POSSIBILITIES

QUARTERLY REPORT 2

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2019

Cascades

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FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the operating results and financial position of Cascades Inc. ("Cascades" or "the Corporation"), and should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and accompanying notes for the three-month and six-month periods ended June 30, 2019, and 2018, together with the most recent audited consolidated financial statements. Information contained herein includes any significant developments as at August 8, 2019, the date on which the MD&A was approved by the Corporation's Board of Directors. For additional information, readers are referred to the Corporation's Annual Information Form ("AIF"), which is published separately. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

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

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

NEW IFRS STANDARD ADOPTED

The Corporation adopted IFRS 16 *Leases* on January 1, 2019. The new standard requires lessees to recognize 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 asset"" are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard.

The application of IFRS 16 *Leases* had the following impacts on the January 1, 2019, balance sheet:

(in millions of Canadian dollars)	Balance as of December 31, 2018[1]	IFRS 16 Adjustment	January 1, 2019 Adjusted balance
Fixed assets (including right-of-use)	2,505	87	2,592
Short-term debt	55	16	71
Long-term debt	1,821	83	1,904
Deferred income tax liability	200	(3)	197
Opening retained earnings	997	(9)	988

[1] Including business combination purchase price retrospective adjustment (see Note 5 of the unaudited condensed interim consolidated financial statements fore more details)

The impact of adoption of IFRS16 *Leases* on the 2019 second quarter and year-to-date results is as follows:

(in millions of Canadian dollars)	For the 3-month period ended June 30, 2019	For the 6-month period ended June 30, 2019
Increase in operating income before depreciation and amortization (OIBD) by segment:		
Containerboard	3	6
Boxboard Europe	1	2
Specialty Products	1	3
Tissue Papers	1	2
Corporate activities	1	2
Consolidated	7	15
Increase in financing expense	1	2
Increase in depreciation and amortization expense	6	13

TO OUR SHAREHOLDERS

FINANCIAL HIGHLIGHTS

- Sales of $1,275 million
  (compared to $1,230 million in Q1 2019 (+4%) and $1,180 million in Q2 2018 (+8%))
- As reported (including specific items)
  - Operating income of $82 million
    (compared to $72 million in Q1 2019 (+14%) and $73 million in Q2 2018 (+12%))
  - Operating income before depreciation and amortization (OIBD)[1] of $154 million
    (compared to $139 million in Q1 2019 (+11%) and $131 million in Q2 2018 (+18%))
  - Net earnings per share of $0.33
    (compared to net earnings of $0.26 in Q1 2019 and net earnings of $0.28 in Q2 2018)
- Adjusted (excluding specific items)[1]
  - Operating income of $84 million
    (compared to $68 million in Q1 2019 (+24%) and $76 million in Q2 2018 (+11%))
  - OIBD of $156 million
    (compared to $135 million in Q1 2019 (+16%) and $134 million in Q2 2018 (+16%))
  - Net earnings per share of $0.28
    (compared to net earnings of $0.14 in Q1 2019 and net earnings of $0.30 in Q2 2018)
- Net debt[1] of $1,861 million as at June 30, 2019 (compared to $1,878 million as at March 31, 2019) and net debt to adjusted OIBD ratio[1] at 3.3x on a pro-forma basis[2].

FINANCIAL SUMMARY

SELECTED CONSOLIDATED INFORMATION

(in millions of Canadian dollars, except per share amounts)	**Q2 2019**	Q1 2019	Q2 2018
Sales	**1,275**	1,230	1,180
As reported			
Operating income before depreciation and amortization (OIBD)[1]	**154**	139	131
Operating income	**82**	72	73
Net earnings	**31**	24	27
per share	**$ 0.33**	$ 0.26	$ 0.28
Adjusted[1]			
Operating income before depreciation and amortization (OIBD)	**156**	135	134
Operating income	**84**	68	76
Net earnings	**26**	13	29
per share	**$ 0.28**	$ 0.14	$ 0.30
Margin (OIBD)	**12.2%**	11.0%	11.4%

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.
2 Pro-forma OIBD to include 2018 business acquisitions on a last twelve months basis and IFRS 16 impact on an annualized basis as at June 30, 2019.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

SEGMENTED OIBD AS REPORTED

(in millions of Canadian dollars)	**Q2 2019**	Q1 2019	Q2 2018
Packaging Products			
Containerboard	**114**	111	102
Boxboard Europe	**30**	29	30
Specialty Products	**13**	11	9
Tissue Papers	**17**	4	7
Corporate Activities	**(20)**	(16)	(17)
OIBD as reported	**154**	139	131

SEGMENTED ADJUSTED OIBD[1]

(in millions of Canadian dollars)	**Q2 2019**	Q1 2019	Q2 2018
Packaging Products			
Containerboard	**113**	104	105
Boxboard Europe	**30**	29	30
Specialty Products	**13**	12	9
Tissue Papers	**18**	9	7
Corporate Activities	**(18)**	(19)	(17)
Adjusted OIBD	**156**	135	134

Cascades delivered record quarterly sales and adjusted OIBD that were in line with expectations in the second quarter. All our segments executed well. Tissue results were supported by favourable input costs and selling prices and better operational performance, notably at the St. Helens mill in Oregon, Containerboard Packaging performance reflected lower OCC prices and good operational flexibility within a context of softer demand and pricing pressure, while European Boxboard and Specialty Products results benefited from recent business acquisitions.

On the strategic front, we announced the acquisition of substantially all of the Orchids Paper Products assets in early July. This move provides compelling optimization opportunities for our Tissue platform while reinforcing the operational foundation of this segment's U.S. consumer product business. Furthermore, the addition of these assets accelerates our ongoing Tissue modernization plan, is aligned with our efforts to enhance the quality of the products we manufacture, and reinforces our initiatives to support the growth of our customers and the segment. On the Containerboard side, analysis of the Bear Island conversion project in Virginia is advancing, with added time being taken to determine the optimal structure to successfully execute the project and to minimize risk. We expect to provide additional information by the end of the year.

Finally, we are pleased to announce that we are increasing our quarterly dividend from $0.04 to $0.08 per share. This step reflects our strong asset base and financial fundamentals. We continue to prioritize capital investments and debt reduction in our capital allocation, and believe that this dividend increase, amounting to approximately $15 million annually, will not impact our financial flexibility to continue to focus on these priorities for creation of shareholder value. At the same time, we will provide our shareholders with a higher cash return on their investment that is better aligned with the industry.

MARIO PLOURDE
President and Chief Executive Officer
August 8, 2019

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

OUR BUSINESS

Cascades Inc. is a paper and packaging company that produces, converts and sells packaging and tissue products composed primarily of recycled fibres. Established in 1964 in Kingsey Falls, Québec, the Corporation was founded by the Lemaire brothers, who saw the economic and social potential of building a company focused primarily on the sustainable development principles of reusing, recovering and recycling. More than 50 years later, Cascades is a multinational business with close to 100 operating facilities[1] and more than 11,700 employees across Canada, the United States and Europe. The Corporation currently operates four business segments:

(Business segments)	Number of Facilities[1]	Q2 2019 Sales[2] (in $M)	Q2 2019 Operating Income Before Depreciation and Amortization (OIBD)[2] (in $M)	Q2 2019 Adjusted OIBD[2,4] (in $M)	Q2 2019 Adjusted OIBD Margin (%)
PACKAGING PRODUCTS					
Containerboard	26	462	114	113	24%
Boxboard Europe[3]	7	270	30	30	11%
Specialty Products	39	193	13	13	7%
TISSUE PAPERS	19	377	17	18	5%

BUSINESS DRIVERS

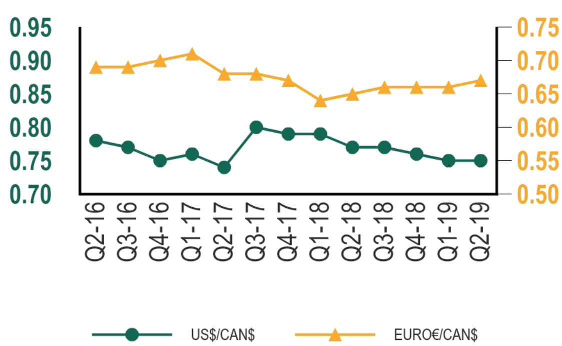
Cascades' results may be impacted by fluctuations in the following areas:

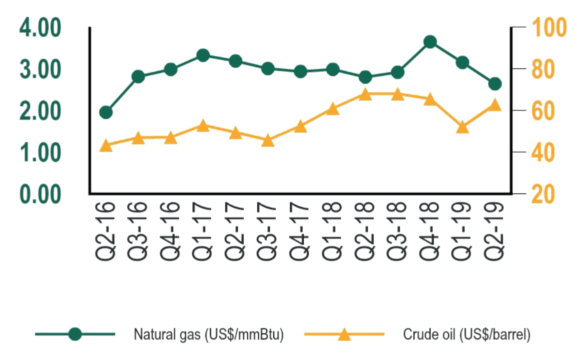
EXCHANGE RATES

Sequentially, the average value of the Canadian dollar remained stable compared to the US dollar and increased by 1% compared to the euro in the second quarter of 2019. On a year-over-year basis, the average value of the Canadian dollar decreased by 3% compared to the US dollar and increased by 2% compared to the euro.

ENERGY COSTS

During the quarter, the average price of natural gas decreased by 16% sequentially and by 6% compared to the same period last year. In the case of crude oil, the average price increased by 20% sequentially, and decreased by 8% year-over-year.





					2017					2018			**2019**
	Q1	Q2	Q3	Q4	YEAR	Q1	Q2	Q3	Q4	YEAR	**Q1**	**Q2**	**TOTAL**
US$/CAN$ - Average rate	$ 0.76	$ 0.74	$ 0.80	$ 0.79	$ 0.77	$ 0.79	$ 0.77	$ 0.77	$ 0.76	$ 0.77	**$ 0.75**	**$ 0.75**	**$ 0.75**
US$/CAN$ End of period rate	$ 0.75	$ 0.77	$ 0.80	$ 0.80	$ 0.80	$ 0.78	$ 0.76	$ 0.77	$ 0.73	$ 0.73	**$ 0.75**	**$ 0.76**	**$ 0.76**
EURO€/CAN$ - Average rate	$ 0.71	$ 0.68	$ 0.68	$ 0.67	$ 0.68	$ 0.64	$ 0.65	$ 0.66	$ 0.66	$ 0.65	**$ 0.66**	**$ 0.67**	**$ 0.66**
EURO€/CAN$ End of period rate	$ 0.70	$ 0.68	$ 0.68	$ 0.66	$ 0.66	$ 0.63	$ 0.65	$ 0.67	$ 0.64	$ 0.64	**$ 0.67**	**$ 0.67**	**$ 0.67**
Natural Gas Henry Hub - US$/mmBtu	$ 3.32	$ 3.18	$ 3.00	$ 2.93	$ 3.11	$ 2.98	$ 2.80	$ 2.91	$ 3.64	$ 3.09	**$ 3.15**	**$ 2.64**	**$ 2.90**

Source: Bloomberg

1 Including associates and joint ventures.

2 Excluding associates and joint ventures not included in consolidated results. Refer to Note 8 of the 2018 audited consolidated financial statements for more information on associates and joint ventures.

