $174 million.

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 a premium of US$3 million ($4 million). The Corporation also wrote off $2 million of unamortized financing costs related to these notes.

On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million). The Corporation incurred transaction fees of $2 million, wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid US$5 million ($6 million) of interest accrued on these notes.

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

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

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

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

Even though the Corporation is substantially leveraged, it and its subsidiaries will be able to incur substantial additional indebtedness in the future. Although its credit facility and the indentures governing the notes restrict the Corporation and its restricted subsidiaries from incurring additional debt, these restrictions are subject to important exceptions and qualifications. As at December 31, 2021, the Corporation had $730 million (net of letters of credit in the amount of $14 million) available on its $750 million revolving credit facility (excluding the credit facilities of our subsidiary Greenpac). If the Corporation or its subsidiaries incur additional debt, the risks that it and they now face as a result of its leverage could intensify.

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

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

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

- incur debt;
- pay dividends on stock, repurchase stock or redeem subordinated debt;
- make investments;
- sell assets, including capital stock in subsidiaries;
- guarantee other indebtedness;
- enter into agreements that restrict dividends or other distributions from restricted subsidiaries (solely in the case of the Corporation's credit facility);
- enter into transactions with affiliates;
- create or assume liens securing debt;
- sell or transfer and lease back transactions;
- engage in mergers or consolidations; and
- enter into a sale of all or substantially all of our assets.

These covenants could limit the Corporation's ability to plan for or react to market conditions or to meet its capital needs.

The Corporation's current credit facility contains other, more restrictive covenants, including financial covenants that require it to achieve certain financial and operating results, and maintain compliance with specified financial ratios. The Corporation's ability to comply with these covenants and requirements may be affected by events beyond its control, and it may have to curtail some of its operations and growth plans to maintain compliance.

The restrictive covenants contained in the Corporation's senior note indenture, along with the Corporation's credit facility, do not apply to its joint ventures, minority investments and unrestricted subsidiaries.

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

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

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

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

The ability of the Corporation's subsidiaries to generate cash flow from operations that is sufficient to allow the Corporation to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of the Corporation's control. If the Corporation's subsidiaries do not generate sufficient cash flow from operations to satisfy the Corporation's debt obligations, Cascades may have to undertake alternative financing plans, such as refinancing or re-structuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. Re-financing may not be possible, and assets may not be able to be sold, or, if they are sold, Cascades may not realize sufficient amounts from those sales. Additional financing may not be available on acceptable terms, if at all, or the Corporation may be prohibited from incurring it, if available, under the terms of its various debt instruments in effect at the time. The Corporation's inability to generate sufficient cash flow to satisfy its debt obligations, or to re-finance its obligations on commercially reasonable terms, would have an adverse effect on its business, financial condition and operating results. The earnings of the Corporation's operating subsidiaries and the amount that they are able to distribute to the Corporation as dividends or otherwise may not be adequate for the Corporation to service its debt obligations.

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

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

Risks related to the common shares

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

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

Payments of dividends

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

Potential dilution

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

CONTINGENCIES

LEGAL CLAIMS

In the normal course of operations, the Corporation is party to various legal actions and contingencies, mostly related to contract disputes, environmental and product warranty claims, and labour issues. While the final outcome with respect to legal actions outstanding or pending as at December 31, 2021 cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial position, the results of its operations or its cash flows.

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

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

In the third quarter of 2021, the Containerboard Packaging segment had odour problems generated by its water effluent treatment system of paper machines at our Niagara Falls complex, New York, USA. On August 30, 2021, a class action was filed by two residents of Niagara Falls (on behalf of themselves and all others similarly situated) for inconvenience related to this issue. On November 16, 2021, the plaintiffs filed a Stipulation of Plaintiffs' Voluntary Dismissal resulting in the termination of the lawsuit. Therefore, no liability is to be recorded as of December 31, 2021.

MANAGEMENT'S REPORT
TO THE SHAREHOLDERS OF CASCADES INC.

February 23, 2022

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

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

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

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

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

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

/s/ Mario Plourde
MARIO PLOURDE

PRESIDENT AND CHIEF EXECUTIVE OFFICER
KINGSEY FALLS, CANADA

/s/ Allan Hogg
ALLAN HOGG

VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER
KINGSEY FALLS, CANADA

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

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cascades Inc. and its subsidiaries (together, the Corporation) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2021 and 2020;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment and intangible assets with finite useful life Refer to note 2, *Summary of significant accounting policies*, note 4, *Critical accounting estimates and judgments* and note 26, *Impairment charges and restructuring costs* to the consolidated financial statements. Total net book value of property, plant and equipment and intangible assets with finite useful life (intangible assets) amounted to $2,522 million and $88 million as at December 31, 2021. At the end of each reporting period, management assesses whether there is an indicator that the carrying amount of an asset or a group of assets may be higher than its recoverable amount. When the recoverable amount of an asset of cash-generating unit (CGU) is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. A CGU is the lowest level of a group of assets for which there are separately identifiable cash flows. The recoverable amount is the higher of fair value less cost of disposal and value in use of an asset or CGU. The recoverable amount of each asset or CGU is determined by management using the fair value less cost of disposal based on the market approach if a market exists or the income approach.	Our approach to addressing the matter involves the following procedures, among others: • Tested how management determined the recoverable amounts of the assets or CGUs related to property, plant and equipment and intangible assets for which an indicator of impairment was identified, which included the following: ◦ Tested the appropriateness of the method used and approach used. ◦ Tested the underlying data used in the recoverable amount calculation. ◦ Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the value of comparable assets on the market and the OIBD multiples based on comparative market data.

Key audit matter	How our audit addressed the key audit matter
In determining the recoverable amount of an asset of CGU based on the market approach, management used the value of comparable assets on the market of operating income before depreciation and amortization (OIBD) multiples and applied a high degree of judgment in determining the OIBD multiples and the value of comparable assets on the market. For the year ended December 31, 2021 management determined the recoverable amounts of certain assets or CGUs related to property, plant and equipment and intangible assets for which an indicator of impairment was identified were lower than the carrying amounts and recorded impairments charge of $17 million for property, plant and equipment and $35 million for intangible assets. We considered this a key audit matter due to the high degree of judgment required by management in determining the recoverable amounts of assets or CGUs related to property, plant and equipment and intangible assets for which an indicator of impairment was identified, including the determination of OIBD multiples and the value of comparable assets on the market. This has resulted in a significant audit effort and a high degree of subjectivity and complexity in performing procedures to test the recoverable amounts of assets or CGUs determined by management. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing the procedures.	

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill - Tissue Papers segment Refer to note 2, *Summary of significant accounting policies*, note 4, *Critical accounting estimates and judgments* and note 26, *Impairment charges and restructuring costs* to the consolidated financial statements. Management performs an impairment assessment annually, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. Goodwill is allocated to CGUs for the purpose of impairment testing based on the level at which management monitors il, which is not higher than an operating segment. An impairment loss is recognized if the carrying amount of a CGU or group of CGUs exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and value in use. Management performed its annual goodwill impairment test for the Tissue Papers segment as at December 31, 2021. The recoverable amount of the Tissue Papers segment was determined using the fair value less cost of disposal based on the income approach. In determining the fair value less cost of disposal, management applied a high degree of judgment in developing several key assumptions, including estimated shipment levels, foreign exchange rates, revenue growth rates, operating income before depreciation and amortization (OIBD) margins, the discount rate and capital expenditures.	Our approach to addressing the matter involves the following procedures, among others: • Tested how management determined the recoverable amount of the Tissue Papers segment as at December 31, 2021, which included the following: ◦ Tested the appropriateness of the method used and approach used and the mathematical accuracy of the recoverable amount calculation. ◦ Tested the underlying data used in the recoverable amount calculation. ◦ Tested the reasonableness of the assumptions related to estimated shipment levels, foreign exchange rates, revenue growth rates, OIBD margins and capital expenditures by considering (1) the budget approved by the Board of Directors, (ii) the current and past performance of the segment, (iii) external market and industry data, and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable. ◦ Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rate applied by management based on available data comparable companies.

Key audit matter	How our audit addressed the key audit matter
As a result of this impairment test management fully impaired the goodwill within the Tissue Papers segment as at December 31, 2021 and recorded an impairment charge of $36 million. We considered this a key audit matter due to (i) the significance of the goodwill balance of the Tissue Papers segment and (ii) the high degree of judgment required by management in determining the recoverable amount of the Tissue Papers segment as at December 31, 2021, including the use of key assumptions.This has resulted in significant audit effort and a high degree of subjectivity and complexity in performing procedures to test the recoverable amount. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing the procedures.	

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/ PricewaterhouseCoopers LLP[1]

Montréal, Québec
February 23, 2022

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

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)	NOTE	**December 31, 2021**	December 31, 2020
Assets			
Current assets			
Cash and cash equivalents	27	**174**	384
Accounts receivable	6	**510**	659
Current income tax assets		**19**	23
Inventories	7	**494**	569
Current portion of financial assets	16	**1**	5
		1,198	1,640
Long-term assets			
Investments in associates and joint ventures	8	**87**	82
Property, plant and equipment	9 and 14	**2,522**	2,772
Intangible assets with finite useful life	10	**88**	160
Financial assets	16	**6**	16
Other assets	11	**54**	50
Deferred income tax assets	19	**138**	170
Goodwill and other intangible assets with indefinite useful life	10	**473**	522
		4,566	5,412
Liabilities and Equity			
Current liabilities			
Bank loans and advances	27	**1**	12
Trade and other payables	12	**707**	861
Current income tax liabilities		**12**	17
Current portion of long-term debt	13 and 27	**74**	102
Current portion of provisions for contingencies and charges	15	**12**	14
Current portion of financial liabilities and other liabilities	16 and 17	**16**	25
		822	1,031
Long-term liabilities			
Long-term debt	13 and 27	**1,450**	1,949
Provisions for contingencies and charges	15	**47**	57
Financial liabilities	16	**6**	6
Other liabilities	17 and 18	**122**	202
Deferred income tax liabilities	19	**192**	210
		2,639	3,455
Equity			
Capital stock	20	**614**	622
Contributed surplus	21	**14**	13
Retained earnings		**1,274**	1,146
Accumulated other comprehensive loss	5 and 22	**(23)**	(28)
Equity attributable to Shareholders		**1,879**	1,753
Non-controlling interests	5 and 8	**48**	204
Total equity		**1,927**	1,957
		4,566	5,412

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

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31 (in millions of Canadian dollars, except per common share amounts and number of common shares)	NOTE	2021	2020
Sales		**3,956**	4,105
Cost of sales and expenses			
Cost of sales (including depreciation and amortization of $252 million (2020 — $251 million))	23	**3,465**	3,444
Selling and administrative expenses	23	**356**	367
Gain on acquisitions, disposals and others	25	**(40)**	(43)
Impairment charges and restructuring costs	26	**110**	43
Foreign exchange gain		**(2)**	(1)
Loss on derivative financial instruments	16	**17**	3
		3,906	3,813
Operating income		**50**	292
Financing expense	14 and 27	**84**	101
Interest expense (revenue) on employee future benefits and other liabilities	27	**5**	(7)
Loss on repurchase of long-term debt	13	**20**	6
Foreign exchange gain on long-term debt and financial instruments		**(3)**	(6)
Fair value revaluation loss on investments	8	**—**	3
Share of results of associates and joint ventures	8	**(18)**	(14)
Earnings (loss) before income taxes		**(38)**	209
Provision for income taxes	19	**9**	26
Net earnings (loss) from continuing operations including non-controlling interests for the year		**(47)**	183
Results from discontinued operations	5	**234**	51
Net earnings including non-controlling interests for the year		**187**	234
Net earnings attributable to non-controlling interests	5 and 8	**25**	36
Net earnings attributable to Shareholders for the year		**162**	198
Net earnings (loss) from continuing operations per common share			
Basic		**($0.59)**	$1.74
Diluted		**($0.59)**	$1.72
Net earnings per common share			
Basic		**$1.60**	$2.04
Diluted		**$1.59**	$2.02
Weighted average basic number of common shares outstanding		**101,884,051**	95,924,835
Weighted average number of diluted common shares		**102,902,364**	97,061,136
Net earnings (loss) attributable to Shareholders:			
Continuing operations		**(59)**	169
Discontinued operations	5	**221**	29
Net earnings		**162**	198

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (in millions of Canadian dollars)	NOTE	2021	2020
Net earnings including non-controlling interests for the year		**187**	234
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Translation adjustments	22		
Change in foreign currency translation of foreign subsidiaries		**(8)**	(28)
Change in foreign currency translation of foreign subsidiaries from discontinued operations	5	**(18)**	21
Change in foreign currency translation related to net investment hedging activities		**11**	16
Change in foreign currency translation related to net investment hedging activities from discontinued operations	5	**9**	(13)
Cash flow hedges	22		
Change in fair value of commodity derivative financial instruments		**2**	2
Provision for income taxes		**(2)**	(2)
Provision for income taxes from discontinued operations	5	**(1)**	—
		(7)	(4)
Items that are not released to earnings			
Actuarial gain (loss) on employee future benefits	18	**29**	(19)
Actuarial loss on employee future benefits from discontinued operations	5	**—**	(3)
Recovery of (provision for) income taxes	19	**(7)**	5
Recovery of income taxes from discontinued operations	5	**—**	1
		22	(16)
Other comprehensive income (loss)		**15**	(20)
Comprehensive income including non-controlling interests for the year		**202**	214
Comprehensive income attributable to non-controlling interests for the year		**13**	43
Comprehensive income attributable to Shareholders for the year		**189**	171
Comprehensive income (loss) attributable to Shareholders:			
Continuing operations		**(33)**	145
Discontinued operations	5	**222**	26
Comprehensive income		**189**	171

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

CONSOLIDATED STATEMENTS OF EQUITY

For the year ended December 31, 2021

(in millions of Canadian dollars)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of year		**622**	**13**	**1,146**	**(28)**	**1,753**	**204**	**1,957**
Comprehensive income (loss)								
Net earnings		**—**	**—**	**162**	**—**	**162**	**25**	**187**
Other comprehensive income (loss)		**—**	**—**	**22**	**5**	**27**	**(12)**	**15**
		—	**—**	**184**	**5**	**189**	**13**	**202**
Dividends		**—**	**—**	**(41)**	**—**	**(41)**	**(14)**	**(55)**
Dividends paid to non-controlling interests from discontinued operations	5	**—**	**—**	**—**	**—**	**—**	**(3)**	**(3)**
Stock options expense		**—**	**1**	**—**	**—**	**1**	**—**	**1**
Issuance of common shares upon exercise of stock options	20	**2**	**—**	**—**	**—**	**2**	**—**	**2**
Redemption of common shares	20	**(10)**	**—**	**(16)**	**—**	**(26)**	**—**	**(26)**
Acquisitions of non-controlling interests		**—**	**—**	**1**	**—**	**1**	**(1)**	**—**
Disposals of non-controlling interests	5	**—**	**—**	**—**	**—**	**—**	**(151)**	**(151)**
Balance - End of year		**614**	**14**	**1,274**	**(23)**	**1,879**	**48**	**1,927**