3 Via our equity ownership in Reno de Medici S.p.A., a public company traded on the Milan and Madrid stock exchanges.

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

HISTORICAL MARKET PRICES OF MAIN PRODUCTS AND RAW MATERIAL

	2017					2018		2019	Q2 2019 vs. Q2 2018		Q2 2019 vs. Q1 2019	
These indexes should only be used as trend indicators; they may differ from our actual selling prices and purchasing costs.	Year	Q1	Q2	Q3	Q4	Year	**Q1**	**Q2**	**Change**	**%**	**Change**	**%**
Selling prices (average)												
PACKAGING PRODUCTS												
Containerboard (US$/short ton)												
Linerboard 42-lb. unbleached kraft, Eastern US (open market)	693	722	755	755	755	747	**752**	**735**	**(20)**	**(3)%**	**(17)**	**(2)%**
Corrugating medium 26-lb. semichemical, Eastern US (open market)	592	637	670	670	670	662	**650**	**640**	**(30)**	**(4)%**	**(10)**	**(2)%**
Boxboard Europe (euro/metric ton)												
Recycled white-lined chipboard (WLC) index[1]	672	678	673	673	673	674	**672**	**672**	**(1)**	**—**	**—**	**—**
Virgin coated duplex boxboard (FBB) index[2]	1,031	1,072	1,072	1,072	1,072	1,072	**1,117**	**1,117**	**45**	**4 %**	**—**	**—**
Specialty Products (US$/short ton)												
Uncoated recycled boxboard - 20-pt. bending chip (series B)	645	643	680	730	730	696	**730**	**730**	**50**	**7 %**	**—**	**—**
TISSUE PAPERS (US$/short ton)												
Parent rolls, recycled fibres (transaction)	1,043	1,072	1,087	1,102	1,112	1,093	**1,151**	**1,164**	**77**	**7 %**	**13**	**1 %**
Parent rolls, virgin fibres (transaction)	1,323	1,366	1,388	1,404	1,422	1,395	**1,441**	**1,444**	**56**	**4 %**	**3**	**—**
Raw material prices (average)												
RECYCLED PAPER												
North America (US$/short ton)												
Sorted residential papers, No. 56 (SRP - Northeast average)	79	59	31	28	28	36	**24**	**16**	**(15)**	**(48)%**	**(8)**	**(33)%**
Old corrugated containers, No. 11 (OCC - Northeast average)	138	92	71	68	68	74	**61**	**40**	**(31)**	**(44)%**	**(21)**	**(34)%**
Sorted office papers, No. 37 (SOP - Northeast average)	169	165	193	210	203	193	**183**	**140**	**(53)**	**(27)%**	**(43)**	**(23)%**
Europe (euro/metric ton)												
Recovered paper index[3]	142	111	99	103	106	105	**98**	**86**	**(13)**	**(13)%**	**(12)**	**(12)%**
VIRGIN PULP (US$/metric ton)												
Northern bleached softwood kraft, Canada	1,105	1,233	1,310	1,377	1,428	1,342	**1,380**	**1,292**	**(18)**	**(1)%**	**(88)**	**(6)%**
Bleached hardwood kraft, mixed, Canada/US	958	1,077	1,125	1,192	1,213	1,152	**1,180**	**1,100**	**(25)**	**(2)%**	**(80)**	**(7)%**

Source: RISI and Cascades.

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

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

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

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

SPECIFIC ITEMS

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

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

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

The Corporation incurred the following specific items during the first halves of 2019 and 2018:

GAIN ON ACQUISITIONS, DISPOSALS AND OTHERS

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

In the second quarter, the Corporate Activities incurred $4 million of transaction fees related to the Orchids' acquisition (please refer to "Business Highlights" section and Note 11 of the Unaudited Condensed Interim Consolidated Financial Statements of the second quarter for more details).

In the second quarter of 2019, a $5 million gain was recorded in Corporate Activities related to a litigation settlement from a prior-year event.

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

2018
In the first quarter, the Containerboard segment completed the sale of the building and land of its Maspeth, NY plant, and generated a gain of $66 million, net of asset retirement obligations of $2 million.

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

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

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

In the first quarter, the Tissue Papers segment recorded a $1 million impairment charge on some equipment, in addition to $4 million of restructuring costs related to the forthcoming closure of two tissue paper machines in Ontario and changes in the segment's senior management. In the second quarter, the segment added another $1 million of restructuring costs related to the paper machines closure.

DERIVATIVE FINANCIAL INSTRUMENTS

In the first half of 2019, the Corporation recorded an unrealized gain of $5 million (gain of $2 million in the second quarter), compared to an unrealized loss of $7 million (loss of $3 million in the second quarter) in the same period of 2018, on certain derivative financial instruments not designated for hedge accounting.

INTEREST RATE SWAPS AND OPTION FAIR VALUE REVALUATION

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

In the first half of 2018, the Corporation recorded an unrealized gain on interest rate swaps of $1 million (gain of $1 million in the second quarter), which are included in financing expense.

FOREIGN EXCHANGE GAIN ON LONG-TERM DEBT AND FINANCIAL INSTRUMENTS

In the first half of 2019, the Corporation recorded a gain of $7 million (gain of $1 million in the second quarter) on its US$-denominated debt and related financial instruments, compared to a gain of $1 million (nil in the second quarter) in 2018. This is composed of a gain of $3 million in the first half of 2019 (nil in the second quarter), compared to a gain of $2 million in the same period of 2018 (gain of $2 million in the second quarter), on our US$-denominated long-term debt, net of our net investment hedges in the US and Europe as well as forward exchange contracts designated as hedging instruments, if any. It also includes a gain of $4 million in the first half of 2019 (gain of $1 million in the second quarter), compared to a loss of $1 million in the same period of 2018 (loss of $2 million in the second quarter), on foreign exchange forward contracts not designated for hedge accounting.

FAIR VALUE REVALUATION GAIN ON INVESTMENTS

2018

The Boxboard Europe segment completed the acquisition of PAC Service S.p.A. and recorded a revaluation gain of $5 million in the first quarter on its previously held interest. This item is presented in line item “Fair value revaluation gain on investments” in the consolidated statement of earnings.

RECONCILIATION OF NON-IFRS MEASURES

To provide more information for evaluating the Corporation’s performance, the financial information included in this analysis contains certain data that are not performance measures under IFRS (“non-IFRS measures”), which are also calculated on an adjusted basis to exclude specific items. We believe that providing certain key performance measures and non-IFRS measures is useful to both management and investors, as they provide additional information to measure the performance and financial position of the Corporation. It also increases the transparency and clarity of the financial information. The following non-IFRS measures are used in our financial disclosures:

- Operating income before depreciation and amortization (OIBD): Used to assess operating performance and contribution of each segment when excluding depreciation and amortization. OIBD is widely used by investors as a measure of a corporation’s ability to incur and service debt and as an evaluation metric.
- Adjusted OIBD: Used to assess operating performance and contribution of each segment on a comparable basis.
- Adjusted operating income: Used to assess operating performance of each segment on a comparable basis.
- Adjusted net earnings: Used to assess the Corporation’s consolidated financial performance on a comparable basis.
- Adjusted free cash flow: Used to assess the Corporation’s capacity to generate cash flows to meet financial obligations and/or discretionary items such as share repurchase, dividend increase and strategic investments.
- Net debt to adjusted OIBD ratio: Used to measure the Corporation’s credit performance and evaluate financial leverage.
- Net debt to adjusted OIBD ratio on a pro-forma basis: Used to measure the Corporation’s credit performance and evaluate the financial leverage on a comparable basis, including significant business acquisitions and excluding significant business disposals, if any.

Non-IFRS measures are mainly derived from the consolidated financial statements, but do not have meanings prescribed by IFRS. These measures have limitations as an analytical tool and should not be considered on their own or as a substitute for an analysis of our results as reported under IFRS. In addition, our definitions of non-IFRS measures may differ from those of other corporations. Any such modification or reformulation may be significant.

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

	For the 3-month period ended June 30, 2019					
(in millions of Canadian dollars)	**Containerboard**	**Boxboard Europe**	**Specialty Products**	**Tissue Papers**	**Corporate Activities**	**Consolidated**
Operating income (loss)	**84**	**19**	**6**	**1**	**(28)**	**82**
Depreciation and amortization	**30**	**11**	**7**	**16**	**8**	**72**
Operating income (loss) before depreciation and amortization	**114**	**30**	**13**	**17**	**(20)**	**154**
Specific items:						
Loss on acquisitions, disposals and others	**—**	**—**	**—**	**—**	**3**	**3**
Restructuring costs	**—**	**—**	**—**	**1**	**—**	**1**
Unrealized gain on derivative financial instruments	**(1)**	**—**	**—**	**—**	**(1)**	**(2)**
	(1)	**—**	**—**	**1**	**2**	**2**
Adjusted operating income (loss) before depreciation and amortization	**113**	**30**	**13**	**18**	**(18)**	**156**
Adjusted operating income (loss)	**83**	**19**	**6**	**2**	**(26)**	**84**

	For the 3-month period ended June 30, 2018					
(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
Operating income (loss)	82	22	4	(9)	(26)	73
Depreciation and amortization	20	8	5	16	9	58
Operating income (loss) before depreciation and amortization	102	30	9	7	(17)	131
Specific items:						
Unrealized loss on derivative financial instruments	3	—	—	—	—	3
	3	—	—	—	—	3
Adjusted operating income (loss) before depreciation and amortization	105	30	9	7	(17)	134
Adjusted operating income (loss)	85	22	4	(9)	(26)	76

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
	For the 6-month period ended June 30, 2019					
Operating income (loss)	**168**	**37**	**9**	**(7)**	**(53)**	**154**
Depreciation and amortization	**57**	**22**	**15**	**28**	**17**	**139**
Operating income (loss) before depreciation and amortization	**225**	**59**	**24**	**21**	**(36)**	**293**
Specific items:						
Loss (gain) on acquisitions, disposals and others	**(10)**	**—**	**—**	**—**	**3**	**(7)**
Impairment charges	**3**	**—**	**—**	**1**	**—**	**4**
Restructuring costs	**—**	**—**	**1**	**5**	**—**	**6**
Unrealized gain on derivative financial instruments	**(1)**	**—**	**—**	**—**	**(4)**	**(5)**
	(8)	**—**	**1**	**6**	**(1)**	**(2)**
Adjusted operating income (loss) before depreciation and amortization	**217**	**59**	**25**	**27**	**(37)**	**291**
Adjusted operating income (loss)	**160**	**37**	**10**	**(1)**	**(54)**	**152**

(in millions of Canadian dollars)	Containerboard	Boxboard Europe	Specialty Products	Tissue Papers	Corporate Activities	Consolidated
	For the 6-month period ended June 30, 2018					
Operating income (loss)	203	41	6	(11)	(54)	185
Depreciation and amortization	40	17	10	31	15	113
Operating income (loss) before depreciation and amortization	243	58	16	20	(39)	298
Specific items:						
Gain on acquisitions, disposals and others	(66)	—	—	—	—	(66)
Unrealized loss on derivative financial instruments	5	—	—	—	2	7
	(61)	—	—	—	2	(59)
Adjusted operating income (loss) before depreciation and amortization	182	58	16	20	(37)	239
Adjusted operating income (loss)	142	41	6	(11)	(52)	126

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

	For the 3-month periods ended June 30,		**For the 6-month periods ended June 30,**	
(in millions of Canadian dollars)	**2019**	2018	**2019**	2018
Net earnings attributable to Shareholders for the period	**31**	27	**55**	88
Net earnings attributable to non-controlling interests	**9**	10	**18**	21
Provision for income taxes	**10**	16	**18**	40
Fair value revaluation gain on investments	**—**	—	**—**	(5)
Share of results of associates and joint ventures	**(2)**	(3)	**(4)**	(4)
Foreign exchange gain on long-term debt and financial instruments	**(1)**	—	**(7)**	(1)
Financing expense and interest expense on employee future benefits and other liabilities	**35**	23	**74**	46
Operating income	**82**	73	**154**	185
Specific items:				
Loss (gain) on acquisitions, disposals and others	**3**	—	**(7)**	(66)
Impairment charges	**—**	—	**4**	—
Restructuring costs	**1**	—	**6**	—
Unrealized loss (gain) on derivative financial instruments	**(2)**	3	**(5)**	7
	2	3	**(2)**	(59)
Adjusted operating income	**84**	76	**152**	126
Depreciation and amortization	**72**	58	**139**	113
Adjusted operating income before depreciation and amortization	**156**	134	**291**	239

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

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

	NET EARNINGS				NET EARNINGS PER SHARE[1]			
	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,		For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars, except amount per share)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
As per IFRS	**31**	27	**55**	88	**$ 0.33**	$ 0.28	**$ 0.59**	$ 0.93
Specific items:								
Loss (gain) on acquisitions, disposals and others	**3**	—	**(7)**	(66)	**$ 0.03**	—	**$ (0.08)**	$ (0.51)
Impairment charges	**—**	—	**4**	—	**—**	—	**$ 0.03**	—
Restructuring costs	**1**	—	**6**	—	**$ 0.01**	—	**$ 0.05**	—
Unrealized loss (gain) on derivative financial instruments	**(2)**	3	**(5)**	7	**$ (0.02)**	$ 0.03	**$ (0.04)**	$ 0.06
Unrealized gain on interest rate swaps and option fair value	**(6)**	(1)	**(6)**	(1)	**$ (0.06)**	$ (0.01)	**$ (0.06)**	$ (0.01)
Foreign exchange gain on long-term debt and financial instruments	**(1)**	—	**(7)**	(1)	**$ (0.01)**	—	**$ (0.07)**	$ (0.01)
Fair value revaluation gain on investments	**—**	—	**—**	(5)	**—**	—	**—**	$ (0.03)
Tax effect on specific items, other tax adjustments and attributable to non-controlling interests[1]	**—**	—	**(1)**	19	**—**	—	**—**	—
	(5)	2	**(16)**	(47)	**$ (0.05)**	$ 0.02	**$ (0.17)**	$ (0.50)
Adjusted	**26**	29	**39**	41	**$ 0.28**	$ 0.30	**$ 0.42**	$ 0.43

1 Specific amounts per share are calculated on an after-tax basis and are net of the portion attributable to non-controlling interests. Per share amounts in line item "Tax effect on specific items, other tax adjustments and attributable to non-controlling interests" only include the effect of tax adjustments.

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

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars)	**2019**	2018	**2019**	2018
Cash flow from operating activities	**88**	116	**140**	154
Changes in non-cash working capital components	**36**	(5)	**66**	26
Depreciation and amortization	**(72)**	(58)	**(139)**	(113)
Net income taxes paid (received)	**2**	1	**2**	(2)
Net financing expense paid	**16**	18	**59**	55
Gain (loss) on acquisitions, disposals and others	**(3)**	—	**6**	66
Impairment charges and restructuring costs	**—**	—	**(5)**	—
Unrealized gain (loss) on derivative financial instruments	**2**	(3)	**5**	(7)
Dividend received, employee future benefits and others	**13**	4	**20**	6
Operating income	**82**	73	**154**	185
Depreciation and amortization	**72**	58	**139**	113
Operating income before depreciation and amortization	**154**	131	**293**	298

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

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

(in millions of Canadian dollars, except amount per share or as otherwise mentioned)	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
	2019	2018	**2019**	2018
Cash flow from operating activities	**88**	116	**140**	154
Changes in non-cash working capital components	**36**	(5)	**66**	26
Cash flow from operating activities (excluding changes in non-cash working capital components)	**124**	111	**206**	180
Specific items, net of current income taxes if applicable:				
Restructuring costs	**1**	—	**4**	—
Adjusted cash flow from operating activities	**125**	111	**210**	180
Capital expenditures, other assets[1] and capital lease payments, net of disposals of $81 million in Q1 2018	**(64)**	(72)	**(140)**	(81)
Dividends paid to the Corporation's Shareholders and to non-controlling interests	**(9)**	(12)	**(17)**	(18)
Adjusted free cash flow	**52**	27	**53**	81
Adjusted free cash flow per share	**$ 0.56**	$ 0.29	**$ 0.57**	$ 0.85
Weighted average basic number of shares outstanding	**93,636,771**	94,638,464	**93,900,400**	94,824,718

1 Excluding increase in investments

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

(in millions of Canadian dollars)	**June 30, 2019**	December 31, 2018
Long-term debt	**1,866**	1,821
Current portion of long-term debt	**77**	55
Bank loans and advances	**16**	16
Total debt	**1,959**	1,892
Less: Cash and cash equivalents	**98**	123
Net debt	**1,861**	1,769
Adjusted OIBD (last twelve months)	**541**	489
Net debt / Adjusted OIBD ratio	**3.4**	3.6
Net debt / Adjusted OIBD ratio on a pro-forma basis[1]	**3.3**	3.5

1 Pro-forma adjusted OIBD of $562 million for the second quarter of 2019 and $505 million in 2018 to include business acquisitions on a last twelve months basis and the impact of the adoption of IFRS 16 on an annualized basis for 2019 period.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW - 2018

Results for 2018 reflected strong sales levels in the Containerboard Packaging, Tissue Papers and European Boxboard segments and consolidated sales totaled $4,649 million in 2018, compared to $4,321 million in 2017. Business acquisitions in the Boxboard Europe and Specialty Products segments and improvements in both sales mix and selling price in all segments had a positive impact on sales. Excluding acquisitions, volumes were below prior-year levels in all three packaging businesses. However, these were offset to a large degree by a notable volume increase generated by the Tissue segment. While a more favourable exchange rate contributed to stronger sales for Europe Boxboard, the Specialty Products' recovery sub-segment generated lower sales as a result of the decrease in brown grade recycled fibre costs.

Operating income before depreciation and amortization (OIBD) reflected strong results in both the Containerboard Packaging and European Boxboard business segments. This was offset by lower results from the Tissue Papers segment, where performance was negatively impacted by elevated costs for virgin pulp and recycled white paper grades, newly added market capacity, and higher logistics and subcontracting costs, in addition to production inefficiencies in some units. Results in the Specialty Products segment were below prior-year levels largely due to the negative impact of lower brown recycled fibre pricing on the performance of the recovery sub-segment, in addition to higher production costs. Finally, Corporate Activities cost levels decreased year-over-year as efforts in 2018 were migrated toward optimizing the ERP and business process initiatives that were implemented in 2017.

FINANCIAL OVERVIEW - 2019

Results for the first half of 2019 reflect a record sales level driven by 2018 fourth quarter acquisitions and higher average selling prices from all North American segments. Lower brown recycled fibres costs, which benefited from the performance of our Containerboard and Boxboard Europe segments, also had a positive impact on results. These benefits were only partially offset by the corresponding lower results generated by our recovery and recycling activities as a result of the lower recycled fibre costs. However, on a same plant basis, volumes were lower for all segments. Additionally, results from the Tissue Papers segment continue to improve although negatively impacted by high raw material costs, which, however have started to come down in recent months. The performance of this segment is supported by price increases, a favourable sales mix, and by our initiatives of reducing costs and improving operational efficiencies.

For the 3-month period ended June 30, 2019, sales increased by $95 million, or 8%, to reach $1,275 million, compared to $1,180 million in the same period of 2018. The Corporation recorded an operating income before depreciation and amortization of $154 million during the period, compared to $131 million in the same period of 2018. On an adjusted basis[1], operating income before depreciation and amortization stood at $156 million, compared to $134 million last year.

For the 6-month period ended June 30, 2019, sales increased by $227 million, or 10%, to reach $2,505 million, compared to $2,278 million in the same period of 2018. The Corporation recorded an operating income before depreciation and amortization of $293 million during the period, compared to $298 million in the same period of 2018. On an adjusted basis[1], operating income before depreciation and amortization stood at $291 million, compared to $239 million last year.

For the 3-month period ended June 30, 2019, the Corporation posted net earnings of $31 million, or $0.33 per share, compared to net earnings of $27 million, or $0.28 per share, in the same period of 2018. On an adjusted basis[1], the Corporation generated net earnings of $26 million in the second quarter of 2019, or $0.28 per share, compared to net earnings of $29 million, or $0.30 per share, in the same period of 2018.

For the 6-month period ended June 30, 2019, the Corporation posted net earnings of $55 million, or $0.59 per share, compared to net earnings of $88 million, or $0.93 per share, in the same period of 2018. On an adjusted basis[1], the Corporation generated net earnings of $39 million in the first half of 2019, or $0.42 per share, compared to net earnings of $41 million, or $0.43 per share, in the same period of 2018.

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

KEY PERFORMANCE INDICATORS

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

					2017					2018 [9]			**2019**	**LTM [8]**
	Q1	Q2	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL	**Q1**	**Q2**	**TOTAL**	
OPERATIONAL														
Total shipments (in '000 s.t.)[1]														
Packaging Products														
Containerboard	285	375	369	372	1,401	352	385	370	368	1,475	**342**	**363**	**705**	**1,443**
Boxboard Europe	296	283	271	270	1,120	298	276	259	292	1,125	**333**	**331**	**664**	**1,215**
	581	658	640	642	2,521	650	661	629	660	2,600	**675**	**694**	**1,369**	**2,658**
Tissue Papers	139	151	157	146	593	149	163	164	149	625	**146**	**155**	**301**	**614**
Total	720	809	797	788	3,114	799	824	793	809	3,225	**821**	**849**	**1,670**	**3,272**
Integration rate[2]														
Containerboard	51%	51%	55%	52%	53%	56%	56%	56%	58%	57%	**59%**	**59%**	**59%**	**58%**
Tissue Papers	71%	69%	67%	66%	68%	67%	68%	71%	75%	70%	**76%**	**77%**	**77%**	**75%**
Manufacturing capacity utilization rate[3]														
Packaging Products														
Containerboard	96%	94%	91%	92%	93%	89%	100%	92%	93%	93%	**88%**	**91%**	**90%**	**91%**
Boxboard Europe	102%	98%	94%	93%	97%	103%	96%	90%	90%	94%	**96%**	**95%**	**96%**	**93%**
Tissue Papers	86%	89%	90%	84%	87%	88%	92%	92%	87%	90%	**87%**	**92%**	**89%**	**90%**
Consolidated total	96%	95%	92%	91%	93%	94%	97%	91%	90%	93%	**91%**	**93%**	**92%**	**91%**
FINANCIAL														
Return on assets[4]														
Packaging Products														
Containerboard	16%	14%	13%	14%	14%	14%	16%	18%	20%	20%	**20%**	**20%**	**20%**	**20%**
Boxboard Europe	10%	10%	11%	12%	12%	14%	15%	16%	15%	15%	**15%**	**14%**	**14%**	**14%**
Specialty Products	20%	21%	19%	18%	18%	15%	12%	11%	10%	10%	**11%**	**11%**	**11%**	**11%**
Tissue Papers	15%	14%	12%	10%	10%	9%	6%	4%	2%	2%	**1%**	**2%**	**2%**	**2%**
Consolidated return on assets	9.8%	9.1%	8.9%	9.2%	9.2%	9.5%	10.2%	10.7%	10.6%	10.6%	**11.0%**	**11.2%**	**11.2%**	**11.2%**
Return on capital employed[5]	4.5%	3.9%	3.7%	3.7%	3.7%	3.9%	4.4%	4.7%	4.6%	4.6%	**4.8%**	**4.9%**	**4.9%**	**4.9%**
Working capital[6]														
In millions of $, at end of period	385	429	474	442	442	513	506	464	455	455	**500**	**526**	**526**	**526**
As a percentage of sales[7]	10.2%	9.9%	9.9%	10.1%	10.1%	10.5%	10.8%	10.7%	10.6%	10.6%	**10.4%**	**10.3%**	**10.3%**	**10.3%**

1 *Shipments do not take into account the elimination of business sector inter-segment shipments. Starting in Q2 2017, including Greenpac. Shipments from our Specialty Products segment are not presented as they use different units of measure.*

2 *Defined as: Percentage of manufacturing shipments transferred to our converting operations. Starting in Q2 2017, including Greenpac and its sales to its partners which are mostly under contractual agreements.*

3 *Defined as: Manufacturing internal and external shipments/practical capacity. Excluding Specialty Products segment manufacturing activities. Starting in Q2 2017, including Greenpac.*

4 *Return on assets is a non-IFRS measure defined as the last twelve months' ("LTM") adjusted OIBD/LTM quarterly average of total assets less cash and cash equivalents. Including Greenpac on a consolidated basis starting in Q2 2017.*

5 *Return on capital employed is a non-IFRS measure and is defined as the after-tax (30%) amount of the LTM adjusted operating income, including our share of core associates and joint ventures, divided by the LTM quarterly average of capital employed. Capital employed is defined as the quarterly total average assets less trade and other payables and cash and cash equivalents. Including Greenpac as an associate up to Q1 2017 and on a consolidated basis starting in Q2 2017.*

6 *Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables. Starting in Q2 2017, including Greenpac.*

7 *Percentage of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals. Starting in Q2 2017, including Greenpac.*

8 *LTM (last twelve months).*

9 *2018 fourth quarter results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the unaudited condensed interim consolidated financial statements for more details.*