For the year ended December 31, 2020

(in millions of Canadian dollars)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of year		491	15	1,003	(17)	1,492	177	1,669
Comprehensive income (loss)								
Net earnings		—	—	198	—	198	36	234
Other comprehensive income (loss)		—	—	(16)	(11)	(27)	7	(20)
		—	—	182	(11)	171	43	214
Dividends		—	—	(31)	—	(31)	(14)	(45)
Dividends paid to non-controlling interests from discontinued operations	5	—	—	—	—	—	(2)	(2)
Issuance of common shares on public offering	20	125	—	(4)	—	121	—	121
Stock options expense		—	1	—	—	1	—	1
Issuance of common shares upon exercise of stock options	20	10	(3)	—	—	7	—	7
Redemption of common shares	20	(4)	—	(4)	—	(8)	—	(8)
Balance - End of year		622	13	1,146	(28)	1,753	204	1,957

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in millions of Canadian dollars)	NOTE	2021	2020
Operating activities from continuing operations			
Net earnings attributable to Shareholders for the year		**162**	198
Results from discontinued operations	5	**(234)**	(51)
Results from discontinued operations attributable to non-controlling interests	5	**13**	22
Net earnings (loss) from continuing operations		**(59)**	169
Adjustments for:			
Financing expense and interest expense (revenue) on employee future benefits and other liabilities	27	**89**	94
Loss on repurchase of long-term debt	13	**20**	6
Depreciation and amortization		**252**	251
Gain on acquisitions, disposals and others	25	**(40)**	(43)
Impairment charges and restructuring costs	26	**110**	43
Unrealized loss on derivative financial instruments		**17**	3
Foreign exchange gain on long-term debt and financial instruments		**(3)**	(6)
Provision for income taxes	19	**9**	26
Fair value revaluation loss on investments	8	**—**	3
Share of results of associates and joint ventures	8	**(18)**	(14)
Net earnings attributable to non-controlling interests	5 and 8	**12**	14
Net financing expense paid		**(96)**	(76)
Premium and transaction fees paid on long-term debt redemption	13	**(24)**	(4)
Net income taxes received		**2**	9
Dividends received	8	**11**	10
Provisions for contingencies and charges and other liabilities	15, 17 and 18	**(35)**	(27)
		247	458
Changes in non-cash working capital components	27	**(36)**	19
		211	477
Investing activities from continuing operations			
Disposals in associates and joint ventures	25	**1**	3
Payments for property, plant and equipment		**(286)**	(219)
Proceeds from disposals of property, plant and equipment		**53**	55
Change in intangible and other assets		**(15)**	(9)
Cash received from business combinations		**—**	2
		(247)	(168)
Financing activities from continuing operations			
Bank loans and advances	27	**(11)**	1
Change in credit facilities	13 and 27	**5**	(131)
Issuance of unsecured senior notes, net of related expenses	13 and 27	**—**	409
Repurchase of unsecured senior notes	13 and 27	**(372)**	(264)
Increase in other long-term debt		**5**	31
Payments of other long-term debt, including lease obligations	13 and 14	**(75)**	(117)
Settlement of derivative financial instruments	16	**—**	1
Issuance of common shares on public offering, net of transaction fees	20	**—**	120
Issuance of common shares upon exercise of stock options	20	**2**	7
Redemption of common shares	20	**(26)**	(8)
Payment of other liabilities	8	**—**	(121)
Dividends paid to non-controlling interests and acquisition of non-controlling interests	8	**(16)**	(14)
Dividends paid to the Corporation's Shareholders		**(41)**	(31)
		(529)	(117)
Change in cash and cash equivalents during the year from continuing operations		**(565)**	192
Change in cash and cash equivalents from discontinued operations, including reclassification of beginning of year cash and cash equivalent in 2021	5	**356**	41
Net change in cash and cash equivalents during the year		**(209)**	233
Currency translation on cash and cash equivalents		**(1)**	(4)
Cash and cash equivalents - Beginning of the year		**384**	155
Cash and cash equivalents - End of the year		**174**	384

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

SEGMENTED INFORMATION

The Corporation analyzes the performance of its operating segments based on their operating income before depreciation and amortization, which is not a measure of performance under International Financial Reporting Standards (IFRS). However, the chief operating decision-maker (CODM) uses this performance measure to assess the operating performance of each reportable segment. Earnings for each segment are prepared on the same basis as those of the Corporation. Inter-segment operations are recorded on the same basis as sales to third parties, which are at fair market value. The accounting policies of the reportable segments are the same as the Corporation's accounting policies described in Note 2.

The Corporation's operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The Chief Executive Officer has authority for resource allocation and management of the Corporation's performance and is therefore the CODM.

The Corporation's operations are managed in three segments: Containerboard and Specialty Products (which constitutes the Corporation's Packaging Products) and Tissue Papers.

	SALES TO							
	Canada		United States		Other countries		Total	
For the years ended December 31 (in millions of Canadian dollars)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Packaging Products								
Containerboard	**1,197**	1,130	**811**	787	**1**	1	**2,009**	1,918
Specialty Products	**202**	165	**346**	305	**—**	3	**548**	473
Inter-segment sales	**(14)**	(13)	**(18)**	(5)	**—**	—	**(32)**	(18)
	1,385	1,282	**1,139**	1,087	**1**	4	**2,525**	2,373
Tissue Papers	**252**	278	**1,020**	1,336	**—**	1	**1,272**	1,615
Inter-segment sales and Corporate Activities	**145**	115	**14**	2	**—**	—	**159**	117
	1,782	1,675	**2,173**	2,425	**1**	5	**3,956**	4,105

	OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	
For the years ended December 31 (in millions of Canadian dollars)	**2021**	2020
Packaging Products		
Containerboard	**350**	436
Specialty Products	**74**	58
	424	494
Tissue Papers	**(38)**	145
Corporate Activities	**(84)**	(96)
Operating income before depreciation and amortization	**302**	543
Depreciation and amortization	**(252)**	(251)
Financing expense and interest expense (revenue) on employee future benefits and other liabilities	**(89)**	(94)
Loss on repurchase of long-term debt	**(20)**	(6)
Foreign exchange gain on long-term debt and financial instruments	**3**	6
Fair value revaluation loss on investments	**—**	(3)
Share of results of associates and joint ventures	**18**	14
Earnings (loss) before income taxes	**(38)**	209

For the years ended December 31 (in millions of Canadian dollars)	PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT 2021	2020
Packaging Products		
Containerboard	**236**	111
Specialty Products	**42**	25
	278	136
Tissue Papers	**49**	104
Corporate Activities	**46**	26
Total acquisitions	**373**	266
Right-of-use assets acquisitions and of property, plant and equipment included in other debts	**(43)**	(53)
	330	213
Acquisitions for property, plant and equipment included in “Trade and other payables”		
Beginning of year	**31**	37
End of year	**(75)**	(31)
Payments for property, plant and equipment	**286**	219
Proceeds from disposals of property, plant and equipment	**(53)**	(55)
Payments for property, plant and equipment net of proceeds from disposals	**233**	164

(in millions of Canadian dollars)	TOTAL ASSETS December 31, 2021	December 31, 2020
Packaging Products		
Containerboard	**2,308**	2,196
Boxboard Europe	**—**	799
Specialty Products	**318**	283
	2,626	3,278
Tissue Papers	**1,176**	1,314
Corporate Activities	**766**	821
Intersegment eliminations	**(91)**	(88)
	4,477	5,325
Investments in associates and joint ventures	**87**	82
Other investments	**2**	5
	4,566	5,412

Information by geographic segment is as follows:

(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT December 31, 2021	December 31, 2020
Canada	**974**	945
United States	**1,548**	1,463
Italy	**—**	200
Other countries	**—**	164
	2,522	2,772

(in millions of Canadian dollars)	GOODWILL, CUSTOMER RELATIONSHIPS AND CLIENT LISTS, AND OTHER FINITE AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS December 31, 2021	December 31, 2020
Canada	**291**	375
United States	**270**	275
Italy	**—**	29
Other countries	**—**	3
	561	682

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 1
GENERAL INFORMATION

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

The Board of Directors approved the Consolidated Financial Statements on February 23, 2022.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles (GAAP) as set forth in Part I of the *Chartered Professional Accountants of Canada* (CPA Canada) Handbook – *Accounting*, which incorporates IFRS as issued by the *International Accounting Standards Board*. The key accounting policies applied in the preparation of these Consolidated Financial Statements are described below.

BASIS OF MEASUREMENT

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

BASIS OF CONSOLIDATION

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

A. SUBSIDIARIES

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

The following are the principal subsidiaries of the Corporation:

	PERCENTAGE OWNED (%)	JURISDICTION
Cascades Canada ULC	100	Canada
Cascades USA Inc.	100	Delaware
Greenpac Holding LLC[1]	79.90	Delaware

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

B. TRANSACTIONS AND CHANGE IN OWNERSHIP

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

C. ASSOCIATES

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

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

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

D. JOINT VENTURES

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

E. STRUCTURED ENTITIES

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

REVENUE FROM CONTRACT WITH CUSTOMERS

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

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

FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

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

A. CLASSIFICATION

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

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

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

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

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

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

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

B. EVALUATION

Financial instruments at amortized cost

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

Financial instruments at fair value

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

C. IMPAIRMENT

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

D. DERECOGNITION

Financial assets

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

Financial liabilities

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Corporation designates certain derivative financial instruments as :

i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
ii) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
iii) hedges of a net investment in a foreign operation (net investment hedge).

The Corporation formally documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Corporation also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a long-term asset or liability when the remaining maturity of the hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as current assets or liabilities.

A. FAIR VALUE HEDGE

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

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

B. CASH FLOW HEDGE

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

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

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

C. NET INVESTMENT HEDGE

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

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

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

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

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

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

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

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

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

IMPAIRMENT

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

When the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. Impairment losses are recorded immediately in the consolidated statement of earnings in the line item “Impairment charges and restructuring costs”. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration. The revalued carrying value is the lower of the estimated recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized and depreciation had been taken previously on the asset or CGU. A reversal of impairment loss is recorded directly in the consolidated statement of earnings in the line item “Impairment charges and restructuring costs”.

B. GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE
Goodwill and other intangible assets are reviewed for impairment annually on December 31 or when an event or a circumstance occurs and indicates that the value could be permanently impaired. Goodwill is allocated to CGUs for the purpose of impairment testing based on the level at which Management monitors it, which is not higher than an operating segment. The allocation is made to CGUs that are expected to benefit from the business combination in which the goodwill and other intangible assets with an indefinite useful life arose. Impairment loss on goodwill is not reversed.

C. RECOVERABLE AMOUNTS

A recoverable amount is the higher of fair value less cost of disposal and value in use. To determine the recoverable amount of each asset or CGU, the Corporation uses the fair value less cost of disposal calculation based on the market approach if a market exists for the asset or CGU or the income approach.

LONG-TERM DEBT

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

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

LEASES

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

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

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

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

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

PROVISIONS FOR CONTINGENCIES AND CHARGES

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

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

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

ENVIRONMENTAL RESTORATION OBLIGATIONS AND ENVIRONMENTAL COSTS

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

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

EMPLOYEE BENEFITS

The Corporation offers funded and unfunded defined benefit pension plans, defined contribution pension plans and group registered retirement savings plans (RRSPs) that provide retirement benefit payments for most of its employees. The defined benefit pension plans are usually contributory and are based on the number of years of service and, in most cases, the average salaries or compensation at the end of a career. Retirement benefits are not adjusted based on inflation. The Corporation also offers its employees some post-employment benefit plans, such as a retirement allowance, group life insurance and medical and dental plans. However, these benefits, other than pension plans, are not funded. Furthermore, the medical and dental plans upon retirement are being phased out and are no longer offered to the majority of new retirees and the retirement allowance is not offered to those who do not meet certain criteria.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated at least every three years by independent actuaries using the projected unit credit method and updated regularly by Management for any material transactions and changes in circumstances, including changes in market prices and interest rates up to the end of the reporting period.

As well, when an asset is recorded for a pension plan, its carrying value cannot be greater than the future economic benefit that the Corporation will get from the asset. The future economic benefit includes the suspension of contribution if the pension plan provisions allow for it under the minimum funding requirements. When there is a minimum funding requirement, it can increase the liability recorded. All special contributions legally required to fund a plan deficit are considered. For plans for which an actuarial evaluation is required as at December 31, 2021, a schedule of contributions is estimated to establish the minimum funding requirement. For other plans, we have used contributions from the most recent actuarial report.

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

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

Interest costs on pension and other post-employment benefits are recognized in the consolidated statement of earnings as “Interest expense on employee future benefits”. The measurement date of employee future benefit plans is December 31 of each year. An actuarial evaluation is performed at least every three years. Based on their balances as at December 31, 2021, 97% of the plans were evaluated on December 31, 2020 (92% in 2019).

INCOME TAXES

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

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

FOREIGN CURRENCY TRANSLATION

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

A. FOREIGN CURRENCY TRANSACTIONS

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

B. FOREIGN OPERATIONS

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

SHARE-BASED PAYMENTS

The Corporation uses the fair value method of accounting for stock-based compensation awards granted to officers and key employees. This method consists in recording expenses to earnings based on the vesting period of each tranche of options granted. The fair value of each tranche is calculated based on the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. When stock options are exercised, any considerations paid by employees, as well as the related stock-based compensation, are credited to capital stock.

DIVIDEND DISTRIBUTION

Dividend distribution to the Corporation's Shareholders is recognized as a liability in the Consolidated Financial Statements in the period in which the dividends are approved by the Corporation's Board of Directors.

EARNINGS PER COMMON SHARE

Basic earnings per common share are determined using the weighted average number of common shares outstanding during the period. Diluted earnings per common share are determined by adjusting the weighted average number of common shares outstanding for dilutive instruments, which are primarily stock options, using the treasury stock method to evaluate the dilutive effect of stock options. Under this method, instruments with a dilutive effect, which is when the average market price of a share for the period exceeds the exercise price, are considered to have been exercised at the beginning of the period and the proceeds received are considered to have been used to redeem common shares of the Corporation at the average market price for the period.