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

HISTORICAL FINANCIAL INFORMATION

					2017					2018[3]			**2019**	**LTM[4]**
(in millions of Canadian dollars, unless otherwise noted)	Q1	Q2[2]	Q3	Q4	TOTAL	Q1	Q2	Q3	Q4	TOTAL	**Q1**	**Q2**	**TOTAL**	
Sales														
Packaging Products														
Containerboard	346	428	438	440	1,652	421	475	472	472	1,840	**441**	**462**	**903**	**1,847**
Boxboard Europe	211	213	202	212	838	246	232	210	245	933	**279**	**270**	**549**	**1,004**
Specialty Products	173	188	181	161	703	159	164	164	172	659	**196**	**193**	**389**	**725**
Inter-segment sales	(22)	(27)	(32)	(24)	(105)	(24)	(23)	(21)	(21)	(89)	**(22)**	**(15)**	**(37)**	**(79)**
	708	802	789	789	3,088	802	848	825	868	3,343	**894**	**910**	**1,804**	**3,497**
Tissue Papers	306	338	323	301	1,268	305	343	364	340	1,352	**348**	**377**	**725**	**1,429**
Inter-segment sales and Corporate Activities	(8)	(10)	(9)	(8)	(35)	(9)	(11)	(14)	(12)	(46)	**(12)**	**(12)**	**(24)**	**(50)**
Total	1,006	1,130	1,103	1,082	4,321	1,098	1,180	1,175	1,196	4,649	**1,230**	**1,275**	**2,505**	**4,876**
Operating income (loss)														
Packaging Products														
Containerboard	33	30	50	51	164	121	82	94	84	381	**84**	**84**	**168**	**346**
Boxboard Europe	5	13	5	11	34	19	22	10	9	60	**18**	**19**	**37**	**56**
Specialty Products	13	14	10	9	46	2	4	9	5	20	**3**	**6**	**9**	**23**
	51	57	65	71	244	142	108	113	98	461	**105**	**109**	**214**	**425**
Tissue Papers	8	17	9	(6)	28	(2)	(9)	(11)	(100)	(122)	**(8)**	**1**	**(7)**	**(118)**
Corporate Activities	(28)	(26)	(23)	(20)	(97)	(28)	(26)	(24)	(35)	(113)	**(25)**	**(28)**	**(53)**	**(112)**
Total	31	48	51	45	175	112	73	78	(37)	226	**72**	**82**	**154**	**195**
Adjusted OIBD[1]														
Packaging Products														
Containerboard	45	56	72	74	247	77	105	117	111	410	**104**	**113**	**217**	**445**
Boxboard Europe	14	21	14	19	68	28	30	19	20	97	**29**	**30**	**59**	**98**
Specialty Products	18	20	15	14	67	7	9	14	10	40	**12**	**13**	**25**	**49**
	77	97	101	107	382	112	144	150	141	547	**145**	**156**	**301**	**592**
Tissue Papers	23	35	24	12	94	13	7	5	(8)	17	**9**	**18**	**27**	**24**
Corporate Activities	(25)	(25)	(19)	(14)	(83)	(20)	(17)	(18)	(20)	(75)	**(19)**	**(18)**	**(37)**	**(75)**
Total	75	107	106	105	393	105	134	137	113	489	**135**	**156**	**291**	**541**
Net earnings (loss)	161	256	33	57	507	61	27	36	(68)	56	**24**	**31**	**55**	**23**
Adjusted[1]	12	24	19	13	68	12	29	38	—	79	**13**	**26**	**39**	**77**
Net earnings (loss) per share (in dollars)														
Basic	$ 1.70	$ 2.70	$ 0.35	$ 0.60	$ 5.35	$ 0.65	$ 0.28	$ 0.38	$ (0.72)	$ 0.59	**$ 0.26**	**$ 0.33**	**$ 0.59**	**$ 0.25**
Diluted	$ 1.66	$ 2.61	$ 0.34	$ 0.58	$ 5.19	$ 0.63	$ 0.27	$ 0.37	$ (0.72)	$ 0.55	**$ 0.26**	**$ 0.32**	**$ 0.58**	**$ 0.23**
Basic, adjusted[1]	$ 0.13	$ 0.25	$ 0.20	$ 0.14	$ 0.72	$ 0.13	$ 0.30	$ 0.40	—	$ 0.83	**$ 0.14**	**$ 0.28**	**$ 0.42**	**$ 0.82**
Cash flow from operating activities (excluding changes in non-cash working capital components)	33	89	61	77	260	69	111	92	89	361	**82**	**124**	**206**	**387**
Net debt[1]	1,617	1,780	1,469	1,522	1,522	1,534	1,586	1,573	1,769	1,769	**1,878**	**1,861**	**1,861**	**1,861**

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

2 Including Greenpac on a consolidated basis starting in Q2 2017. The purchase price allocation of Greenpac was finalized during the third quarter of 2017. The preliminary estimated deemed consideration of $371 million was revised to $304 million. This change impacted the calculation of the gain on the deemed disposal of the previously held interest and goodwill allocated in the purchase price determination for an amount of $67 million. Adjustments to the preliminary purchase price allocation were recorded retrospectively to the acquisition date as required by IFRS 3. Net earnings per share disclosed in the second quarter were consequently adjusted to $2.70 per share from $3.41 per share.

3 2018 fourth quarter results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the unaudited condensed interim consolidated financial statements for more details.

4 Last twelve months

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

BUSINESS HIGHLIGHTS

From time to time, the Corporation enters into transactions to optimize its asset base and streamline its cost structure. The following transactions should be taken into consideration when reviewing the overall and segmented analysis of the Corporation's 2019 and 2018 results.

BUSINESS START-UP, ACQUISITION, DISPOSAL AND CLOSURE

CONTAINERBOARD PACKAGING

- On August 28, 2018, the Corporation announced plans to close two corrugated sheet plants located in Barrie and Peterborough, Ontario, Canada, as part of its ongoing efforts to reorganize and optimize its corrugated packaging platform in Ontario. The two plants were closed on November 30, 2018.

- In May 2018, the Corporation started operating its new containerboard converting plant located in Piscataway, NJ, USA. The facility is ramping up as planned while we continue the consolidation of our packaging activities in the Northeastern United States.

BOXBOARD EUROPE

- On October 31, 2018, the Corporation's subsidiary, Reno de Medici, announced the acquisition of Barcelona Cartonboard S.A.U., a Spanish company ranked seventh in Europe for coated cartonboard production.

- On January 1, 2018, the Corporation's subsidiary, Reno de Medici. acquired 66.67% of PAC Service S.p.A. (PAC Service), a boxboard converter for the packaging, publishing, cosmetics and food industries. The Corporation already had a 33.33% equity participation in PAC Service before the transaction.

SPECIALTY PRODUCTS

- On December 6, 2018, the Corporation acquired the Urban Forest Products and Clarion Packaging plants, respectively located in Brook, Indiana, and Clarion, Iowa; two of the top three egg-producing states in the US. This will allow us to double our production capacity of ecological packaging manufactured in moulded pulp. The Corporation also acquired a majority interest in Falcon Packaging, a leader in the distribution of egg packaging.

- On March 27, 2019, the Corporation announced that it will close its plant that manufactures felt backing for flooring, located in Trois-Rivières, Québec. The closure occurred in early July 2019.

TISSUE PAPERS

- On February 28, 2019, the Corporation announced the definitive closure of its tissue paper machines located in Whitby and Scarborough, Ontario. The leases for these two plants expire on August 27, 2019 and will not be renewed. Production ended during the second quarter.

SIGNIFICANT FACTS AND DEVELOPMENTS

- On July 1, 2019, the Corporation announced that it has entered into a definitive agreement for the acquisition of substantially all of the assets of Orchids Paper Products Company ("Orchids") following the approval thereof by the United States Bankruptcy Court for the District of Delaware (subject to completion of definitive documentation). Cascades will pay a total cash consideration of US$207 million financed by its credit facilities, subject to usual contractual adjustments on the effective date, and assume certain liabilities. As at June 30, 2019, US$11 million ($14 million) has been put in deposit by the Corporation. The assets to be acquired include the Barnwell, South Carolina, and Pryor, Oklahoma operations, as well as certain other assets, including the supply and other commercial arrangements with Fabrica de Papel San Francisco, S.A. de C.V. ("Fabrica"), based in Mexicali, Mexico. Cascades anticipates the transaction will close during the third quarter of 2019, subject to the satisfaction of customary closing conditions.

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

- On December 21, 2018, the Corporation announced that it had increased its authorized credit facility to approximately CAN$1 billion to incorporate the addition of a US$175 million seven-year term loan. The term loan provides the Corporation with increased financial flexibility and will reduce financing costs.

- On July 26, 2018, the Corporation announced the acquisition of the White Birch Bear Island manufacturing facility in Virginia, USA for a cash consideration of US$34 million ($45 million). The newsprint paper machine presently located on the site will be reconfigured to produce high-quality recycled lightweight linerboard and medium for the North American market, subject to the approval of the board of directors. The new machine is expected to have an annual production capacity of 400,000 tons. Additional details of the project will be provided once the project plans have been finalized and approved.

- On January 31, 2018, the Corporation completed the sale of the building and land of its Maspeth plant in New York, USA, for US$69 million ($86 million), net of transaction fees.

FINANCIAL RESULTS FOR THE 3-MONTH PERIODS ENDED JUNE 30, 2019, AND 2018

SALES

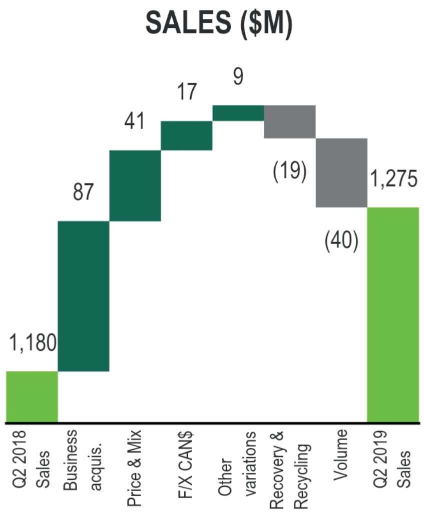
Sales increased by $95 million, or 8%, to $1,275 million in the second quarter of 2019, compared to $1,180 million in the same period of 2018. This reflects business acquisitions in the fourth quarter of 2018 and higher selling prices in all segments, with the exception of Boxboard Europe. However, on a same plant basis, lower volumes in the Containerboard and Tissue Papers segments had a negative impact on sales. The 3% average depreciation of the Canadian dollar compared to the US dollar benefited sales levels during the quarter. Recovery and Recycling activities generated lower sales compared to last year as a result of the decrease in recycled fibre prices.

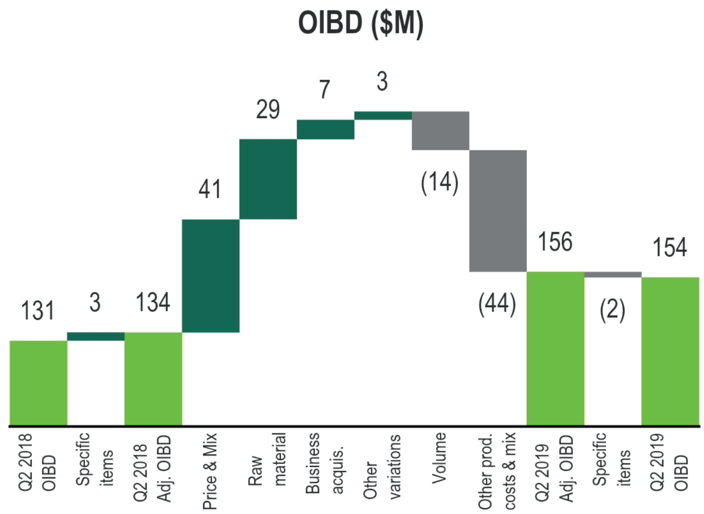
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an OIBD of $154 million in the second quarter of 2019, compared to $131 million in the same period of 2018, an increase of $23 million, mainly explained by higher sales, business acquisitions in the fourth quarter of 2018 and lower recycled fibres costs. On the other hand, lower contribution from our Recovery and Recycling activities had a negative impact on OIBD. The Tissue Papers and Containerboard segments benefited from a favourable mix of products sold as a higher proportion of converted products sold contributed positively to OIBD.

Adjusted OIBD[1] was $156 million in the second quarter of 2019, compared to $134 million in the same period of 2018.