NOTE 3
CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

A. NEW IFRS ADOPTED

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

In August 2020, the IASB issued Interest Rate Benchmark Reform-Phase 2, which amends *IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures* and *IFRS 16 Leases*. The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

The standard became effective on January 1, 2021 and had no impact on the Corporation's financial statements.

B. RECENT IFRS PRONOUNCEMENT NOT YET ADOPTED

Amendment to *IAS 16*

In May 2020, the IASB issued an amendment to *IAS 16 Property, Plant and Equipment* which seeks to clarify the way entities should account for the proceeds from sale, and related production costs, of items produced by an asset prior to it being available for its intended use. The modification requires that sales proceeds recognized before the related asset is available for use are recognized in profit or loss together with the costs associated with the items sold, rather than by adjusting the cost of the asset under construction. The amendment is effective for periods commencing on or after January 1, 2022 and must be applied retrospectively to the earliest period presented in the financial statements. The Corporation does not anticipate a significant retrospective adjustment to its December 31, 2021 financial statements as there was no significant asset under construction in the testing phase at the end of 2021.

NOTE 4
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

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

DESCRIPTION OF SIGNIFICANT IMPAIRMENT TESTING ASSUMPTIONS (see Note 26)

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

The assumption used for revenues were based on the segment's internal budget and were projected for a period of five years and a long-term growth rate of 2% was applied thereafter. The assumption used for OIBD margin was based on the segment's historical performance and was kept constant. In arriving at its forecasts, the Corporation considers past experience, economic trends such as gross domestic product growth and inflation, as well as industry and market trends.

DISCOUNT RATES

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

FOREIGN EXCHANGE RATES

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

SHIPMENTS

The assumptions used are based on the Corporation's internal budget for the next year and are usually held constant for the established capacity, for new capacity the ramp up is considered over the forecast period. In arriving at its budgeted shipments, the Corporation considers past experience, economic, industry and market trends.

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

B. INCOME TAXES

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

C. EMPLOYEE BENEFITS

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

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on years of service and Management's best estimate of expected plan investment performance, salary escalations, retirement ages of employees and expected health care costs. The accrued benefit obligation is evaluated using the market interest rate at the evaluation date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed annually.

D. GOODWILL, INTANGIBLE ASSETS AND BUSINESS COMBINATIONS

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

CRITICAL JUDGMENTS IN APPLYING THE CORPORATION'S ACCOUNTING POLICIES

CRITICAL JUDGMENTS REGARDING THE PANDEMIC IMPACT

As a response to the effects of the COVID-19 pandemic, the Corporation continues to review the assumptions for operating plans, valuation of property plant and equipment and accounts receivable. The exercise resulted in no additional expected credit loss for accounts receivables. However, impairment charges were recorded in the Tissue Papers segment on property, plant and equipment, goodwill and other intangible assets (see Notes 9, 10 and 26) The Corporation continues to closely monitor the consequences of the COVID-19 situation: the duration, spread or intensity of the pandemic as it continues to evolve, along with the supply chain, market pricing and customer demand. These factors may further impact the Corporation’s operating plan, its cash flows, its ability to raise funds and the valuation of its long-lived assets.

NOTE 5
DISCONTINUED OPERATIONS AND DISPOSAL

On July 5, 2021, the Corporation announced the monetization of its 57.6% controlling equity interest in Reno de Medici S.p.A. (RDM) for an amount per share of €1.45, or $462 million including foreign exchange contracts and before related transaction fees of $12 million. The transaction closed on October 26, 2021. The Corporation recorded a gain of $228 million before income taxes of $24 million. The Corporation used tax assets to offset this tax expense, resulting in no income tax payable on this transaction.

Assets and liabilities of Reno de Medici S.p.A. (RDM) activities at the time of disposal were as follows:

(in millions of Canadian dollars) BUSINESS SEGMENT:	Boxboard Europe
Cash and cash equivalents	37
Accounts receivable	211
Inventories	166
Current income tax assets	2
Investments in associates and joint ventures	1
Property, plant and equipment	430
Intangible assets with finite useful life	24
Financial assets	6
Other assets	23
Deferred income tax assets	5
Goodwill and other intangible assets with indefinite useful life	135
Total assets	**1,040**
Bank loans and advances	40
Trade and other payables	338
Current portion of long-term debt	36
Long-term debt	196
Provisions for contingencies and charges	9
Financial liabilities	1
Other liabilities	51
Deferred income tax liabilities	10
Total liabilities	**681**
Net assets	**359**
Non-controlling interests	(151)
Net assets attributable to Shareholders	**208**
Other items	
Financial instruments on currency and cumulated currency translation adjustment of a foreign subsidiary	14
	222
Gain on disposal, before income taxes	228
Consideration received on disposal, net of transaction fees	**450**

DISCONTINUED OPERATIONS BOXBOARD EUROPE SEGMENT

CONSOLIDATED RESULTS FROM DISCONTINUED OPERATIONS

(in millions of Canadian dollars)	2021	2020
Results from the discontinued operations		
Sales	**894**	1,052
Cost of sales and expenses (excluding depreciation and amortization)	**843**	922
Depreciation and amortization	**38**	48
Gain on acquisitions, disposals and others	**(16)**	—
Impairment charges and restructuring costs	**—**	9
Foreign exchange loss	**—**	1
Gain on derivative financial instruments	**(6)**	(2)
	859	978
Operating income	**35**	74
Financing expense	**4**	4
Earnings before income taxes	**31**	70
Provision for income taxes	**(1)**	(19)
Gain on disposal, net of income tax	**204**	—
Results from discontinued operations	**234**	51
Results from discontinued operations attributable to non-controlling interest	**(13)**	(22)
Results from discontinued operations attributable to Shareholders	**221**	29
Results from discontinued operations per common share		
Basic	**$2.19**	$0.30
Diluted	**$2.18**	$0.30

CONSOLIDATED CASH FLOWS FROM DISCONTINUED OPERATIONS

(in millions of Canadian dollars)	2021	2020
Net cash flow from discontinued operations		
Cash flow from (used for):		
Operating activities	**31**	110
Investing activities	**(243)**	(35)
Financing activities	**156**	(41)
Change in cash and cash equivalent during the year	**(56)**	34
Currency translation on cash and cash equivalents	**(5)**	5
Cash and cash equivalents - Beginning of year	**98**	59
Cash and cash equivalents at disposal	**37**	98
Change in cash and cash equivalent during the year from discontinued operations	**(98)**	39
Dividends paid to the Corporation	**4**	2
Consideration received on disposal, net of transaction fees	**450**	—
Change in cash and cash equivalents from discontinued operations	**356**	41

NOTE 6
ACCOUNTS RECEIVABLE

(in millions of Canadian dollars)	NOTE	2021	2020
Accounts receivable - Trade		461	569
Receivables from related parties	29	22	33
Less: expected credit loss allowance		(4)	(14)
Trade receivables - net		479	588
Other		31	71
		510	659

As at December 31, 2021, trade receivables of $115 million (December 31, 2020 - $147 million) were past due.

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

(in millions of Canadian dollars)	NOTE	2021	2020
Balance at beginning of year		14	12
Provision for expected credit loss allowance		1	3
Receivables written off during the year as uncollectable		(3)	(2)
Business disposal	5	(8)	1
Balance at end of year		4	14

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

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

NOTE 7
INVENTORIES

(in millions of Canadian dollars)	2021	2020
Finished goods	204	243
Raw materials	116	116
Supplies and spare parts	174	210
	494	569

As at December 31, 2021, finished goods, raw materials and supplies and spare parts inventories have been adjusted to their net realizable value (NRV) requiring a provision of $7 million, $2 million and $5 million, respectively (December 31, 2020 - $9 million, $2 million and $24 million).

In 2021, the Corporation reversed $2 million (nil in 2020) of provision recorded against spare parts inventories. No reversal of previously written-down finished goods or raw inventory occurred in 2021 or 2020. The cost of raw materials and supplies and spare parts included in “Cost of sales” amounted to $1,362 million (2020 - $1,361 million).

NOTE 8
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

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

(in millions of Canadian dollars)	**2021**	2020
Investments in associates	**20**	18
Investments in joint ventures	**67**	64
	87	82

B. INVESTMENTS IN ASSOCIATES

The Corporation did not hold any significant participation in associates in 2021 and 2020.

C. INVESTMENT IN JOINT VENTURES

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

	2021-2020 PERCENTAGE EQUITY OWNED (%)	PRINCIPAL ESTABLISHMENT
Cascades Sonoco US Inc.[1]	50	Birmingham, Alabama and Tacoma, Washington, United States
Cascades Sonoco inc.[1]	50	Kingsey Falls and Berthierville, Québec, Canada
Maritime Paper Products Limited Partnership (MPPLP)[2]	40	Dartmouth, Nova Scotia, Canada
Tencorr Holdings Corporation[3]	33.33	Brampton, Ontario, Canada

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

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

				2021
(in millions of Canadian dollars)	CASCADES SONOCO US INC.	CASCADES SONOCO INC.	MARITIME PAPER PRODUCTS LIMITED PARTNERSHIP	TENCORR HOLDINGS CORPORATION
Condensed balance sheet				
Cash and cash equivalents	**7**	**1**	**6**	**15**
Current assets (other than cash and cash equivalents and current financial assets)	**25**	**31**	**27**	**29**
Long-term assets (other than long-term financial assets)	**40**	**13**	**29**	**9**
Current liabilities (other than current financial liabilities)	**18**	**13**	**6**	**32**
Current financial liabilities	**2**	**—**	**—**	**4**
Long-term liabilities (other than long-term financial liabilities)	**6**	**2**	**—**	**3**
Long-term financial liabilities	**8**	**1**	**—**	**—**
Condensed statement of earnings				
Sales	**95**	**91**	**116**	**150**
Depreciation and amortization	**5**	**2**	**3**	**1**
Financing expense	**2**	**—**	**—**	**—**
Provision for income taxes	**1**	**3**	**—**	**3**
Net earnings	**7**	**8**	**8**	**4**
Other comprehensive income (loss)				
Translation adjustment	**—**	**—**	**—**	**—**
Total comprehensive income	**7**	**8**	**8**	**4**
Dividends received from joint ventures	**4**	**4**	**1**	**—**

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

Commitments of the joint ventures are less than a million dollars in 2021 and 2020.

D. NON-SIGNIFICANT ASSOCIATES AND JOINT VENTURES

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

(in millions of Canadian dollars)	**2021**	2020
Non-significant associates	**20**	18
Non-significant joint ventures	**12**	13
	32	31

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

(in millions of Canadian dollars)	**2021**	2020
Non-significant associates	**3**	3
Non-significant joint ventures	**2**	3
	5	6

The Corporation received dividends of $2 million from these associates and joint ventures as at December 31, 2021 (December 31, 2020 - $4 million).

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

E. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

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

		2021			2020	
(in millions of Canadian dollars, unless otherwise noted)	NOTE	FALCON PACKAGING LLC	GREENPAC HOLDING LLC	RENO DE MEDICI S.p.A.	FALCON PACKAGING LLC	GREENPAC HOLDING LLC
Principal establishment		Ohio, United States	New York, United States	Milan, Italy	Ohio, United States	New York, United States
Percentage of shares held by non-controlling interests (accounting basis)		**22.00%**	**13.65%**	42.40%	25.00%	13.65%
Net earnings attributable to non-controlling interests		**2**	**10**	22	1	13
Non-controlling interests accumulated at the end of the year		**3**	**45**	153	4	47
Dividends paid to non-controlling interests		**2**	**12**	2	1	13
Condensed balance sheet						
Cash and cash equivalents		**5**	**20**	98	3	28
Current assets (other than cash and cash equivalents and current financial assets)		**17**	**112**	292	14	127
Current financial assets		**—**	**—**	—	—	3
Long-term assets (other than long-term financial assets)		**29**	**507**	412	30	520
Long-term financial assets		**—**	**—**	—	—	8
Current liabilities (other than current financial liabilities)		**13**	**51**	246	10	60
Current financial liabilities		**3**	**11**	33	1	11
Long-term liabilities (other than long-term financial liabilities)		**—**	**2**	77	—	1
Long-term financial liabilities		**—**	**111**	80	4	126
Condensed statement of earnings						
Sales		**174**	**470**	—	160	438
Depreciation and amortization		**1**	**36**	—	2	39
Net earnings		**9**	**78**	—	6	95
Results from discontinued operation	5	**—**	**—**	51	—	—
Condensed cash flow						
Cash flows from operating activities		**9**	**118**	—	1	143
Cash flows used for investing activities		**—**	**(5)**	—	—	(6)
Cash flows used for financing activities		**(8)**	**(119)**	—	(5)	(142)
Cash flow from discontinued operations	5	**—**	**—**	34	—	—

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 was paid on January 3, 2020.

In 2021, the Corporation also increased its participation in a distributor in the Specialty Products segment for a contribution of $2 million.

On October 26, 2021, the Corporation sold its participation in Reno de Medici S.p.A. (RDM). Please refer to Note 5.

NOTE 9

PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars)	NOTE	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	AUTOMOTIVE EQUIPMENT	OTHERS	RIGHT-OF-USE ASSETS (Note 14)	TOTAL
As at January 1, 2020								
Cost		181	1,008	3,901	126	68	243	5,527
Accumulated depreciation and impairment		—	403	2,173	81	28	72	2,757
Net book amount		181	605	1,728	45	40	171	2,770
Year ended December 31, 2020								
Opening net book amount		181	605	1,728	45	40	171	2,770
Additions		—	31	172	11	—	52	266
Disposals		(1)	(1)	(3)	—	—	(3)	(8)
Depreciation		—	(17)	(140)	(12)	(8)	(43)	(220)
Discontinued operations	5	2	—	2	—	—	6	10
Impairment charges	26	—	—	(18)	—	—	—	(18)
Others		1	4	(8)	—	4	(1)	—
Exchange differences		(2)	(7)	(18)	—	—	(1)	(28)
Closing net book amount		181	615	1,715	44	36	181	2,772
As at December 31, 2020								
Cost		183	1,023	3,931	133	68	285	5,623
Accumulated depreciation and impairment		2	408	2,216	89	32	104	2,851
Net book amount		181	615	1,715	44	36	181	2,772
Year ended December 31, 2021								
Opening net book amount		**181**	**615**	**1,715**	**44**	**36**	**181**	**2,772**
Additions		**1**	**37**	**279**	**9**	**2**	**45**	**373**
Disposals		**(2)**	**(9)**	**(1)**	**—**	**—**	**(4)**	**(16)**
Depreciation		**—**	**(17)**	**(135)**	**(12)**	**(9)**	**(50)**	**(223)**
Discontinued operations	5	**(68)**	**(44)**	**(229)**	**—**	**—**	**(23)**	**(364)**
Impairment charges	26	**—**	**—**	**(17)**	**—**	**—**	**—**	**(17)**
Others		**—**	**(2)**	**—**	**2**	**6**	**—**	**6**
Exchange differences		**—**	**(2)**	**(7)**	**—**	**—**	**—**	**(9)**
Closing net book amount		**112**	**578**	**1,605**	**43**	**35**	**149**	**2,522**
As at December 31, 2021								
Cost		**112**	**930**	**3,368**	**132**	**73**	**277**	**4,892**
Accumulated depreciation and impairment		**—**	**352**	**1,763**	**89**	**38**	**128**	**2,370**
Net book amount		**112**	**578**	**1,605**	**43**	**35**	**149**	**2,522**

Property, plant and equipment includes assets in the process of construction or installation with a book value of $269 million (December 31, 2020 - $188 million) and deposits on purchases of machinery and equipment amounting to $13 million (December 31, 2020 - $15 million).

In 2021, $5 million (2020 - $1 million) of interest incurred on qualifying assets was capitalized. The weighted average capitalization rate on funds borrowed in 2021 was 4.86% (2020 - 4.86%).

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

(in millions of Canadian dollars)	NOTE	APPLICATION SOFTWARE AND ERP	CUSTOMER RELATIONSHIPS AND CLIENT LISTS	OTHER INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH FINITE USEFUL LIFE	GOODWILL	OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE	TOTAL INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE
As at January 1, 2020								
Cost		165	216	36	417	538	7	545
Accumulated amortization and impairment		84	118	33	235	17	1	18
Net book amount		81	98	3	182	521	6	527
Year ended December 31, 2020								
Opening net book amount		81	98	3	182	521	6	527
Additions		7	—	—	7	—	—	—
Discontinued operations	5	1	—	(1)	—	1	—	1
Amortization		(17)	(13)	—	(30)	—	—	—
Others		—	—	1	1	—	(1)	(1)
Exchange differences		1	(1)	—	—	(5)	—	(5)
Closing net book amount		73	84	3	160	517	5	522
As at December 31, 2020								
Cost		174	215	9	398	526	6	532
Accumulated amortization and impairment		101	131	6	238	9	1	10
Net book amount		73	84	3	160	517	5	522
Year ended December 31, 2021								
Opening net book amount		**73**	**84**	**3**	**160**	**517**	**5**	**522**
Additions		**12**	**—**	**—**	**12**	**—**	**—**	**—**
Discontinued operations	5	**(16)**	**(3)**	**(2)**	**(21)**	**(7)**	**(4)**	**(11)**
Impairment charges	26	**—**	**(35)**	**—**	**(35)**	**(36)**	**—**	**(36)**
Amortization		**(16)**	**(12)**	**—**	**(28)**	**—**	**—**	**—**
Others		**—**	**—**	**—**	**—**	**3**	**—**	**3**
Exchange differences		**—**	**—**	**—**	**—**	**(5)**	**—**	**(5)**
Closing net book amount		**53**	**34**	**1**	**88**	**472**	**1**	**473**
As at December 31, 2021								
Cost		**161**	**207**	**4**	**372**	**516**	**1**	**517**
Accumulated amortization and impairment		**108**	**173**	**3**	**284**	**44**	**—**	**44**
Net book amount		**53**	**34**	**1**	**88**	**472**	**1**	**473**

NOTE 11
OTHER ASSETS

(in millions of Canadian dollars)	NOTE	**2021**	2020
Long-term notes receivable		**8**	7
Other investments		**2**	5
Other assets		**15**	25
Employee future benefits	18	**29**	15
		54	52
Less: Current portion, included in accounts receivables		**—**	(2)
		54	50

An amortization expense of $1 million (2020 - $1 million) was booked against other assets.

NOTE 12
TRADE AND OTHER PAYABLES

(in millions of Canadian dollars)	NOTE	2021	2020
Trade payables		**518**	593
Payables to related parties	29	**6**	8
Provisions for volume rebates		**64**	72
Accrued expenses		**119**	188
		707	861

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

(in millions of Canadian dollars)	2021	2020
Balance at beginning of year	**72**	70
Provision for volume rebates	**106**	131
Volume rebates payments	**(114)**	(128)
Exchange differences	**—**	(1)
Balance at end of year	**64**	72

NOTE 13
LONG-TERM DEBT

(in millions of Canadian dollars)	NOTE	MATURITY	2021	2020
Revolving credit facility, weighted average interest rate of 3.95% as at December 31, 2021 and consists of US$4 million (December 31, 2020 - unused)	13(a)	2025	**6**	—
5.125% Unsecured senior notes of $175 million		2025	**175**	175
5.125% Unsecured senior notes of US$206 million (December 31, 2020 - US$350 million)	13(b)	2026	**260**	445
5.375% Unsecured senior notes of US$445 million and $7 million of unamortized premium (December 31, 2020 - US$600 million and $16 million of unamortized premium)	13(b) (c)	2028	**570**	780
Term loan of US$160 million, interest rate of 2.21% as at December 31, 2021 (December 31, 2020 - US$165 million)		2025	**202**	210
Lease obligations with recourse to the Corporation	13(e)		**161**	167
Other debts with recourse to the Corporation			**35**	39
Lease obligations without recourse to the Corporation	13(e)		**9**	35
Other debts without recourse to the Corporation	13(d)		**117**	217
			1,535	2,068
Less: Unamortized financing costs			**11**	17
Total long-term debt			**1,524**	2,051
Less:				
Current portion of lease obligations with recourse to the Corporation			**36**	36
Current portion of other debts with recourse to the Corporation			**23**	23
Current portion of lease obligations without recourse to the Corporation			**7**	12
Current portion of other debts without recourse to the Corporation			**8**	31
			74	102
			1,450	1,949

a. On April 30, 2021, the Corporation entered into an agreement with its lenders to extend and amend its existing $750 million revolving credit facility. The amendment extends the term of the facility to July 7, 2025. The financial conditions remain unchanged.

   As at December 31, 2021, accounts receivable and inventories totaling approximately $888 million (December 31, 2020 - $798 million) as well as property, plant and equipment totaling approximately $246 million (December 31, 2020 - $246 million) were pledged as collateral for the Corporation's revolving credit facility.

b. On November 9, 2021, the Corporation completed the partial redemption of its unsecured senior notes. The transaction was settled on November 10, 2021 and the Corporation redeemed US$144 million ($180 million) and US$155 million ($192 million) of its 2026 and 2028 unsecured senior notes, respectively, and paid an early repurchase premium totaling US$18 million ($22 million). The Corporation incurred transaction fees of $2 million, wrote off $4 million of unamortized financing costs and $8 million of unamortized issuance premium related to these notes. The Corporation also paid US$5 million ($6 million) of interest accrued on these notes.

Partial redemption was used as follows:

(in millions of Canadian dollars)	**2021**
Transaction fees	**(2)**
Repurchase of 2026 and 2028 Notes	**(372)**
Premium paid on long-term debt redemption	**(22)**
Decrease of credit facility	**(396)**

c. 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 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
Transaction fees	(4)
Repurchase of 2023 Notes	(264)
Premium paid on long-term debt redemption	(4)
Decrease of credit facility and increase in cash and cash equivalent	141

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

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

NOTE 14
LEASES

a. The consolidated balance sheet includes, in "Property, plant and equipment", the amounts hereunder as right-of-use assets relating to leases. 2021 and 2020 right-of-use assets under *IFRS 16* are as follows:

(in millions of Canadian dollars)	**2021**	2020
Buildings	**111**	129
Machinery and equipment	**3**	10
Automotive equipment	**34**	42
Others	**1**	—
Net book amount	**149**	181

Additions to the right-of-use assets during the 2021 financial year were $45 million (2020 - $52 million).

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

(in millions of Canadian dollars)	**2021**	2020
Depreciation and amortization of right-of-use assets (included in "Cost of sales")		
Buildings	**26**	20
Machinery and equipment	**3**	1
Automotive equipment	**21**	22
	50	43
Financing expense (included in "Financing expense")	**6**	8

Expenses relating to short-term leases, low-value assets and variable lease payments not included in lease obligation were less than a million dollars in 2021 and 2020.

c. The total cash outflow for leases, including the interest, in 2021 was $54 million (2020 - $50 million).

d. Refer to Note 13 for liabilities and to Note 16.4 C for future contractual payments of lease obligations.

e. The future cash flows arising from leases not yet commenced but already signed are the following as at December 31, 2021 and 2020:

	2021	**2020**
(in millions of Canadian dollars)	BUILDINGS	BUILDINGS
No later than one year	**5**	—
Later than one year but no later than five years	**19**	—
More than five years	**1**	—
	25	—

NOTE 15
PROVISIONS FOR CONTINGENCIES AND CHARGES

(in millions of Canadian dollars)	NOTE	ENVIRONMENTAL RESTORATION OBLIGATIONS	ENVIRONMENTAL COSTS	LEGAL CLAIMS	SEVERANCES	OTHERS	TOTAL PROVISIONS
As at January 1, 2020		18	20	2	6	8	54
Additional provision		—	3	1	12	4	20
Payments		—	(1)	—	(10)	(3)	(14)
Revaluation		4	4	—	—	1	9
Unwinding of discount		1	—	—	—	—	1
Discontinued operations	5	—	—	—	1	—	1
As at December 31, 2020		23	26	3	9	10	71
Additional provision		**—**	**4**	**4**	**5**	**2**	**15**
Payments		**—**	**(6)**	**—**	**(9)**	**—**	**(15)**
Revaluation		**(4)**	**—**	**—**	**—**	**—**	**(4)**
Unwinding of discount		**1**	**—**	**—**	**—**	**—**	**1**
Discontinued operations	5	**(2)**	**—**	**(1)**	**(2)**	**(4)**	**(9)**
As at December 31, 2021		**18**	**24**	**6**	**3**	**8**	**59**

Analysis of total provisions:

(in millions of Canadian dollars)	**2021**	2020
Long-term	**47**	57
Current	**12**	14
	59	71

ENVIRONMENTAL RESTORATION

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

ENVIRONMENTAL COSTS

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

LEGAL CLAIMS

In the normal course of operations, the Corporation is party to various legal actions and contingencies, mostly related to contract disputes, environmental and product warranty claims, and labour issues. While the final outcome with respect to legal actions outstanding or pending as at December 31, 2021 cannot be predicted with certainty, it is Management's opinion that the outcome will not have a material adverse effect on the Corporation's consolidated financial position, the results of its operations or its cash flows.

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

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

In the third quarter of 2021, the Containerboard Packaging segment had odour problems generated by its water effluent treatment system of paper machines at our Niagara Falls complex, New York, USA. On August 30, 2021, a class action was filed by two residents of Niagara Falls (on behalf of themselves and all others similarly situated) for inconvenience related to this issue. On November 16, 2021 the plaintiffs filed a Stipulation of Plaintiffs' Voluntary Dismissal resulting in the termination of the lawsuit. Therefore, no liability is to be recorded as of December 31, 2021.

NOTE 16
FINANCIAL INSTRUMENTS

16.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

The classification of financial instruments as at December 31, 2021 and 2020, along with the respective carrying amounts and fair values, is as follows:

		2021		2020	
(in millions of Canadian dollars)	NOTE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets at fair value through profit or loss					
Derivatives	16.4	**5**	**5**	21	21
Equity investments		**2**	**2**	1	1
Financial liabilities at fair value through profit or loss					
Derivatives	16.4	**(6)**	**(6)**	(8)	(8)
Financial liabilities at amortized cost					
Long-term debt		**(1,524)**	**(1,558)**	(2,051)	(2,137)
Derivatives designated as hedge					
Asset derivatives		**2**	**2**	—	—
Liability derivatives		**—**	**—**	(7)	(7)

16.2 DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(i) The fair value of cash and cash equivalents, accounts receivable, notes receivable, bank loans and advances, trade and other payables and provisions approximates their carrying amounts due to their relatively short maturities.
(ii) The fair value of investment in shares is based on observable market data and is quoted on the Toronto Stock Exchange and classified as level 1.
(iii) The fair value of long-term debt and some other liabilities is based on observable market data and on the calculation of discounted cash flows. Discount rates were determined based on local government bond yields adjusted for the risks specific to each of the borrowings and for the credit market liquidity conditions and are classified as levels 1 and 3.
(iv) The fair value of derivative instruments, which include forward contracts, swap agreements and embedded derivatives accounted for separately, is calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and forward foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date and are classified as level 2. The fair value of derivative instruments reflects the estimated amounts that the Corporation would receive or pay to settle the contracts at the reporting date.

16.3 HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

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

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

(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
				2021
Financial assets				
Equity investments	**2**	**2**	**—**	**—**
Derivative financial assets	**7**	**—**	**7**	**—**
	9	**2**	**7**	**—**
Financial liabilities				
Derivative financial liabilities	**(6)**	**—**	**(6)**	**—**
	(6)	**—**	**(6)**	**—**

(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
				2020
Financial assets				
Equity investments	1	1	—	—
Derivative financial assets	21	—	21	—
	22	1	21	—
Financial liabilities				
Derivative financial liabilities	(15)	—	(15)	—
	(15)	—	(15)	—

16.4 FINANCIAL RISK MANAGEMENT

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

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

Summary

(in millions of Canadian dollars)		ASSETS			LIABILITIES		**2021**
RISK	NOTE	SHORT-TERM	LONG-TERM	TOTAL	SHORT-TERM	LONG-TERM	TOTAL
Currency risk	16.4 A (i)	**—**	**5**	**5**	**—**	**(6)**	**(6)**
Price risk	16.4 A (ii)	**1**	**1**	**2**	**—**	**—**	**—**
		1	**6**	**7**	**—**	**(6)**	**(6)**

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

A. MARKET RISK

i. Currency risk

The Corporation operates internationally and is exposed to foreign exchange risks arising from various currencies as a result of its export of goods produced in Canada and in the United States. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations. These risks are partially covered by purchases and debt.