The main variances in sales and operating income before depreciation and amortization in the second quarter of 2019, compared to the same period of 2018, are shown below:





Adjusted OIBD	*Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.*
Raw material (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 material 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 of the Specialty Products segment are presented separately and on a global basis in the charts.*

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

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

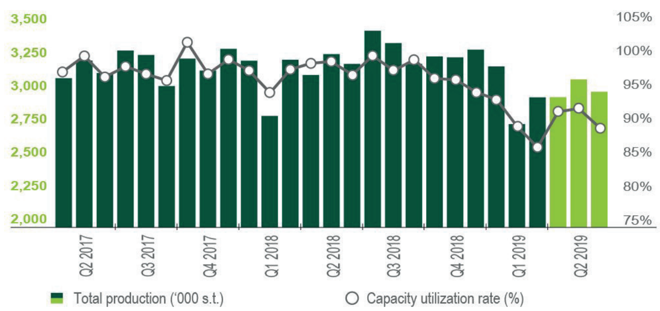
On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

PACKAGING PRODUCTS - CONTAINERBOARD

Our Industry

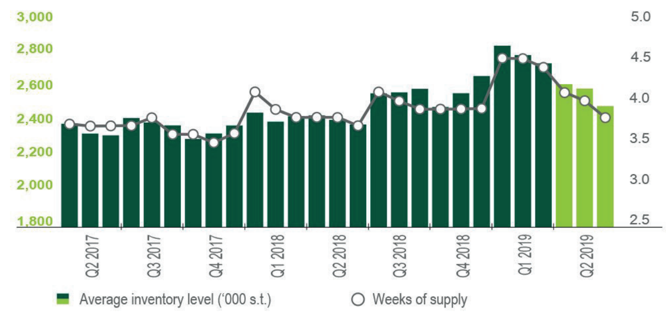
US containerboard industry production and capacity utilization rate [1]

Total US containerboard production amounted to 8.9 million short tons in the second quarter of 2019, a sequential increase of 1% and a year-over-year decrease of 6%. The industry registered an average capacity utilization rate of 91% during the quarter.



US containerboard inventories at box plants and mills [2]

The average inventory level decreased by 8% sequentially and increased by 6% year-over-year during the second quarter of 2019. Inventory levels stood at approximately 2.6 million short tons at the end of June, representing 3.8 weeks of supply.



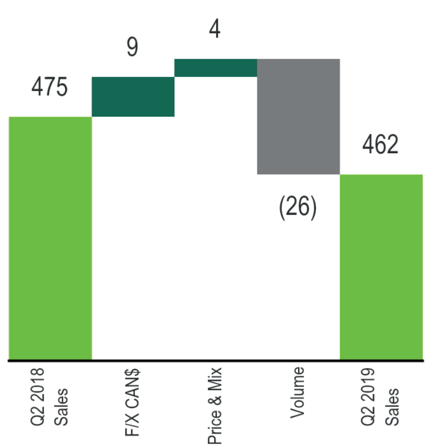
1 Source: RISI

2 Source: Fibre Box Association

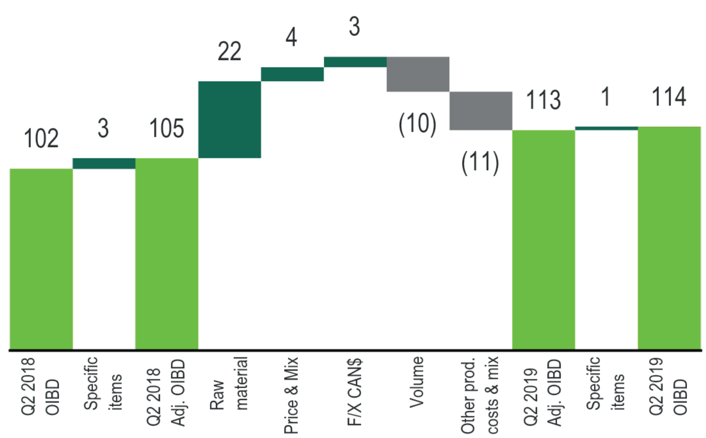
Our Performance

The main variances in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the second quarter of 2019, compared to the same period of 2018, are shown below:

SALES ($M)



OIBD ($M)



For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2019 and 2018" section for more details.

The Corporation incurred certain specific items in the second quarters of 2019 and 2018 that adversely or positively affected its operating results. Please refer to the "Supplemental Information for Non-IFRS Measures" section for reconciliations and details.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

	Q2 2018	Q2 2019	Change in %
Shipments[2] ('000 s.t.)	385	363	-6%
Average Selling Price (CAN$/unit)	1,234	1,275	3%
Sales ($M)	475	462	-3%
OIBD[1] ($M) (as reported)	102	114	12%
% of sales	21%	25%	
(adjusted)[1]	105	113	8%
% of sales	22%	24%	
Operating income ($M) (as reported)	82	84	2%
(adjusted)[1]	85	83	-2%

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

2 Shipments do not take into account the elimination of business sector inter-segment shipments. Including 3.3 billion square feet in the second quarters of 2019 and 2018

3 Including sales to other partners in Greenpac.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

Shipments decreased by 22,000 s.t., or 6%, in the second quarter of 2019, which reflected the 23,000 s.t. decrease in external shipments from our containerboard mills. This was mainly driven by a higher mill integration rate of 59% in the current period, compared to 56% in the same quarter last year and lower market demand leading to a 9% decrease in the manufacturing capacity utilization rate. Including sales to associates[3], the integration rate was 72% during the period, up from 71% last year. On the converting side, shipments decreased by 1%, or 1,000 s.t..

The average selling price denominated in Canadian dollars remained stable for parent rolls year-over-year, and increased by 2% for converted products. The 3% average depreciation of the Canadian dollar compared to the US dollar also benefited the average selling price.

Sales decreased by $13 million, or 3%, compared to the second quarter of 2018. The Canadian dollar depreciation and the favourable mix of products sold added $9 million and $4 million to sales, respectively. These benefits were more than offset by the $26 million unfavourable impact resulting from lower volume during the current period.

Operating income before depreciation and amortization (OIBD) increased by $12 million, or 12% during the second quarter of 2019 compared to the same period of 2018. The increase is attributable to lower costs of brown recycled fibre grades, which added $22 million and favourable mix of products sold, which had a positive impact of $4 million. Also, the 3% average depreciation of the Canadian dollar contributed an additional $3 million to OIBD. These were partly offset by lower volume and higher freight costs that had decreased OIBD by $10 million and $2 million, respectively. In addition, higher operational costs, specifically labour, warehousing and chemicals subtracted another $9 million from OIBD.

The segment incurred some specific items[1] in the second quarters of 2019 and 2018 that affected OIBD. Adjusted OIBD[1] was $113 million in the second quarter of 2019, compared to $105 million in the same period of 2018.

PACKAGING PRODUCTS - BOXBOARD EUROPE

Our Industry

European industry order inflow of coated boxboard [1]

In Europe, order inflows of white-lined chipboard (WLC) totaled approximately 813,000 tonnes in the second quarter of 2019, a 1% increase sequentially and year-over-year. In European countries where our Boxboard Europe segment is active, WLC prices remained stable both sequentially and compared to the same period last year. The folding boxboard (FBB) industry recorded order inflows of approximately 602,000 tonnes during the second quarter, representing an increase of 5% sequentially and stable year-over-year. FBB prices remained stable sequentially but increased 4% on a year-over-year basis.

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

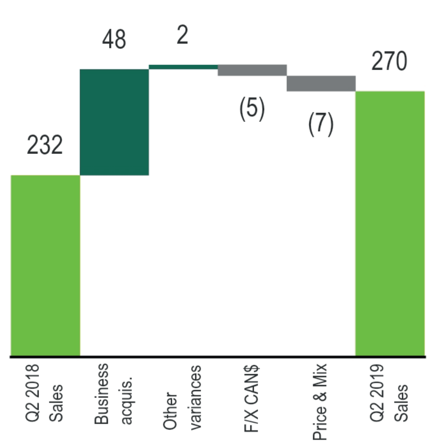
Coated virgin boxboard industry's order inflow from Europe
(Folding boxboard (FBB) - 5-week weekly moving average)

1 Source: CEPI Cartonboard

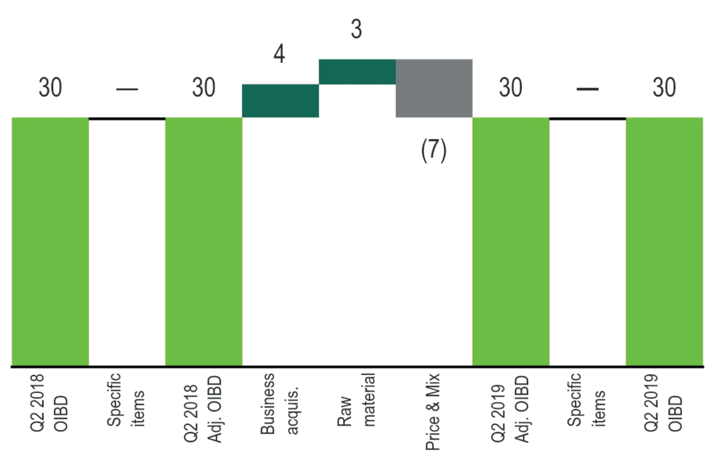
Our Performance

The main variances in sales and operating income before depreciation and amortization for the Boxboard Europe segment in the second quarter of 2019, compared to the same period of 2018, are shown below:

SALES ($M)



OIBD ($M)



For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2019 and 2018" section for more details.

The Corporation incurred certain specific items in the second quarters of 2019 and 2018 that adversely or positively affected its operating results. Please refer to the "Supplemental Information for Non-IFRS Measures" section for reconciliations and details.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

	Q2 2018	Q2 2019	Change in %
Shipments[2] ('000 s.t.)	276	331	20%
Average Selling Price[3] (CAN$/unit)	840	783	-7%
(euro€/unit)	546	521	-5%
Sales ($M)	232	270	16%
OIBD[1] ($M) (as reported)	30	30	—
% of sales	13%	11%	
(adjusted)[1]	30	30	—
% of sales	13%	11%	
Operating income ($M) (as reported)	22	19	-14%
(adjusted)[1]	22	19	-14%

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

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

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

External recycled boxboard shipments increased by 56,000 s.t., or 24%, in the second quarter of 2019 compared to the same period of 2018. The acquisition of Barcelona Cartonboard (please refer to the "Business Highlights" section for more details) counted for most of this increase, adding 52,000 s.t. in the current period. Shipments of virgin boxboard decreased by 1,000 s.t., or 3%.

The average selling price decreased year-over-year in both euros and Canadian dollars. This reflects the 2% average year-over-year appreciation of the Canadian dollar compared to the euro, the higher portion of recycled products sold following the acquisition of Barcelona Cartonboard at the end of 2018, and a less favourable geographical mix of products sold. Compared to the prior year period, the average selling price of recycled boxboard in the second quarter of 2019 decreased by €24, or 5%, while the average selling price of virgin boxboard activities increased by €30, or 4%.

The $38 million increase in sales compared to the prior year reflects the acquisition of Barcelona Cartonboard (please refer to the "Business Highlights" section for more details) which contributed $48 million. Conversely, the 2% average year-over-year appreciation of the Canadian dollar compared to the euro and the lower average selling price on a same plant basis decreased sales by $5 million and $7 million, respectively. Other variances had a positive impact of $2 million.

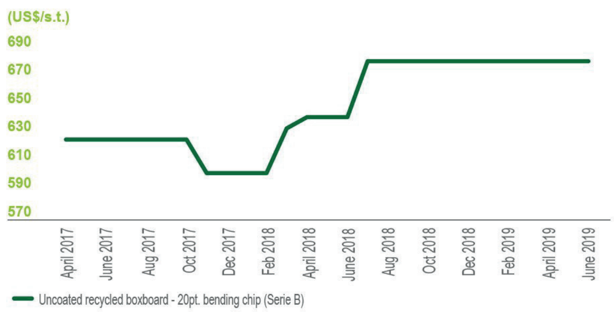
Operating income before depreciation and amortization (OIBD) remained stable year-over-year. The $7 million impact of the lower average selling price on a same plant basis was offset by the business acquisition of Barcelona Cartonboard and the lower raw material costs, which added $4 million and $3 million, respectively.