The Corporation manages foreign exchange exposure by entering into various foreign exchange forward contracts and currency option instruments related to anticipated sales, purchases, interest expense and repayment of long-term debt. Management has implemented a policy for managing foreign exchange risk against its functional currency. The Corporation's risk management policy is to hedge 25% to 90% of anticipated cash flows in each major foreign currency for the next twelve months and to hedge 0% to 75% for the subsequent twenty-four months. The Corporation may designate these foreign exchange forward contracts as a cash flow hedge of future anticipated sales, cost of sales, interest expense and repayment of long-term debt denominated in foreign currencies. Gains or losses from these derivative financial instruments designated as hedges are recorded in “Accumulated other comprehensive income” net of related income taxes and are reclassified to earnings as adjustments to sales, cost of sales, interest expense or foreign exchange loss (gain) on long-term debt in the period in which the respective hedged item affected earnings.

In 2021, approximately 18% of sales from Canadian operations were made to the United States.

The following table summarizes the Corporation's commitments to buy and sell foreign currencies as at December 31, 2021 and 2020:

				2021
	EXCHANGE RATE	MATURITY	NOTIONAL AMOUNT (IN MILLIONS)	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Repayment of long-term debt				
Derivatives at fair value through profit or loss and classified in Foreign exchange loss (gain) on long-term debt:				
Currency option to sell US$ for CAN$	**1.3290**	**July 2023**	**US$122**	**5**
Foreign exchange forward contracts to buy US$ for CAN$	**1.3290**	**July 2023**	**US$102**	**(6)**
				(1)

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

The fair values of foreign exchange forward contracts and currency options are determined using the discounted value of the difference between the value of the contract at expiry, calculated using the contracted exchange rate and the exchange rate the financial institution would use if it renegotiated the same contract under the same conditions as at the consolidated balance sheet date. The discount rates are adjusted for the credit risk of the Corporation or of the counterparty, as applicable. When determining credit risk adjustments, the Corporation considers master netting agreements, if applicable.

In 2021, if the Canadian dollar had strengthened by $0.01 against the US dollar on average for the year with all other variables held constant, operating income before depreciation and amortization for the year would have been approximately $1 million lower. This is based on the net exposure of total US sales less US purchases of the Corporation's Canadian operations and operating income before depreciation and amortization of the Corporation's US operations, but excludes the effect of this change on the denominated working capital components. The interest expense would have been approximately $1 million higher.

CURRENCY RISK ON TRANSLATION OF SELF-SUSTAINING FOREIGN SUBSIDIARIES

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

The table below shows the effect on consolidated equity of a 10% change in the value of the Canadian dollar against the US dollar and the euro as at December 31, 2021 and 2020. The calculation includes the effect of currency hedges of net investment in US foreign entities and assumes that no changes occurred other than a single currency exchange rate movement.

The exposures used in the calculations are the foreign currency-denominated equity and the hedging level as at December 31, 2021 and 2020, with the hedging instruments being the long-term debt denominated in US dollars.

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

			2021			2020
(in millions of Canadian dollars)	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
10% change in the CAN$/US$ rate	**77**	**32**	**45**	74	70	4
10% change in the CAN$/euro rate	**—**	**—**	**—**	21	16	5

ii. Price risk

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

The fair value of these contracts is as follows:

			2021
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as held for trading and reclassified in “Cost of sales”			
Natural gas:			
US portfolio	**958,750 mmBtu**	**2022 to 2025**	**—**
Derivatives designated as cash flow hedges and reclassified in “Cost of sales” (effective portion)			
Natural gas:			
US portfolio	**5,009,665 mmBtu**	**2022 to 2025**	**2**
			2

			2020
	QUANTITY	MATURITY	FAIR VALUE (IN MILLIONS OF CANADIAN DOLLARS)
Forecasted purchases			
Derivatives designated as cash flow hedges and reclassified in "Cost of sales" (effective portion)			
Natural gas:			
US portfolio	1,470,923 mmBtu	2021 to 2025	—
			—

In 2013, the Corporation entered into an agreement to purchase steam. The agreement includes an embedded derivative and the fair value as at December 31, 2021 was less than a million dollars (2020 - asset: $7 million). Greenpac also has an agreement to purchase steam that includes an embedded derivative with a value of less than a million dollars as at December 31, 2021 (2020 - asset: $11 million).

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

The table below shows the effect of changes in the price of natural gas and electricity as at December 31, 2021 and 2020. The calculation includes the effect of price hedges of these commodities and assumes that no changes occurred other than a single change in price.

The exposures used in the calculations are the commodity consumption and the hedging level as at December 31, 2021 and 2020, with the hedging instruments being derivative commodity contracts.

Consolidated commodity consumption: Price change effect before tax:

			2021			2020
(in millions of Canadian dollars[1])	BEFORE HEDGES	HEDGES	NET IMPACT	BEFORE HEDGES	HEDGES	NET IMPACT
US$30/s.t. change in commercial pulp price	**7**	**—**	**7**	8	—	8
US$1/mmBtu. change in natural gas price	**10**	**2**	**8**	11	2	9
US$1/MWh change in electricity price	**2**	**—**	**2**	2	—	2

1 Sensitivity calculated with an exchange rate of 1.25 CAN$/US$ for 2021 and 1.30 CAN$/US$ for 2020.

iii. Interest rate risk

The Corporation has no significant interest-bearing assets.

The Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk.

When appropriate, the Corporation analyzes its interest rate risk exposure. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on earnings of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. As at December 31, 2021, approximately 21% (2020 - 18%) of the Corporation's long-term debt was at variable rates.

Based on the outstanding long-term debt as at December 31, 2021, the impact on interest expense of a 1% change in rate would be approximately $3 million (impact on net earnings is approximately $2 million).

iv. Loss on derivative financial instruments is as follows:

(in millions of Canadian dollars)	**2021**	2020
Unrealized loss on derivative financial instruments	**17**	3

B. CREDIT RISK

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

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

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

Loans and notes receivables from business disposals are recognized at fair value, there are no past due amounts as at December 31, 2021.

C. LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at December 31, 2021 and 2020:

						2021
(in millions of Canadian dollars)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities:						
Bank loans and advances	**1**	**1**	**1**	**—**	**—**	**—**
Trade and other payables	**706**	**706**	**706**	**—**	**—**	**—**
Revolving credit facility	**6**	**6**	**—**	**—**	**6**	**—**
Term loan	**202**	**219**	**11**	**10**	**198**	**—**
Unsecured senior notes	**998**	**1,307**	**53**	**53**	**581**	**620**
Lease obligations with recourse to the Corporation	**161**	**201**	**42**	**35**	**55**	**69**
Other debts with recourse to the Corporation	**35**	**36**	**17**	**6**	**6**	**7**
Lease obligations without recourse to the Corporation	**9**	**9**	**7**	**1**	**1**	**—**
Other debts without recourse to the Corporation	**117**	**122**	**10**	**112**	**—**	**—**
Derivative financial liabilities	**6**	**6**	**—**	**6**	**—**	**—**
	2,241	**2,613**	**847**	**223**	**847**	**696**

						2020
(in millions of Canadian dollars)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN ONE YEAR	BETWEEN ONE AND TWO YEARS	BETWEEN TWO AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities:						
Bank loans and advances	12	12	12	—	—	—
Trade and other payables	861	861	861	—	—	—
Term loan	210	232	11	11	210	—
Unsecured senior notes	1,384	1,888	73	73	393	1,349
Lease obligations with recourse to the Corporation	167	212	43	32	60	77
Other debts with recourse to the Corporation	39	42	17	6	12	7
Lease obligations without recourse to the Corporation	35	36	12	6	10	8
Other debts without recourse to the Corporation	217	225	34	36	153	2
Derivative financial liabilities	15	15	9	—	6	—
	2,940	3,523	1,072	164	844	1,443

As at December 31, 2021, the Corporation had unused credit facilities of $746 million (December 31, 2020 - $901 million), net of outstanding letters of credit of $14 million (December 31, 2020 - $22 million).

D. OTHER RISK

STOCK-BASED COMPENSATION

The Corporation entered into an agreement to hedge the share price volatility related to its Deferred Share Units and Performance Share Unit plans. As at December 31, 2021, the agreement's notional amount was 766,000 shares at a price of $13.43 (December 31, 2020 - notional amount : 566,000, share price: $14.60). The fair value as at December 31, 2021 was a receivable of less than a million dollars (December 31, 2020 - liability: less than a million dollars).

NOTE 17
OTHER LIABILITIES

(in millions of Canadian dollars)	NOTE	2021	2020
Employee future benefits	18	118	189
Other	21	20	29
		138	218
Less: Current portion		(16)	(16)
		122	202

As at December 31, 2021, the balance on the line "Other" includes an amount of $4 million (December 31, 2020 - $5 million) pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC.

NOTE 18
EMPLOYEE FUTURE BENEFITS

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

(in millions of Canadian dollars)	NOTE	2021	2020
Consolidated balance sheet obligations for			
Defined pension benefits - Assets (Surplus)		(29)	(15)
Defined pension benefits - Liabilities		39	84
	18 A	10	69
Post-employment benefits other than defined benefit pension plans	18 B	79	105
Net long-term liabilities on consolidated balance sheet		89	174
Expenses recorded in consolidated statement of earnings for			
Defined pension benefits		6	7
Defined contribution benefits		35	33
Post-employment benefits other than defined benefit pension plans		6	4
Defined pension benefits included in discontinued operations		1	2
		48	46
Consolidated other comprehensive income (loss) remeasurements for			
Defined pension benefits	18 A	(24)	17
Post-employment benefits other than defined benefit pension plans	18 B	(5)	2
Defined pension and post-employment benefits included in discontinued operations		—	3
		(29)	22

A. DEFINED BENEFIT PENSION PLANS

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

The majority of benefit payments are payable from trustee administered funds; however, for the unfunded plans, the Corporation meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practices in each country.

Responsibility for governance of the plans - overseeing all aspects of the plans, including investment decisions and contribution schedules - lies with the Corporation. The Corporation has established Investment Committees to assist in the management of the plans and has also appointed experienced, independent professional experts such as investments managers, investment consultants, actuaries and custodians.

The movement in the net defined benefit obligation and fair value of plan assets of defined benefit pension plans over the year is as follows:

(in millions of Canadian dollars)	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSETS	TOTAL	IMPACT OF MINIMUM FUNDING REQUIREMENT (ASSET CEILING)	TOTAL
As at January 1, 2020	513	(474)	39	8	47
Current service cost	5	—	5	—	5
Interest expense (income)	14	(13)	1	—	1
Business closures	1	—	1	—	1
Impact on consolidated profit or loss	20	(13)	7	—	7
Remeasurements					
Return on plan assets, excluding amounts included in interest income	—	(28)	(28)	—	(28)
Loss from change in demographic assumptions	2	—	2	—	2
Loss from change in financial assumptions	34	—	34	—	34
Experience loss	4	—	4	—	4
Change in asset ceiling, excluding amounts included in interest expense	—	—	—	5	5
Discontinued operations	2	—	2	—	2
Impact of remeasurements on consolidated other comprehensive income (loss)	42	(28)	14	5	19
Discontinued operations	3	(1)	2	—	2
Contributions					
Employers	—	(6)	(6)	—	(6)
Plan participants	1	(1)	—	—	—
Benefit payments	(28)	28	—	—	—
As at December 31, 2020	551	(495)	56	13	69
Current service cost	**4**	**—**	**4**	**—**	**4**
Interest expense (income)	**13**	**(11)**	**2**	**—**	**2**
Impact on consolidated profit or loss	**17**	**(11)**	**6**	**—**	**6**
Remeasurements					
Return on plan assets, excluding amounts included in interest income	**—**	**1**	**1**	**—**	**1**
Gain from change in financial assumptions	**(29)**	**—**	**(29)**	**—**	**(29)**
Change in asset ceiling, excluding amounts included in interest expense	**—**	**—**	**—**	**4**	**4**
Impact of remeasurements on consolidated other comprehensive income (loss)	**(29)**	**1**	**(28)**	**4**	**(24)**
Discontinued operations	**(35)**	**(1)**	**(36)**	**—**	**(36)**
Contributions					
Employers	**—**	**(5)**	**(5)**	**—**	**(5)**
Plan participants	**1**	**(1)**	**—**	**—**	**—**
Benefit payments	**(30)**	**30**	**—**	**—**	**—**
As at December 31, 2021	**475**	**(482)**	**(7)**	**17**	**10**

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

			2021
(in millions of Canadian dollars)	CANADA	UNITED STATES	TOTAL
Present value of funded obligations	**432**	**10**	**442**
Fair value of plan assets	**475**	**7**	**482**
Deficit (surplus) of funded plans	**(43)**	**3**	**(40)**
Impact of minimum funding requirement (asset ceiling)	**17**	**—**	**17**
Present value of unfunded obligations	**33**	**—**	**33**
Liabilities on consolidated balance sheet	**7**	**3**	**10**

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

The significant actuarial assumptions are as follows:

		2021			2020
	CANADA	UNITED STATES	CANADA	UNITED STATES	EUROPE
Discount rate obligation (ending period)	**3.00%**	**2.40%**	2.50%	2.00%	0.50%
Discount rate obligation (beginning period)	**2.50%**	**2.00%**	3.10%	2.90%	0.90%
Discount rate (current service cost)	**3.30%**	**2.40%**	2.70%	2.00%	0.50%
Salary growth rate	**Between 2.00% and 2.50%**	**N/A**	Between 2.00% and 2.50%	N/A	N/A
Inflation rate	**2.00%**	**N/A**	2.00%	N/A	1.50%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. For Canadian pension plans, which represent 98% of all pension plans, these assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2021	2020
Retiring at the end of the reporting period		
Male	**22.0**	21.9
Female	**24.3**	24.3
Retiring 20 years after the end of the reporting period		
Male	**23.0**	22.9
Female	**25.3**	25.2

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

		IMPACT ON DEFINED BENEFIT OBLIGATION	
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	**0.25%**	**(2.80%)**	**3.00%**
Salary growth rate	**0.25%**	**0.30%**	**(0.30%)**

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

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

					2021
(in millions of Canadian dollars)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	%
Cash and short-term investments	**5**	**—**	**—**	**5**	**1.1%**
Bonds					
Canadian bonds	**72**	**52**	**—**	**124**	
Foreign bonds		**1**		**1**	
	72	**53**	**—**	**125**	**25.9%**
Shares					
Canadian shares	**16**	**—**	**—**	**16**	
Foreign shares	**3**	**—**	**—**	**3**	
	19	**—**	**—**	**19**	**3.9%**
Mutual funds					
Foreign bond mutual funds	**—**	**6**	**—**	**6**	
Canadian equity mutual funds	**4**	**1**	**—**	**5**	
Foreign equity mutual funds	**—**	**50**	**—**	**50**	
Alternative investments funds	**—**	**29**	**—**	**29**	
	4	**86**	**—**	**90**	**18.7%**
Other					
Insured annuities	**—**	**243**	**—**	**243**	
	—	**243**	**—**	**243**	**50.4%**
	100	**382**	**—**	**482**	

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

The plan assets do not include any shares of the Corporation. The Corporation has purchased annuity contracts of an approximate value of $243 million to fulfill future benefits payments.

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

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

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

			2021
(in millions of Canadian dollars)	CANADA	UNITED STATES	TOTAL
Present value of unfunded obligations	**75**	**4**	**79**
Liabilities on consolidated balance sheet	**75**	**4**	**79**

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

The movement in the net defined benefit obligation for post-employment benefits over the year is as follows:

(in millions of Canadian dollars)	PRESENT VALUE OF OBLIGATION	FAIR VALUE OF PLAN ASSET	TOTAL
As at January 1, 2020	103	—	103
Current service cost	1	—	1
Interest expense	2	—	2
Post-employment variation	1	—	1
Impact on consolidated profit or loss	4	—	4
Remeasurements			
Loss from change in financial assumptions	3	—	3
Experience gain	(1)	—	(1)
Discontinued operations	1	—	1
Impact of remeasurements on consolidated other comprehensive income (loss)	3	—	3
Benefit payments	(5)	—	(5)
As at December 31, 2020	105	—	105
Current service cost	**2**	**—**	**2**
Past service cost	**2**	**—**	**2**
Interest expense	**2**	**—**	**2**
Impact on consolidated profit or loss	**6**	**—**	**6**
Remeasurements			
Gain from change in demographic assumptions	**(1)**	**—**	**(1)**
Gain from change in financial assumptions	**(3)**	**—**	**(3)**
Experience gain	**(1)**	**—**	**(1)**
Impact of remeasurements on consolidated other comprehensive income (loss)	**(5)**	**—**	**(5)**
Discontinued operations	**(23)**	**—**	**(23)**
Benefit payments	**(4)**	**—**	**(4)**
As at December 31, 2021	**79**	**—**	**79**

The method of accounting, assumptions relating to discount rate and life expectancy, and the frequency of valuations for post-employment benefits are similar to those used for defined benefit pension plans, with the addition of actuarial assumptions relating to the long-term increase in health care costs of 4.81% a year on average (2020 - 4.81%).

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

		IMPACT ON OBLIGATION FOR POST-EMPLOYMENT BENEFITS	
	CHANGE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION
Discount rate	**0.25%**	**(2.40%)**	**2.30%**
Salary growth rate	**0.25%**	**0.50%**	**(0.50%)**
Health care cost increase	**1.00%**	**1.60%**	**(1.40%)**

	INCREASE / DECREASE BY ONE YEAR IN ASSUMPTION
Life expectancy	**1.40%**

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

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

Asset volatility

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

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

As at December 31, 2021, 67% of the plan's invested assets are in fixed income. As at December 31, 2021, the total value of insured annuities is $243 million.

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

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans’ bond holdings.

Inflation risk

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

Life expectancy

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

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

As at December 31, 2021, the aggregate net surplus of the Corporation’s funded pension plans (mostly in Canada) amounted to $40 million (a surplus of $16 million as at December 31, 2020). Current agreed expected service contributions amount to $3 million and will be made in the normal course of business. As for the cash flow requirement, these pension plans are expected to require a net contribution of approximately $2 million in 2022, since $1 million of employer service contribution will be paid from plan surplus.

The weighted average duration of the defined benefit obligation is 12 years (2020 - 12 years).

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

(in millions of Canadian dollars)	ONE YEAR	TWO YEARS	BETWEEN THREE AND FIVE YEARS	BETWEEN SIX AND TEN YEARS	TOTAL
Pension benefits	31	31	92	635	789
Post-employment benefits other than defined benefit pension plans	5	6	15	78	104
As at December 31, 2021	**36**	**37**	**107**	**713**	**893**

These amounts represent all the benefits payable to current members during the following years and thereafter without limitations. The majority of benefit payments are payable from trustee administered funds. The difference will come from future investment returns expected on plan assets and future contributions that will be made by the Corporation for services rendered after December 31, 2021.

NOTE 19
INCOME TAXES

a. The provision for income taxes is as follows:

(in millions of Canadian dollars)	**2021**	2020
Current taxes	9	6
Deferred taxes	—	20
	9	26

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

(in millions of Canadian dollars)	**2021**	2020
Provision for (recovery of) income taxes based on the combined basic Canadian and provincial income tax rate	(10)	55
Adjustment for income taxes arising from the following:		
Difference in statutory income tax rate of foreign operations	—	(3)
Prior years reassessment	4	(5)
Reversal of deferred income tax assets related to prior year losses	18	—
Change in future income taxes resulting from enacted tax rate change	—	(1)
Permanent differences	(2)	(12)
Change in deferred income tax assets relating to capital tax losses	—	(8)
Other	(1)	—
	19	(29)
Provision for income taxes	9	26

Weighted average income tax rate for the year ended December 31, 2021 was 26.03% (2020 - 24.63%).

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

(in millions of Canadian dollars)	**2021**	2020
Foreign currency translation related to hedging activities	1	2
Foreign currency translation related to hedging activities from discontinued operations	1	—
Cash flow hedge	1	—
Actuarial gain (loss) on post-employment benefit obligations	7	(5)
Actuarial loss on post-employment benefit obligations from discontinued operations	—	(1)
Provision for (recovery of) income taxes	10	(4)

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

(in millions of Canadian dollars)	**2021**	2020
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than twelve months	**299**	331
Jurisdiction legal entities reclassification	**(161)**	(161)
	138	170
Deferred income tax liabilities:		
Deferred income tax liabilities to be used after more than twelve months	**353**	371
Jurisdiction legal entities reclassification	**(161)**	(161)
	192	210
	(54)	(40)

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

(in millions of Canadian dollars)	NOTE	**2021**	2020
Balance at beginning of year		**(40)**	(45)
Through consolidated statement of earnings		**—**	(20)
Variance of income tax credit, net of related income tax		**11**	15
Through consolidated statement of comprehensive income (loss)		**(10)**	4
Through business disposal and discontinued operations	5	**(16)**	2
Others		**—**	2
Exchange differences		**1**	2
Balance at end of year		**(54)**	(40)

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

DEFERRED INCOME TAX ASSET

(in millions of Canadian dollars)	NOTE	RECOGNIZED TAX BENEFIT ARISING FROM INCOME TAX LOSSES	EMPLOYEE FUTURE BENEFITS	EXPENSE ON RESEARCH	UNUSED TAX CREDITS	FINANCIAL INSTRUMENT S AND OTHER LIABILITIES	LONG-TERM DEBT	LONG TERM DEBT FINANCE LEASES	OTHERS	TOTAL
As at January 1, 2020		132	27	10	52	8	—	38	45	312
Through consolidated statement of earnings		6	3	—	(2)	(8)	—	—	(4)	(5)
Variance of income tax credit		—	—	—	15	—	—	—	—	15
Through consolidated statement of comprehensive income		—	6	—	—	—	—	—	—	6
Others		—	—	—	—	—	—	—	1	1
Exchange differences		2	—	—	—	—	—		—	2
As at December 31, 2020		140	36	10	65	—	—	38	42	331
Through consolidated statement of earnings		**12**	**(4)**	**(4)**	**(4)**	**—**	**3**	**2**	**(8)**	**(3)**
Variance of income tax credit		**—**	**—**	**—**	**11**	**—**	**—**	**—**	**—**	**11**
Through consolidated statement of comprehensive income		**—**	**(7)**	**—**	**—**	**—**	**—**	**—**	**—**	**(7)**
Through business disposal and discontinued operations	5	**(25)**	**(2)**	**—**	**(1)**	**—**	**—**	**—**	**(5)**	**(33)**
As at December 31, 2021		**127**	**23**	**6**	**71**	**—**	**3**	**40**	**29**	**299**

DEFERRED INCOME TAX LIABILITIES

(in millions of Canadian dollars)	NOTE	PROPERTY, PLANT AND EQUIPMENT	LONG-TERM DEBT	INTANGIBLE ASSETS	FINANCIAL INSTRUMENTS AND OTHER LIABILITIES	INVESTMENTS	OTHERS	TOTAL
As at January 1, 2020		287	2	49	—	17	2	357
Through consolidated statement of earnings		25	4	(14)	—	(1)	1	15
Through consolidated statement of comprehensive income		—	2	—	—	—	—	2
Through business disposal and discontinued operation	5	—	—	—	—	—	(2)	(2)
Others		—		—	—	—	(1)	(1)
As at December 31, 2020		312	8	35	—	16	—	371
Through consolidated statement of earnings		**19**	**(8)**	**(12)**	**(1)**	**(2)**	**1**	**(3)**
Through consolidated statement of comprehensive income		**—**	**—**	**—**	**3**	**—**	**—**	**3**
Through business disposal and discontinued operation	5	**(17)**	**—**	**—**	**—**	**—**	**—**	**(17)**
Exchange differences		**(2)**	**—**	**—**	**1**	**—**	**—**	**(1)**
As at December 31, 2021		**312**	**—**	**23**	**3**	**14**	**1**	**353**

g. The Corporation has recognized accumulated losses for income tax purposes amounting to approximately $511 million, which may be carried forward to reduce taxable income in future years. The future tax benefit of $127 million resulting from the deferral of these losses has been recognized in the accounts as a deferred income tax asset. Deferred income tax assets are recognized for tax loss carry forward to the extent that the realization of the related tax benefits through future taxable profits is probable.

NOTE 20
CAPITAL STOCK

A. CAPITAL MANAGEMENT

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

(in millions of Canadian dollars)	**2021**	2020
Cash and cash equivalents	**(174)**	**(384)**
Bank loans and advances	**1**	**12**
Long-term debt, including current portion	**1,524**	**2,051**
Net debt	**1,351**	**1,679**
Total equity	**1,927**	**1,957**
Total capital	**3,278**	**3,636**

The Corporation's objectives when managing capital are:

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

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

The Corporation monitors capital on a monthly and quarterly basis based on different financial ratios and non-financial performance indicators. Also, the Corporation must conform to certain financial ratios under its various credit agreements. These ratios are calculated on an adjusted consolidated basis of restricted subsidiaries only. These are a maximum ratio of funded debt to capitalization of 65% and a minimum interest coverage ratio of 2.25x. The Corporation must also comply with a consolidated interest coverage ratio to incur additional debt. Funded debt is defined as liabilities as per the consolidated balance sheet, including guarantees and liens granted in respect of funded debt of another person but excluding other long-term liabilities, trade accounts payable, obligations under operating leases and other accrued obligations (2021 - $1,362 million; 2020 - $1,773 million). The capitalization ratio is calculated as “Shareholders' equity” as shown in the consolidated balance sheet plus the funded debt. Shareholders' equity is adjusted to add back the effect of IFRS adjustments as at December 31, 2010 in the amount of $208 million. The interest coverage ratio is defined as operating income before depreciation and amortization (OIBD) to financing expense. The OIBD is defined as net earnings of the last four quarters plus financing expense, income taxes, amortization and depreciation, expense for stock options and dividends received from a person who is not a credit party (2021 - $360 million; 2020 - $507 million). Excluded from net earnings are the share of results of equity investments and gains or losses from non-recurring items. Financing expense is calculated as interest and financial charges determined in accordance with IFRS plus any capitalized interest, but excluding the amortization of deferred financing costs, up-front and financing costs and unrealized gains or losses arising from hedging agreements. It also excludes any gains or losses on the translation of long-term debt denominated in a foreign currency. The consolidated interest coverage ratio to incur additional debt is calculated as defined in the Senior notes indentures dated November 26, 2019.

As at December 31, 2021, the funded debt-to-capitalization ratio stood at 39.41% and the interest coverage ratio was 4.47x. The Corporation is in compliance with the ratio requirements of its lenders.

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

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

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

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

B. ISSUED AND OUTSTANDING

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

		2021		2020	
	NOTE	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS	NUMBER OF COMMON SHARES	IN MILLIONS OF CANADIAN DOLLARS
Balance at beginning of year		**102,276,230**	**622**	94,245,295	491
Common shares issued on public offering	20 D	**—**	**—**	7,441,000	125
Common shares issued on exercise of stock options	20 D	**235,732**	**2**	1,225,489	10
Redemption of common shares	20 C	**(1,651,600)**	**(10)**	(635,554)	(4)
Balance at end of year		**100,860,362**	**614**	102,276,230	622

C. REDEMPTION OF COMMON SHARES

In 2021, in the normal course of business, the Corporation renewed its redemption program of a maximum of 2,045,621 common shares with the Toronto Stock Exchange, said shares representing approximately 2% of issued and outstanding common shares. The redemption authorization is valid from March 19, 2021 to March 18, 2022. In 2021, the Corporation redeemed 1,651,600 common shares under this program for an amount of $26 million (2020 - $8 million for 635,554 common shares).

D. COMMON SHARE ISSUANCE

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

The Corporation issued 235,732 common shares upon the exercise of options for an amount of $2 million (2020 - $7 million for 1,225,489 common shares issued).

E. NET EARNINGS (LOSS) PER COMMON SHARE

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

	2021	2020
Net earnings (loss) from continuing operations available to Shareholders (in millions of Canadian dollars)	**(59)**	169
Net earnings available to Shareholders (in millions of Canadian dollars)	**162**	198
Weighted average number of basic common shares outstanding (in millions)	**102**	96
Weighted average number of diluted common shares outstanding (in millions)	**103**	97
Basic net earnings (loss) from continuing operations per common share (in Canadian dollars)	**($0.59)**	$1.74
Diluted net earnings (loss) from continuing operations per common share (in Canadian dollars)	**($0.59)**	$1.72
Basic net earnings per common share (in Canadian dollars)	**$1.60**	$2.04
Diluted net earnings per common share (in Canadian dollars)	**$1.59**	$2.02

As at December 31, 2021, 382,999 stocks options have an antidilutive effect (2020 - none). As of February 23, 2022, no common share had been redeemed by the Corporation since the beginning of the 2022 financial year.