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Industry

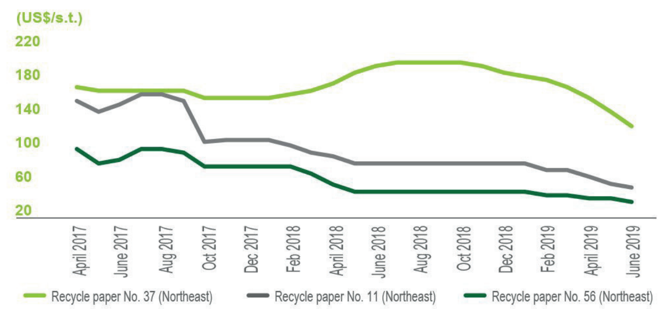
Reference prices - uncoated recycled boxboard [1]

The reference price for uncoated recycled boxboard averaged US$730 per short ton in the second quarter of 2019. This represents an increase of 7% year-over-year, and remained stable compared to last quarter.



Reference prices - fibre costs in North America [1]

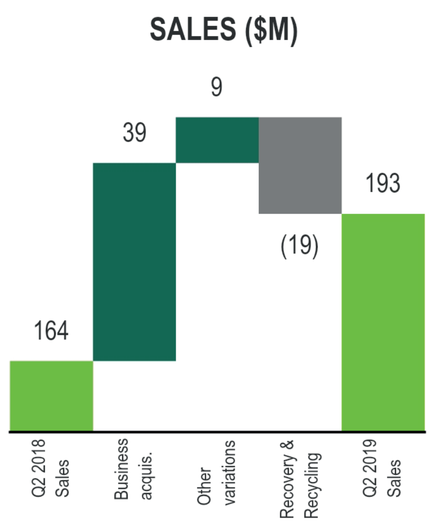
The index price for white grade recycled paper No. 37 (sorted office papers) decreased by 24% sequentially and by 28% year-over-year during the second quarter of 2019. The index price for brown grade recycled paper No. 11 (old corrugated containers) fell by 35% and 44% sequentially and compared to the same period last year, respectively, due to the Chinese restrictions on recycled paper import permits. Index prices for recycled paper No. 56 (sorted residential papers) decreased 32% compared to the previous quarter and 47% year-over-year.

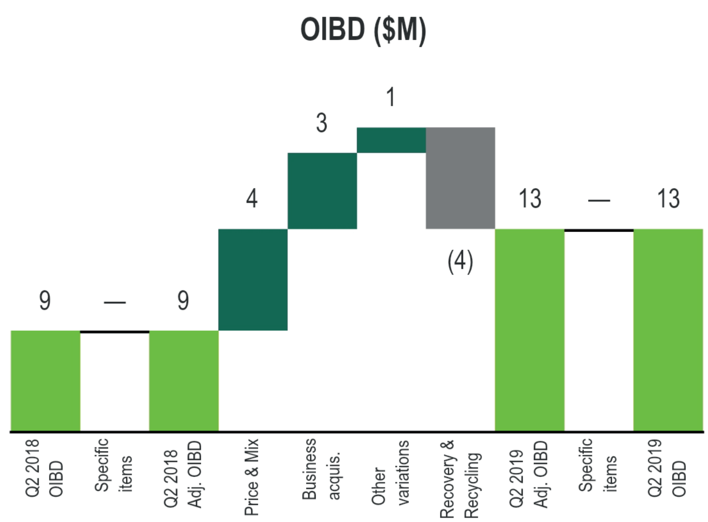


1 Source: RISI

Our Performance

The main variances in sales and operating income before depreciation and amortization for the Specialty Products segment in the second quarter of 2019, compared to the same period of 2018, are shown below:





For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the “Financial results for the 3-month periods ended June 30, 2019 and 2018” section for more details.

The Corporation incurred certain specific items in the second quarters of 2019 and 2018 that adversely or positively affected its operating results. Please refer to the “Supplemental Information for Non-IFRS Measures” section for reconciliations and details.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

	Q2 2018	Q2 2019	Change in %
Sales ($M)	164	193	18%
OIBD[1] ($M) (as reported)	9	13	44%
% of sales	5%	7%	
(adjusted)[1]	9	13	44%
% of sales	5%	7%	
Operating income ($M) (as reported)	4	6	50%
(adjusted)[1]	4	6	50%

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

2 Recovery and Recycling activities: Given the level of integration of this sub-segment within the other segments of the Corporation, variances in results are presented excluding the impact of this segment. The variations of this segment are presented separately on a global basis.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

The higher second quarter shipments reflect the business acquisition completed at the end of 2018, and increased activities in our Industrial Packaging sub-sector. Offsetting this was lower shipments in Recovery and Recycling activities, due to recent trend in the recovered paper market. Shipments in the plastic operations were also lower in the US following the loss of a customer due to bankruptcy.

Sales increased by $29 million, or 18%, compared to the prior year period. This was mainly due to the $39 million additional contribution from business acquisition. Higher average selling prices in the Industrial Packaging sub-sector reflecting URB price increases and a favourable product mix, higher volume in Industrial Packaging as well as a favourable exchange rate, also contributed $4 million, $5 million and $2 million to the increase, respectively. These were partially offset by the $19 million negative impact of lower recycled paper prices on Recovery and Recycling activities[2], and the $2 million impact due to lower volume in the Consumer Product Packaging sub-sector.

Operating income before depreciation and amortization (OIBD) increased by $4 million in the second quarter of 2019. This largely reflects the higher realized spreads in almost all sub-sectors, and favourable impact of 2018 fourth quarter business acquisition, which added $6 million and $3 million, respectively. This was partially offset by lower realized spreads in our Recovery and Recycling activities[2], which reduced OIBD by $4 million, and higher operating costs, which decreased OIBD by $1 million.

The tables below show sales and adjusted OIBD of this segment for Recovery and Recycling and packaging activities separately. The adjusted OIBD margin for the packaging activities stood at 11.9% in the second quarter of 2019 compared to 8% in the same period of 2018.

Specialty products segment sales are attributable to sub-segments as follows (in $M):

	2017	Q1-18	Q2-18	Q3-18	Q4-18	2018	**Q1-19**	**Q2-19**
Packaging	339	85	87	90	95	357	**129**	**135**
Recovery & Recycling	366	75	77	75	77	304	**68**	**58**
Inter-segment eliminations	(2)	(1)	—	(1)	—	(2)	**(1)**	**—**
Total	**703**	**159**	**164**	**164**	**172**	**659**	**196**	**193**

Specialty products segment adjusted OIBD is attributable to sub-segments as follows (in $M):

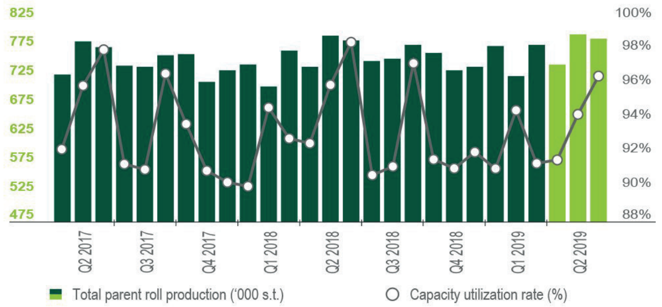
	2017	Q1-18	Q2-18	Q3-18	Q4-18	2018	**Q1-19**	**Q2-19**
Packaging	34	7	7	11	7	**32**	**14**	**15**
Recovery & Recycling	33	—	2	3	3	**8**	**(2)**	**(2)**
Total	**67**	**7**	**9**	**14**	**10**	**40**	**12**	**13**

TISSUE PAPERS

Our Industry

US tissue paper industry production (parent rolls) and capacity utilization rate [1]

During the second quarter of 2019, parent roll production amounted to 2.3 million tons, up 4% sequentially and 3% compared to the same period last year. The average capacity utilization rate for the quarter stood at 94%, up 2% sequentially and 2% lower year-over-year.



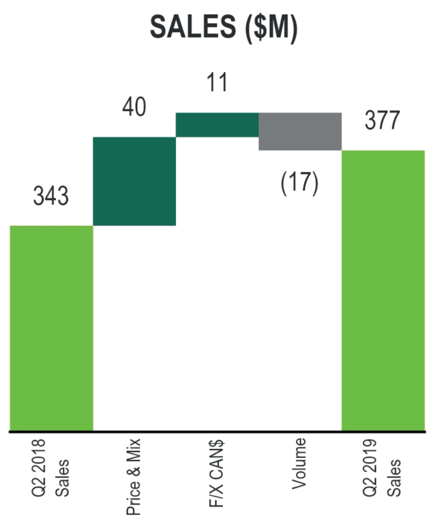
US tissue paper industry converted product shipments [1]

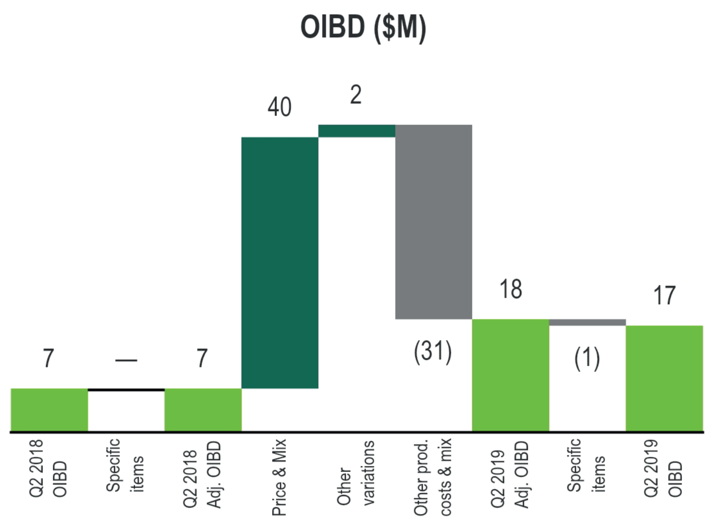
Shipments in the Away-from-Home market increased 11% sequentially and 3% year-over-year in the second quarter. Shipments in the Retail market rosed by 2% compared to the previous quarter and to the same period of 2018.

1 Source: RISI

Our Performance

The main variances in sales and operating income before depreciation and amortization for the Tissue Papers segment in the second quarter of 2019, compared to the same period of 2018, are shown below:





For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2019 and 2018" section for more details.

The Corporation incurred certain specific items in the second quarters of 2019 and 2018 that adversely or positively affected its operating results. Please refer to the "Supplemental Information for Non-IFRS Measures" section for reconciliations and details.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

	Q2 2018	Q2 2019	Change in %
Shipments[2] ('000 s.t.)	163	155	-5%
Average Selling Price (CAN$/unit)	2,101	2,430	16%
Sales ($M)	343	377	10%
OIBD ($M) (as reported)	7	17	143%
% of sales	2%	5%	
(adjusted)[1]	7	18	157%
% of sales	2%	5%	
Operating income (loss) ($M) (as reported)	(9)	1	111%
(adjusted)[1]	(9)	2	122%

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

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

External manufacturing shipments decreased by 16,000 s.t., or 33%, year-over-year in the second quarter of 2019. This was mainly due to a higher integration rate of 77% in the second quarter of 2019, compared to 68% for the same period last year. External converting shipments increased by 8,000 s.t., or 7%, compared to the same period of 2018, mainly driven by new volume with key strategic customers.

The 16% increase in the average Canadian dollar selling price is attributable to price increases in all markets, a higher proportion of converted products shipped in the current period, and by the 3% average depreciation of the Canadian dollar compared to the US dollar.

The 10% increase in sales compared to the second quarter of 2018 was largely driven by the impact of higher selling prices, and a favourable sales mix of converted products to parent rolls, representing $40 million (mix had an approximate impact of $21 million). The 3% average depreciation of the Canadian dollar compared to the US dollar provided a positive impact of $11 million. On the other hand, the lower volume as stated above partially offset the increase by $17 million

The year-over-year increase in operating income before depreciation and amortization (OIBD) is mainly due to a decrease in recycled paper costs and production efficiency improvements. Selling prices increases and the favourable mix of converted products sold also had a positive impact on OIBD of $40 million. These were partly offset by higher transportation costs and increased outsourcing costs compared to last year mainly due to market share gains. The higher mix of converted products shipped, sold at higher prices, also increased the average production costs. All these factors combined generated higher production costs of $31 million.