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

	2021	2020
Dividends declared per common share (in Canadian dollars)	**$0.48**	$0.32

NOTE 21
STOCK-BASED COMPENSATION

A. OPTIONS

Under the terms of a share option plan adopted on December 15, 1998, amended on March 15, 2013, and approved by Shareholders on May 8, 2013, a remaining balance of 1,382,666 common shares is specifically reserved for issuance to officers and key employees of the Corporation. Each option will expire at a date not to exceed 10 years following the grant date of the option. The exercise price of an option shall not be lower than the market value of the share at the date of grant, determined as the average of the closing price of the share on the Toronto Stock Exchange on the five trading days preceding the date of grant. The terms for exercising the options are 25% of the number of shares under option within twelve months after the first anniversary date of grant, and up to an additional 25% every twelve months after the second, third and fourth anniversaries of grant date. Options cannot be exercised if the market value of the share at exercise date is lower than the book value at the date of grant. Options exercised are settled in shares. The stock-based compensation cost related to these options amounted to $1 million in 2021 (2020 - $1 million).

Changes in the number of options outstanding as at December 31, 2021 and 2020 are as follows:

	2021		2020	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)
Balance at beginning of year	**2,433,090**	**8.42**	3,476,296	7.24
Granted	**189,752**	**14.67**	184,193	13.95
Exercised	**(235,732)**	**6.50**	(1,225,489)	5.89
Forfeited	**(13,694)**	**10.76**	(1,910)	12.39
Balance at end of year	**2,373,416**	**9.10**	2,433,090	8.42
Options exercisable - at end of year	**1,920,056**	**8.01**	1,981,675	7.36

The weighted average share price at the time of exercise of the options was $14.81 (2020 - $13.20).

The following options were outstanding as at December 31, 2021:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE		
YEAR GRANTED	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE ($)	EXPIRATION DATE
2012	**354,686**	**4.46**	**354,686**	**4.46**	**2022**
2013	**304,203**	**5.18**	**304,203**	**5.18**	**2022 - 2023**
2014	**297,030**	**6.10**	**297,030**	**6.10**	**2022 - 2024**
2015	**271,986**	**7.66**	**271,986**	**7.66**	**2022 - 2025**
2016	**244,654**	**9.75**	**244,654**	**9.75**	**2022 - 2026**
2017	**194,810**	**14.28**	**194,810**	**14.28**	**2022 - 2027**
2018	**149,981**	**12.39**	**112,475**	**12.39**	**2022 - 2028**
2019	**188,702**	**11.97**	**95,228**	**11.97**	**2022 - 2029**
2020	**179,175**	**13.95**	**44,984**	**13.95**	**2023 - 2030**
2021	**188,189**	**14.67**	**—**	**14.67**	**2031**
	2,373,416		**1,920,056**		

FAIR VALUE OF THE SHARE OPTIONS GRANTED

Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical share price volatility over the past six years. The following weighted average assumptions were used to estimate the fair value of $4.09 (2020 - $4.01) as at the date of grant of each option issued to employees:

	2021	2020
Grant date share price	**$14.94**	$14.13
Exercise price	**$14.67**	$13.95
Risk-free interest rate	**1.07%**	0.50%
Expected dividend yield	**3.21%**	2.26%
Expected life of options	**6 years**	6 years
Expected volatility	**39%**	37%

B. SHARE PURCHASE PLAN

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

The shares are purchased on the market on a predetermined date each month. For the year ended December 31, 2021, the Corporation's contribution to the plan amounted to $2 million (2020 - $1 million).

C. PERFORMANCE SHARE UNIT PLAN

The Corporation has a Performance Share Unit (PSU) Plan for the benefit of officers and key employees, allowing them to receive a portion of their annual compensation in the form of PSUs. A PSU is a notional unit equivalent in value to the Corporation's common share. Periodically, the number of PSUs forming part of the award shall be adjusted depending upon the three-year average return on capital employed of the Corporation (ROCE). Such adjusted number shall be obtained by multiplying the number of PSUs forming part of the award by the applicable multiplier based on the ROCE level. Participants are entitled to receive the payment of their PSUs in the form of cash based on the average price of the Corporation's common shares as traded on the open market during the five days before the vesting date.

The PSUs vest over a period of two years starting on the award date. The expense and the related liability are recorded during the vesting period. The liability is adjusted periodically to reflect any variation in the market value of the common shares, the expected average ROCE and the passage of time. As at December 31, 2021, the Corporation had a total of 611,847 PSUs outstanding (2020 - 626,324 PSUs), for a fair value of $2 million (2020 - $3 million). In 2021, the Corporation made payment of $2 million in relation to PSUs (2020 - less than a million dollars).

D. DEFERRED SHARE UNIT PLAN

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

The DSU expense and the related liability are recorded at the grant date. The liability is adjusted periodically to reflect any variation in the market value of the common shares. As at December 31, 2021, the Corporation had a total of 759,927 DSUs outstanding (2020 - 684,454 DSUs), representing a liability of $13 million (2020 - $12 million). In 2021, the Corporation made payment of $2 million in relation to DSUs (2020 - $2 million). On January 15, 2022, the Corporation issued 79,040 DSUs.

NOTE 22
ACCUMULATED OTHER COMPREHENSIVE LOSS

(in millions of Canadian dollars)	TRANSLATION ADJUSTMENTS	NET CHANGES IN CASH FLOW HEDGES	TOTAL
Year ended December 31, 2020			
Opening net book amount	(15)	(2)	(17)
Other comprehensive income (loss)	(12)	2	(10)
Other comprehensive income (loss) from discontinued operations	(1)	—	(1)
Closing net book amount	(28)	—	(28)
Year ended December 31, 2021			
Opening net book amount	**(28)**	**—**	**(28)**
Other comprehensive income	**3**	**1**	**4**
Other comprehensive income from discontinued operations	**1**	**—**	**1**
Closing net book amount	**(24)**	**1**	**(23)**

NOTE 23
COST OF SALES BY NATURE

(in millions of Canadian dollars)	**2021**	2020
Raw materials	**1,338**	1,333
Wages and employee benefits expenses	**696**	710
Energy	**191**	182
Delivery	**462**	454
Depreciation and amortization	**252**	251
Other	**526**	514
	3,465	3,444

SELLING AND ADMINISTRATIVE EXPENSES BY NATURE

(in millions of Canadian dollars)	**2021**	2020
Wages and employee benefits expenses	**285**	293
Information technology	**51**	48
Publicity and marketing	**16**	15
Other	**4**	11
	356	367

NOTE 24
EMPLOYEE BENEFITS EXPENSES

(in millions of Canadian dollars)	NOTE	2021	2020
Wages and employee benefits expenses	23	981	1,003
Share options granted to directors and employees	21 A	1	1
Pension costs - defined benefit plans	18	6	7
Pension costs - defined contribution plans	18	35	33
Post-employment benefits other than defined benefit pension plans	18	6	4
		1,029	1,048

In 2021, the Corporation received $1 million (2020 - $3 million) from the “Canada Emergency Wage Subsidy” grant program, that was accounted for in “Wages and employee benefits expenses”.

KEY MANAGEMENT COMPENSATION

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

(in millions of Canadian dollars)	2021	2020
Salaries and other short-term benefits	14	14
Post-employment benefits	2	2
Share-based payments	3	7
	19	23

NOTE 25
GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

	2021					
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Gain on disposal of assets	—	—	—	(40)	—	(40)

	2020					
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Gain on disposal of an equity investment	—	(3)	(3)	—	—	(3)
Gain on disposal of assets	(45)	—	(45)	(2)	—	(47)
Environmental provisions	—	5	5	2	—	7
	(45)	2	(43)	—	—	(43)

2021
The Tissue Papers segment recorded a $40 million gain from the sale of buildings related to closed plants in the USA and in Canada.

2020
The Containerboard Packaging segment recorded a $40 million gain from the sale of a building and the land of Etobicoke, Ontario, Canada, Containerboard Packaging facility.

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

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

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

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

NOTE 26
IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

A. IMPAIRMENT CHARGES

The Corporation recorded impairment charges totaling $89 million in 2021 and $30 million in 2020. Impairments are detailed as follows:

						2021
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Spare parts	**—**	**—**	**—**	**1**	**—**	**1**
Property, plant and equipment	**1**	**—**	**1**	**16**	**—**	**17**
Customer relationships and client list	**—**	**—**	**—**	**35**	**—**	**35**
Goodwill and other intangible assets with indefinite useful life	**—**	**—**	**—**	**36**	**—**	**36**
	1	**—**	**1**	**88**	**—**	**89**

						2020
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Spare parts	—	—	—	12	—	12
Property, plant and equipment	6	—	6	11	1	18
	6	—	6	23	1	30

The recoverable amount was determined using a fair value less cost of disposal model using level 2 inputs.

2021
The Containerboard Packaging segment recorded an impairment charge of $1 million on an asset that became idle following the introduction of a new technology. The recoverable amount was lower than its carrying amount which was based on its fair value less cost of disposal determined using the market approach of comparable assets on the market.

The Tissue Papers segment recorded an impairment charge of $1 million on spare parts related to closed plants.

The COVID-19 pandemic has led to lower than usual volumes in the Tissue Papers segment. Specifically, volume impacts in the Away-from-Home market began in the second quarter of 2020, while lower volumes in the Consumer Products market started in the second quarter of 2021 following higher than usual demand in the prior year. The current market dynamic led the Corporation to record an impairment charge of $35 million on customer relationships and client lists and of $36 million on the goodwill of this segment, reflecting uncertainty of the recoverable amount of the segment compared to its carrying value. The recoverable amount for the customer relationship and client lists was determined using a market approach. The most significant assumption used was the OIBD multiple of 7x. The recoverable amount of goodwill was determined using an income approach. The most significant assumptions used were the discount rate, shipment levels, foreign exchange rates, revenue growth rate, OIBD margins and capital expenditures.

The Tissue Papers segment also recorded an impairment charge of $16 million on property, plant and equipment of one of its United States CGUs due to sustained difficult market conditions and assets underperformance. The recoverable amount of these assets was determined using the market approach of comparable assets on the market.

2020

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

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

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

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

B. GOODWILL AND OTHER INDEFINITE USEFUL LIFE INTANGIBLE ASSETS IMPAIRMENT TEST

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

- Containerboard Packaging segment goodwill of $470 million is allocated to the Containerboard segment;
- Specialty Products segment goodwill is allocated to the partitioning activities sub-segment for $3 million.

Annually, the Corporation must test all of its goodwill for impairment. However, reliance can be put on the quantitative calculation previously done if following criteria are met:

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

All three conditions were met for the Containerboard Packaging segment.

C. RESTRUCTURING COSTS

Restructuring costs are detailed as follows:

						2021
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Restructuring costs	**4**	**—**	**4**	**17**	**—**	**21**

						2020
	PACKAGING PRODUCTS					
(in millions of Canadian dollars)	CONTAINER-BOARD	SPECIALTY PRODUCTS	SUB-TOTAL	TISSUE PAPERS	CORPORATE ACTIVITIES	TOTAL
Restructuring costs	4	—	4	7	2	13

2021

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

The Containerboard Packaging segment also recorded closure costs totaling $1 million related to the closure of plants in Ontario, Canada.

The Tissue Papers segment recorded additional restructuring charges and closure costs totaling $17 million related to closed plants.

2020

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

The Containerboard Packaging segment also recorded restructuring charges totaling $3 million following the announcement of the closure of its Etobicoke, Ontario, Canada, converting facility, which was permanently closed in mid-September 2021.

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

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

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

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

NOTE 27
ADDITIONAL INFORMATION

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

(in millions of Canadian dollars)	2021	2020
Accounts receivable	17	(64)
Current income tax assets	4	10
Inventories	(91)	19
Trade and other payables	46	69
Current income tax liabilities	(12)	(15)
	(36)	19

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

(in millions of Canadian dollars)	NOTE	2021	2020
Interest on long-term debt (including lease obligations interests)	14(b)	79	93
Interest income		(1)	(1)
Amortization of financing costs		3	4
Other interest and banking fees		3	5
Interest expense on employee future benefits		4	4
Interest expense (revenue) other liabilities		1	(11)
		89	94

Interest expense (revenue) on employee benefits and other liabilities
In 2021, the Corporation recorded an unrealized loss of $1 million, compared to an unrealized loss of $2 million in 2020, pertaining to a call option granted to the Corporation by one of the minority shareholders of Falcon Packaging LLC.

In 2020, the Corporation recorded an unrealized gain of $13 million on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project, that was not exercised.

C. TOTAL NET DEBT FROM FINANCING ACTIVITIES

(in millions of Canadian dollars)	NOTE	CASH AND CASH EQUIVALENT	BANK LOANS AND ADVANCES	LONG-TERM DEBT	NET DEBT
As at January 1, 2020		(155)	11	2,107	1,963
Cash flow					
Change in cash and cash equivalents		(192)	—	—	(192)
Bank loans and advances		—	1	—	1
Change in credit facilities		—	—	(131)	(131)
Issuance of unsecured senior notes, net of financing costs	13	—	—	409	409
Repurchase of unsecured senior notes	13	—	—	(264)	(264)
Increase in other long-term debt		—	—	31	31
Payments of other long-term debt, including lease obligations		—	—	(117)	(117)
Discontinued operations	5	(41)	—	(37)	(78)
Non-cash changes					
Discontinued operations	5	—	—	18	18
Foreign exchange translation on long-term debt and financial instruments		—	—	(17)	(17)
Right-of-use assets acquisitions and of property, plant and equipment included in other debts		—	—	55	55
Right-of-use assets disposals		—	—	(3)	(3)
Amortization of financing costs in long-term debt		—	—	3	3
Write off of unamortized financing costs following repurchase of unsecured senior notes		—	—	2	2
Other		—	—	7	7
Exchange differences		4	—	(12)	(8)
As at December 31, 2020		(384)	12	2,051	1,679
Cash flow					
Change in cash and cash equivalents		**565**	**—**	**—**	**565**
Bank loans and advances		**—**	**(11)**	**—**	**(11)**
Change in credit facilities		**—**	**—**	**5**	**5**
Repurchase of unsecured senior notes	13	**—**	**—**	**(372)**	**(372)**
Increase in other long-term debt		**—**	**—**	**5**	**5**
Payments of other long-term debt, including lease obligations		**—**	**—**	**(75)**	**(75)**
Business disposal included in discontinued operations	5	**(454)**	**—**	**—**	**(454)**
Non-cash changes					
Business disposal included in discontinued operations	5	**98**	**—**	**(111)**	**(13)**
Foreign exchange translation on long-term debt and financial instruments		**—**	**—**	**(10)**	**(10)**
Right-of-use assets acquisitions and of property, plant and equipment included in other debts		**—**	**—**	**45**	**45**
Right-of-use assets disposals		**—**	**—**	**(4)**	**(4)**
Amortization of financing costs in long-term debt		**—**	**—**	**2**	**2**
Write off of unamortized financing costs following repurchase of unsecured senior notes		**—**	**—**	**(4)**	**(4)**
Other		**—**	**—**	**(2)**	**(2)**
Exchange differences		**1**	**—**	**(6)**	**(5)**
As at December 31, 2021		**(174)**	**1**	**1,524**	**1,351**