We are seeing positive trends in terms of sales and OIBD at our Oregon converting activities but still not at the targeted level. Additionally, operational difficulties at our St. Helens mill still negatively affect the ramp-up of our Oregon converting plant, as these facilities are highly integrated. However, we are seeing positive impacts in 2019 at St. Helens which helps the overall Tissue segment profitability. The action plan is ongoing to mitigate the situation and we expect to see additional positive impacts in the upcoming months.

The segment incurred some specific items[1] in the second quarter of 2019 that affected OIBD. Adjusted OIBD[1] reached $18 million in the second quarter of 2019, compared to $7 million in the same period of 2018.

CORPORATE ACTIVITIES

Corporate Activities incurred some specific items[1] in the second quarter of 2019 that affected OIBD. Adjusted OIBD[1] was a loss of $18 million in the second quarter of 2019, compared to a loss of $17 million in the same period of 2018.

OIBD remained stable compared to last year despite lower capitalized costs with the end of our ERP implementation during 2018. Ongoing business process optimization initiatives are slowing down and focus is now on stabilizing and optimizing our systems and processes.

STOCK-BASED COMPENSATION EXPENSE

Share-based compensation expense recognized in the Corporate Activities amounted to $1 million in the first half of 2019 ($1 million in the second quarter), compared to $2 million in the same period of 2018 ($1 million in the second quarter). For more details on stock-based compensation, please refer to Note 19 of the 2018 audited consolidated financial statements.

OTHER ITEMS ANALYSIS

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expense increased by $26 million to $139 million in the first half of 2019 ($72 million in the second quarter), compared to $113 million in the same period of 2018 ($58 million in the second quarter). The increase is mainly attributable to business acquisitions completed at the end of 2018, capital expenditure investments completed during the last twelve months, and the adoption of *IFRS 16 Leases* (see Note 3 of the unaudited condensed interim consolidated financial statements for more details). Impairment charges recorded in 2018 partly offset this increase.

FINANCING EXPENSE AND INTEREST ON EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES

The financing expense and interest on employee future benefits and other liabilities amounted to $74 million in the first half of 2019 ($35 million in the second quarter), compared to $46 million in the same period of 2018 ($23 million in the second quarter). The variance is mainly attributable to the return recognized on the CDPQ put option on its investment in Greenpac, which increased by $23 million compared to last year as a result of Greenpac improving financial performance. The adoption of *IFRS 16 Leases* (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details), as well as business acquisitions and capital expenditures made in 2018 increased debt levels which increased financing expense and interest on employee future benefits and other liabilities. The Corporation also recorded an unrealized gain of $6 million ($6 million in the second quarter) on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project.

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

PROVISION FOR INCOME TAXES

In the first half of 2019, the Corporation recorded an income tax provision of $18 million, which compares to an income tax provision of $40 million in the same period of 2018.

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 has been fully consolidated in the Corporation's results since the second quarter of 2017, only 71.8% 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 compared to Canada, notably the United States, France and Italy. The normal effective tax rate is expected to be in the range of 26% to 28%. The weighted-average applicable tax rate was 25.7% in the first half of 2019.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

Share of results of associates and joint ventures amounted to $4 million ($2 million in the second quarter) in the first half of 2019 compared to $4 million ($3 million in the second quarter) for the same period of last year. Please Refer to Note 8 of the 2018 audited consolidated financial statements for more information on associates and joint ventures.

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities generated $140 million of liquidity in the first half of 2019 ($88 million generated in the second quarter), compared to $154 million generated in the same period of 2018 ($116 million generated in the second quarter). Changes in non-cash working capital components used $66 million of liquidity in the first half of 2019 ($36 million used in the second quarter), versus $26 million used in the same period of 2018 ($5 million generated in the second quarter). Stronger sales in 2019 and higher inventories in our Containerboard and Boxboard Europe segments led to increases in working capital requirements. The first half of the year is also a period when we incur most of our prepaid expenses and payment for volume rebates during the year. As at June 30, 2019, average LTM working capital as a percentage of LTM sales stood at 10.3%, compared to 10.6% as at December 31, 2018.

Cash flow from operating activities, excluding changes in non-cash working capital components, stood at $206 million in the first half of 2019 ($124 million in the second quarter), compared to $180 million in the same period of 2018 ($111 million in the second quarter). This cash flow measurement is relevant to the Corporation's ability to pursue its capital expenditure program and reduce its indebtedness.

INVESTING ACTIVITIES

Investment activities used $132 million in the first half of 2019 ($66 million used in the second quarter), compared to $74 million used in the same period of 2018 ($69 million used in the second quarter). Payments for property, plant and equipment totaled $119 million in the first half of 2019 ($53 million in the second quarter), compared to $150 million in the same period of 2018 ($67 million in the second quarter). Proceeds from disposals of property, plant and equipment stood at $2 million in the first half of 2019 ($1 million in the second quarter), compared to $82 million in the same period of 2018 ($1 million in the second quarter) which include the sale of the building and land of our Maspeth, NY, containerboard plant (please refer to the "Business Highlights" section for more details).

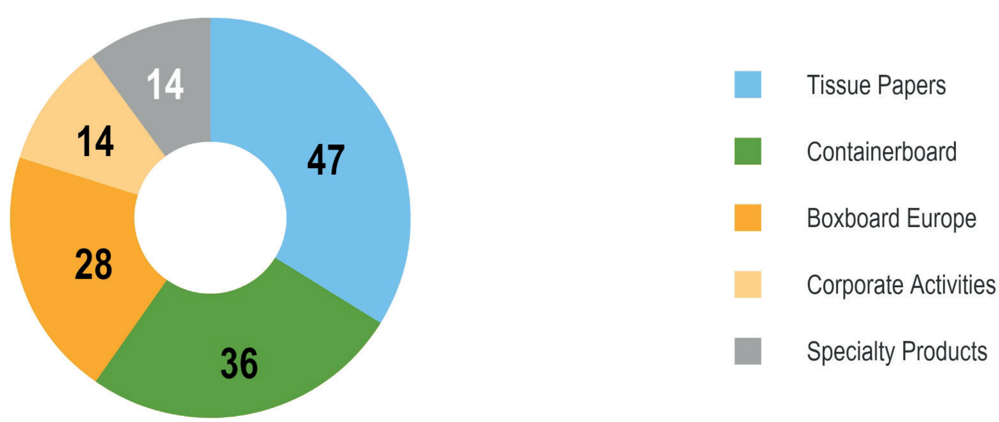
PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

Payments for property, plant and equipment in the first half of 2019 were $119 million ($53 million in the second quarter), compared to $150 million in the same period of 2018 ($67 million in the second quarter). However, new capital expenditure projects amounted to $139 million in the first half of 2019 ($63 million in the second quarter), compared to $202 million in the same period of 2018 ($122 million in the second quarter). The variance in the amounts is related to purchases of property, plant and equipment, included in "Trade and Other Payables", and other debts, as well as lease acquisitions.

	For the 3-month periods ended June 30,		For the 6-month periods ended June 30,	
(in millions of Canadian dollars)	**2019**	2018	**2019**	2018
New capital expenditure projects by segment	**63**	122	**139**	202
Proceeds from disposals of property, plant and equipment [1]	**(1)**	(1)	**(2)**	(82)
Variation of acquisitions for property, plant and equipment included in "Trade and other payables"	**8**	8	**13**	14
Lease acquisitions	**(18)**	(63)	**(33)**	(66)
Payments for property, plant and equipment net of proceeds from disposals	**52**	66	**117**	68

1 The 2018 first quarter proceeds from disposals of property, plant and equipment are related to the Maspeth, NY, plant closure (please refer to the "Business Highlights" section for more details).

New capital expenditure projects by segment in the first half of 2019 were as follows (in $M):



The major capital projects that were initiated, are in progress or were completed in the first half of 2019 are as follows:

CONTAINERBOARD PACKAGING

- Investments in converting equipment at our plant in St. Mary's, Ontario, Canada, to improve productivity and quality.

BOXBOARD EUROPE

- Investments for the renovation of parts of the gas turbine and a winder at the Barcelona plant, a new paper cutter part of a new sheeting center and a waste washing machine at the Santa Giustina plant.

TISSUE PAPERS

- Investment in new converting lines at our Wagram facility in North Carolina, USA, and down payments made on the acquisition of other converting equipment to be installed in 2019 and 2020.
- New warehouse in Candiac, Québec, allowing better inventory management to increase service level and reduce warehousing costs.

INVESTMENTS IN ASSOCIATES & JOINT VENTURES AND CHANGE IN INTANGIBLE AND OTHER ASSETS

The main items were as follows:

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

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

2018
In the first half, the Corporation invested in intangible and other assets in the amount of $10 million, for its ERP information technology system and other software.

Also during the period, the Corporation paid a purchase price adjustment of $2 million related to the acquisition of a joint-venture participation in 2017 and also received $2 million related to a notes receivable.

NET CASH ACQUIRED (PAID) IN BUSINESS COMBINATIONS

2019
In the first half, the Corporation paid US$11 million ($14 million) for a deposit related to the Orchids assets acquisition (please refer to "Business Highlights" section for more details).

2018
In the first half, the Corporation acquired $4 million from the business combination of PAC Service. The Corporation also paid working capital purchase price adjustment of $1 million in relation to its Coyle containerboard plants acquisition in 2017.

FINANCING ACTIVITIES

Financing activities, including $7 million of dividend payments to Shareholders, debt repayment and the change in our revolving facility, used $29 million in liquidity in the first half of 2019 ($41 million used in the second quarter), compared to $75 million used in the same period of 2018 ($87 million used in the second quarter). The Corporation purchased 628,300 shares for cancellation at an average price of $8.42 for an amount of $5 million in the first half of 2019. Dividends paid to non-controlling interests amounted to $10 million in the first half of 2019, compared to $10 million in the same period of 2018. These payments are the results of dividends paid to the non-controlling shareholders of Greenpac and Reno de Medici. Non-controlling interest contributed $1 million to the capital of Greenpac during the first half of 2018, representing the reinvestment of investment tax credits received by the partners. In the first half of 2018, we also paid $1 million for the settlement of derivative financial instruments on long-term debt.

CONSOLIDATED FINANCIAL POSITION

AS AT JUNE 30, 2019 AND DECEMBER 31, 2018

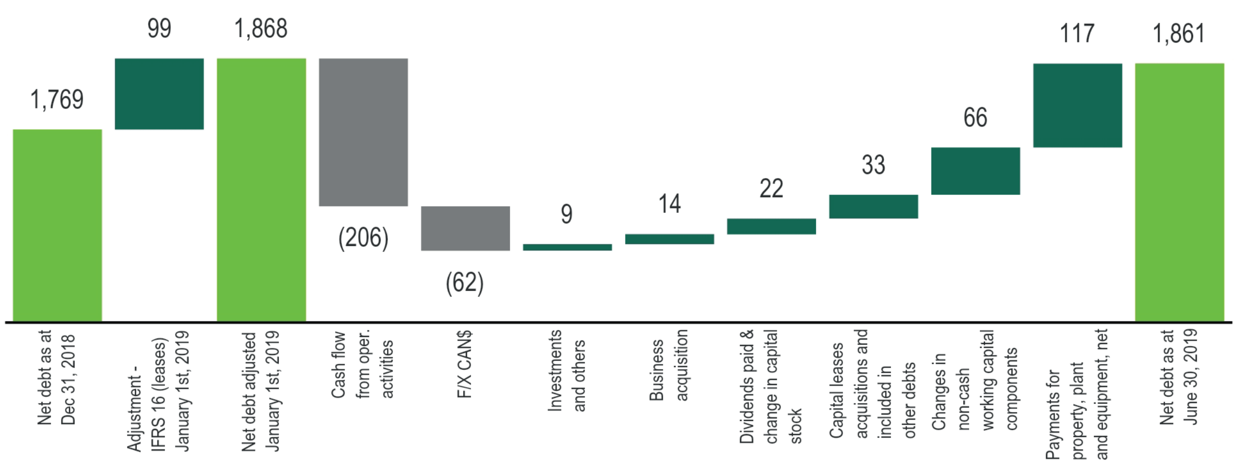
The Corporation's financial position and ratios are as follows:

(in millions of Canadian dollars, unless otherwise noted)	June 30, 2019	December 31, 2018 [3]
Cash and cash equivalents	**98**	123
Working capital[1]	**526**	455
As a percentage of sales[2]	**10.3%**	10.6%
Total assets	**4,995**	4,945
Total debt[4]	**1,959**	1,892
Net debt[4] (total debt less cash and cash equivalents)	**1,861**	1,769
Equity attributable to Shareholders	**1,511**	1,505
Non-controlling interests	**178**	179
Total equity	**1,689**	1,684
Total equity and net debt	**3,550**	3,453
Ratio of net debt/(total equity and net debt)	**52.4%**	51.2%
Shareholders' equity per share (in dollars)	**$ 16.13**	$ 15.98

1 Working capital includes accounts receivable (excluding the short-term portion of other assets) plus inventories less trade and other payables.
2 Percentage of sales = Average LTM working capital/LTM sales. It includes or excludes significant business acquisitions and disposals, respectively, of the last twelve months.
3 2018 fourth quarter results have been adjusted to reflect retrospective adjustments of purchase price allocation. Please refer to Note 5 of the unaudited condensed interim consolidated financial statements for more details.
4 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.