NOTE 28
COMMITMENTS

CAPITAL EXPENDITURES, INTANGIBLE ASSETS AND SERVICE AGREEMENTS

Capital expenditures, intangible assets and service agreements contracted at the end of the reporting period but not yet incurred are presented in the following table:

	2021			2020		
(in millions of Canadian dollars)	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	SERVICE AGREEMENTS AND EXEMPTED LEASES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS	SERVICE AGREEMENTS AND EXEMPTED LEASES
No later than one year	**104**	**8**	**29**	50	8	17
Later than one year but no later than five years	**—**	**—**	**9**	2	1	10
More than five years	**—**	**—**	**1**	—	—	1
	104	**8**	**39**	52	9	28

NOTE 29
RELATED PARTY TRANSACTIONS

The Corporation entered into the following transactions with related parties:

(in millions of Canadian dollars)	JOINT VENTURES	ASSOCIATES
For the year ended December 31, 2021		
Sales to related parties	**263**	**61**
Purchases from related parties	**40**	**36**
For the year ended December 31, 2020		
Sales to related parties	191	55
Purchases from related parties	34	50

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

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

(in millions of Canadian dollars)	**December 31, 2021**	December 31, 2020
Receivables from related parties		
Joint ventures	**14**	10
Associates	**8**	23
Payables to related parties		
Joint ventures	**5**	5
Associates	**1**	3

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

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

Sylvie Lemaire
Director of Companies
Otterburn Park, Québec Canada
Director since 1999
Non-independent

Élise Pelletier
Director of Companies
Sutton, Québec Canada
Director since 2012
Independent

Sylvie Vachon
Director of Companies
Longueuil, Québec Canada
Director since 2013
Independent

Board of Directors

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

The composition of the Board of Directors must be carefully determined since its responsibilities include ensuring good corporate governance, among other things. Cascades draws on the expertise of a highly experienced team of directors and recognizes the importance of independent directors. As of December 31, 2021, eight of the twelve Board members were independent. They meet without the presence of management following each scheduled Board meeting, and meet for a special meeting of the Independent Directors once a year. New Board members are also offered an orientation and training program, to familiarize themselves with Cascades' activities as well as the issues and challenges it faces.

Michelle Cormier
Operating Partner, Wynnchurch
Capital Canada
Montréal, Québec Canada
Director since 2016
Independent

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

Patrick Lemaire
Director of Companies
Kingsey Falls, Québec Canada
Director since 2016
Non-independent

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

Nelson Gentiletti
Director of Companies
Kirkland, Québec Canada
Director since 2019
Independent

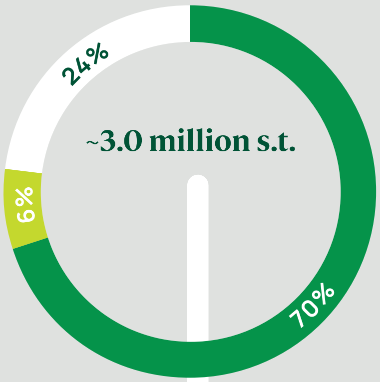
Hubert T. Lacroix
Strategic Counsel, Blake,
Cassels & Graydon LLP
Westmount, Québec Canada
Director since 2019
Independent

Elif Lévesque
Chief Financial Officer, Nomad
Royalty Company Ltd
Montréal, Québec Canada
Director since 2019
Independent

Mélanie Dunn
President and CEO, Cossette
Montréal, Québec Canada
Director since 2019
Independent

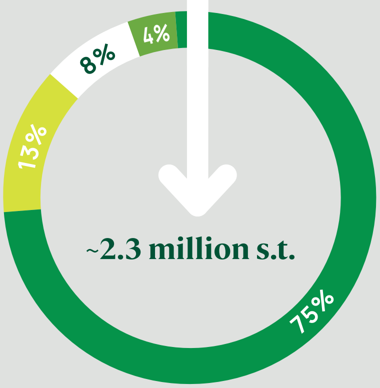
Raw Materials

Fibre Consumed, Purchased and Brokered by Cascades[1]



- Recycled fibre used by Cascades
- Pulp used by Cascades
- Fibre sold externally

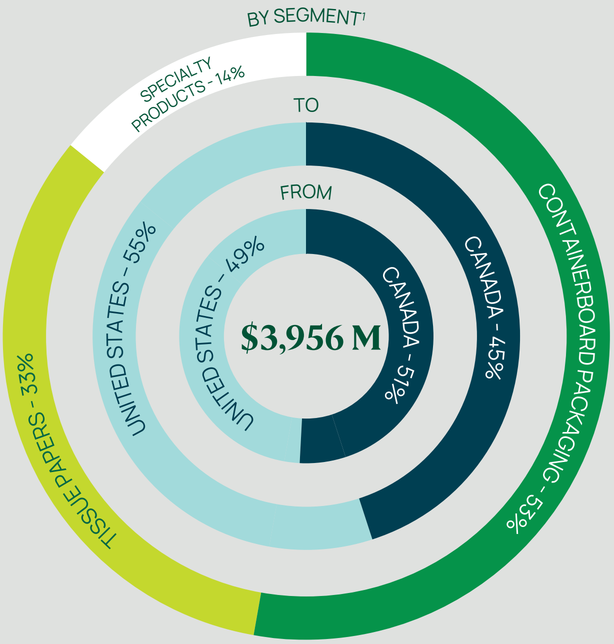
Fibre Consumed by Cascades



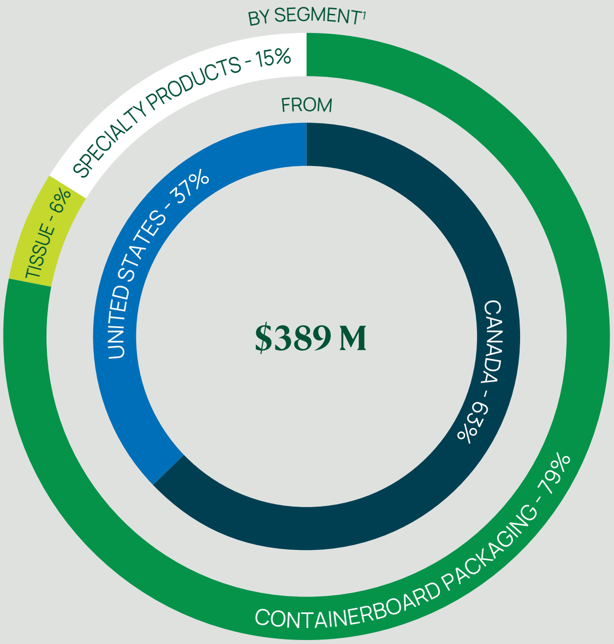
- Brown recycled fibre
- White recycled fibre
- Pulp
- Groundwood recycled fibre

1 Including associates and joint ventures.

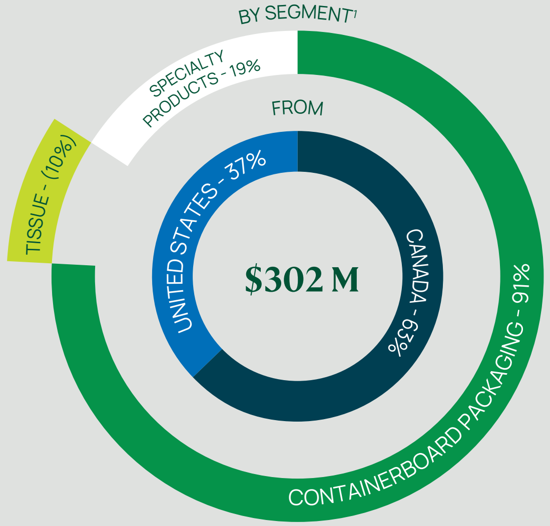
Overview of our Results



SALES



ADJUSTED OIBD[2]



OIBD

1 Before inter-segment and excluding corporate activities.
2 Please refer to the "Supplemental Information on Non-IFRS Measures and Other Financial Measures" section for a complete reconciliation.

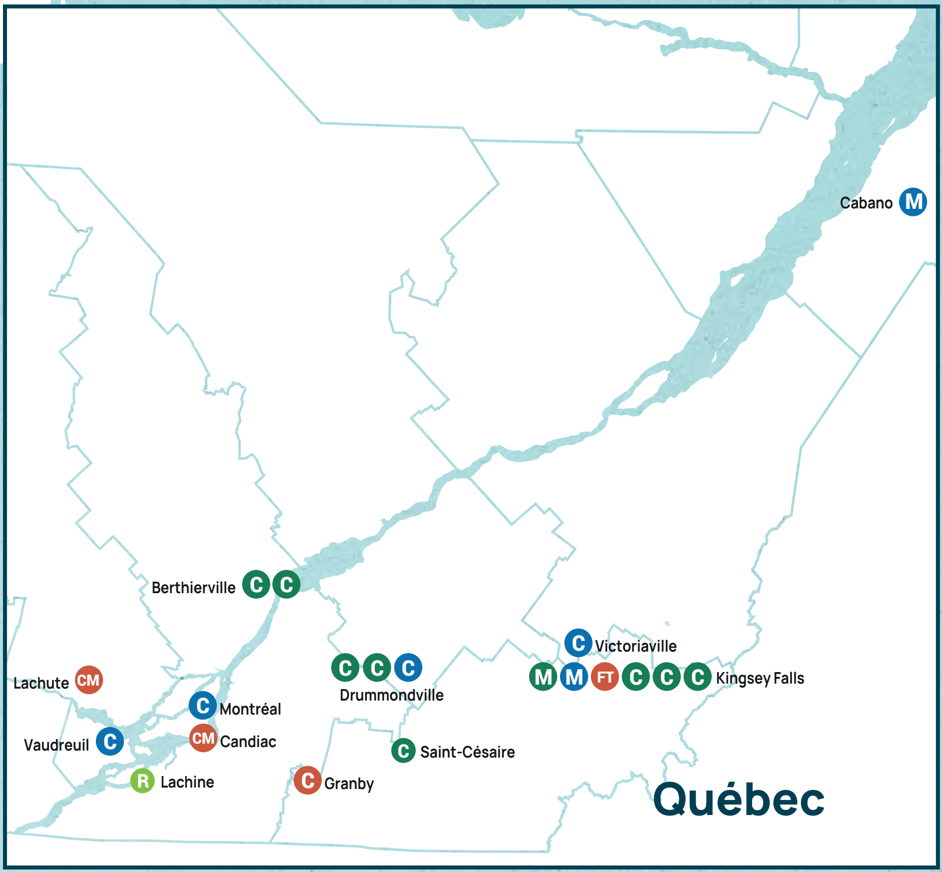
Our Facilities[1]

Legend

- Head Office
- Containerboard Packaging
- Specialty Products
- Tissue Papers
- Recovery and Recycling

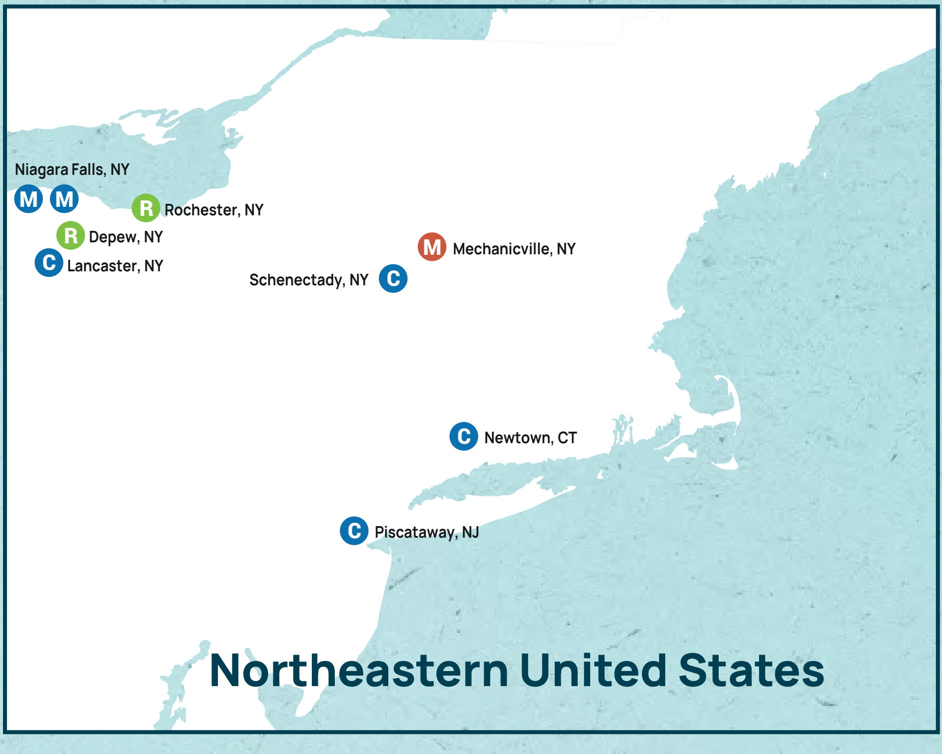
M	Manufacturing facility
C	Converting facility
CM	Converting and manufacturing facility
R	Recovery facility
UC	Under construction facility

1 Including main associates and joint ventures.

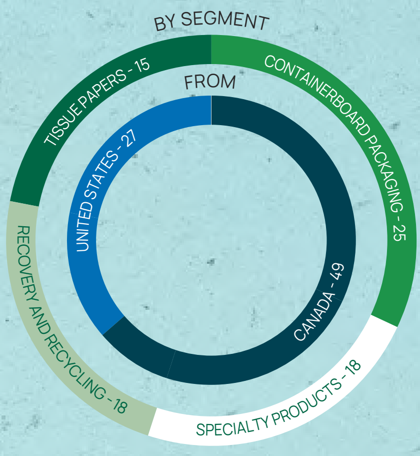


76[1]
facilities across Canada and the US

10,000
employees in 2 countries



Production Facilities[1]



1 Including associates and joint ventures.

cascades.com

Printed on **Rolland Enviro™ Satin**, 60 lb. Text and **Rolland Enviro™ Print**, 80 lb. The cover is certified Processed Chlorine Free and is made from 100% post-consumer fibre. All papers are certified FSC® and EcoLogo and are made using renewable biogas energy.

Production: **Communications Department of Cascades** — Design: **Absolu**
Prepress and printing: **Héon & Nadeau** — Photography: **Brühmüller photographe**
Printed in Canada