NET DEBT[1] RECONCILIATION

The variances in the net debt (total debt less cash and cash equivalents) in the first half of 2019 are shown below (in millions of dollars), with the applicable financial ratios included.



489	Adjusted OIBD[1] (last twelve months)	**541**
3.5	Net debt/Adjusted OIBD[1,2]	**3.3**

Liquidity available via the Corporation's credit facilities, along with the expected 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. Net capital expenditures are expected to be in the range of $330-$400 million in 2019. This amount is subject to change, depending on the Corporation's operating results and on general economic conditions. As at June 30, 2019, the Corporation had $590 million (net of letters of credit in the amount of $12 million) available on its $750 million credit facility (excluding the credit facilities of our subsidiaries Greenpac's and Reno de Medici). Cash and cash equivalents as at June 30, 2019 are comprised as follows: $22 million in the Parent Company and $76 million in unrestricted subsidiaries, mainly Greenpac and Reno de Medici.

1 Please refer to the "Supplemental Information on Non-IFRS Measures" section for reconciliation of these figures.
2 Adjusted OIBD (last twelve months) including business combinations on a pro-forma basis as well as IFRS 16 annualized impact for 2019.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

NEAR-TERM OUTLOOK

Near-term results in the Containerboard business segment are expected to improve both sequentially and year-over-year, following usual seasonal trends and current market dynamics, while Tissue performance is expected to continue its positive trend in the third quarter. European Boxboard performance is expected to benefit from its recent acquisition on a year-over-year basis, while sequential performance is expected to moderate as a result of lower seasonal demand following holiday-related closures in the third quarter, and lower pricing. We anticipate stable near-term results in the Specialty Products segment both year-over-year and sequentially, as the impact of ongoing lower recycled fibre pricing on the recovery operations is expected to be offset by stable pricing and volumes in packaging. On a consolidated basis, third quarter performance is expected to improve year-over-year and be moderately higher on a sequential basis.

CAPITAL STOCK INFORMATION

SHARE TRADING

Cascades' stock is traded on the Toronto Stock Exchange under the ticker symbol "CAS". From January 1, 2019 to June 30, 2019, Cascades' share price fluctuated between $7.84 and $10.76. During the same period, 27.5 million Cascades shares were traded on the Toronto Stock Exchange. On Friday June 28, 2019, Cascades shares closed at $10.54. This compares to a closing price of $11.77 on the same closing day last year.

SHARES OUTSTANDING

As at June 30, 2019, the Corporation's issued and outstanding capital stock consisted of 93,645,017 shares (94,163,515 as at December 31, 2018) and 4,238,339 issued and outstanding stock options (4,409,358 as at December 31, 2018). In the first six months of 2019, the Corporation purchased 628,300 shares for cancellation, while 109,802 stock options were exercised and 61,217 stock options were forfeited. As at August 8, 2019, issued and outstanding capital stock consisted of 93,655,071 shares and 4,228,285 stock options.

NORMAL COURSE ISSUER BID PROGRAM

The normal course issuer bid announced on March 15, 2018 enabled the Corporation to purchase for cancellation up to 1,903,282 shares between March 19, 2018 and March 18, 2019. During that period, the Corporation purchased 1,903,200 shares for cancellation.

The current normal course issuer bid announced on March 14, 2019 enables the Corporation to purchase for cancellation up to 1,878,456 shares between March 19, 2019 and March 18, 2020. During the period between March 19, 2019 and August 8, 2019, the Corporation purchased 86,100 shares for cancellation.

DIVIDEND POLICY

On August 8, 2019, Cascades' Board of Directors declared a quarterly dividend of $0.08 per share to be paid on September 6, 2019, to shareholders of record at the close of business on August 21, 2019. This $0.08 per share dividend is a $0.04 increase compared to previous quarters. On August 8, 2019, dividend yield was 2.7%.

				2017				2018		**2019**
TSX Ticker: CAS	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**	**Q2**
Shares outstanding (in millions) 1	94.7	94.7	94.7	95.0	**95.0**	**94.6**	**94.2**	**94.2**	**93.6**	**93.6**
Closing price 1	$ 13.71	$ 17.69	$ 14.96	$ 13.62	**$ 13.33**	**$ 11.77**	**$ 12.61**	**$ 10.23**	**$ 8.34**	**$ 10.54**
Average daily volume 2	182,011	362,191	214,545	208,984	**246,940**	**201,563**	**215,882**	**218,696**	**238,606**	**202,448**
Dividend yield 1	1.2%	0.9%	1.1%	1.2%	**1.2%**	**1.4%**	**1.3%**	**1.6%**	**1.9%**	**1.5%**

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

CASCADES' SHARE PRICE FOR THE PERIOD FROM APRIL 1, 2017 TO JUNE 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

For all the details for this section, please refer to the notes to the unaudited condensed interim consolidated financial statements.

CONTROLS AND PROCEDURES

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

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

The DC&P have been designed to provide reasonable assurance that important information relevant to the Corporation is communicated to the President and Chief Executive Officer and to the Vice-President and Chief Financial Officer by other people and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They have limited the scope of their design of DC&P and ICFR to exclude controls, policies and procedures of the Corporation's 2018 business combinations. The design and evaluation of the operating effectiveness of the 2018 business combinations' DC&P and ICFR will be completed within 365 days from the date of acquisition. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have concluded, based on their evaluation, that the DC&P of the Corporation were effective as at June 30, 2019.

Business combinations' balance sheet and results are included in our consolidated financial statements since the combination date. They constituted approximately 4.0% of total consolidated assets as of June 30, 2019, while they represented approximately 7.2% of consolidated sales and approximately 12.7% of consolidated net earnings attributable to Shareholders for the period ended June 30, 2019.

Further details on these business combinations are disclosed in Note 5 of 2019 second quarter unaudited condensed interim consolidated financial statements.

The ICFR was designed to provide reasonable assurance that the financial information presented is reliable and that the financial statements were prepared according to the IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have evaluated the effectiveness of the ICFR as at June 30, 2019, based on the control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework). Based on this evaluation, they have concluded that the Corporation's ICFR were effective as of the same date. During the three-month period ended June 30, 2019, there were no changes in the Corporation's ICFR that materially affected or are reasonably likely to materially affect, the Corporation's ICFR.

RISK FACTORS

As part of its ongoing business operations, the Corporation is exposed to certain market risks, including risks arising from changes in the selling prices of its principal products, the cost of raw materials, interest rates and foreign currency exchange rates, all of which could have an impact on the Corporation's financial position, operating results and cash flows. The Corporation manages its exposure to these and other market risks through regular operating and financing activities and, on a limited basis, through the use of derivative financial instruments. We use these derivative financial instruments as risk management tools and not for speculative investment purposes.

Pages 55 to 63 of our Annual Report for the year ended December 31, 2018 contain a discussion of the key areas of the Corporation's business risks and uncertainties and its mitigating strategies. This information on business risks and enterprise risk management remains substantially unchanged. Please refer to our Annual Report for further details.

APPENDIX

INFORMATION FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018

FINANCIAL RESULTS FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019, AND 2018

SALES

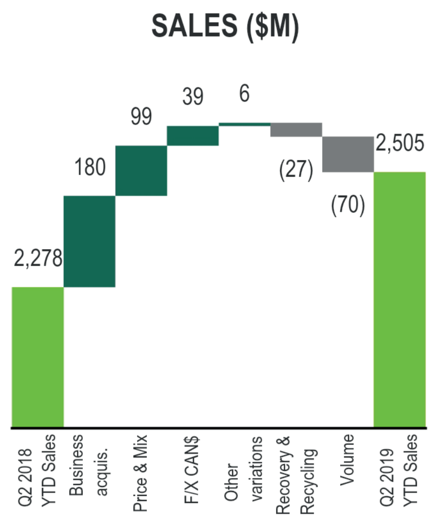
Sales increased by $227 million, or 10%, to $2,505 million in the first half of 2019, compared to $2,278 million in the same period of 2018. This reflects business acquisitions in the fourth quarter of 2018 and higher selling prices in all segments, with the exception of Boxboard Europe. However, on a same plant basis, lower volumes in all segments had a negative impact on sales. The 4% average depreciation of the Canadian dollar compared to the US dollar benefited sales levels during the quarter. Recovery and Recycling activities generated lower first half sales as a result of the decrease in recycled fibre prices.

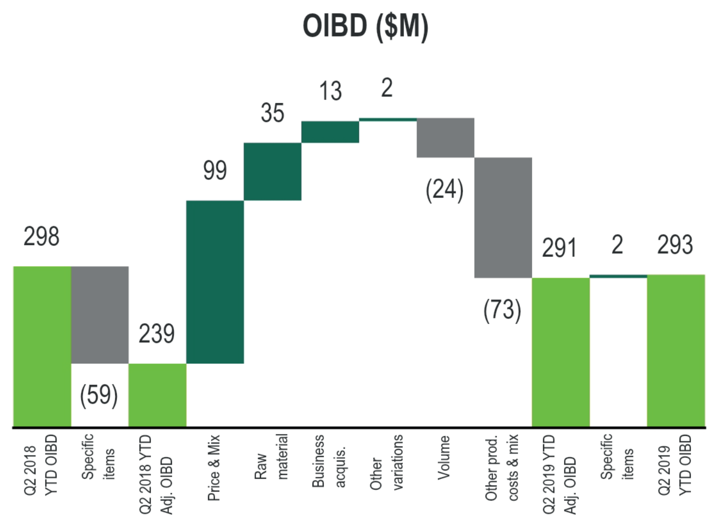
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION (OIBD)

The Corporation generated an OIBD of $293 million in the first half of 2019, compared to $298 million in the same period of 2018, a decrease of $5 million. Specific items[1] recorded in both periods impacted the OIBD variance by $57 million. Excluding specific items, the $52 million adjusted OIBD increase is mainly explained by higher average selling prices in all segments except Boxboard Europe, business acquisitions in the fourth quarter of 2018 and lower brown recycled fibres prices. On the other hand, higher prices of virgin pulp in our Tissue Papers segment and lower contribution from our Recovery and Recycling activities had a negative impact on OIBD. The Tissue Papers and Containerboard segments benefited from a favourable mix of products sold as a higher proportion of converted products sold contributed positively to OIBD.

Adjusted OIBD[1] was $291 million in the first half of 2019, compared to $239 million in the same period of 2018.

The main variances in sales and operating income before depreciation and amortization in the first half of 2019, compared to the same period of 2018, are shown below:





The sales and OIBD variances analysis by segment is shown in each business segment review (refer to pages 36 to 43).

The Corporation incurred certain specific items in the first halves of 2019 and 2018 that adversely or positively affected its operating results[1].

For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2019 and 2018" section for more details.

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

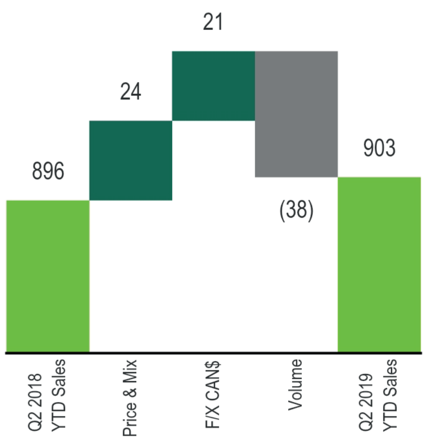
BUSINESS SEGMENT REVIEW

PACKAGING PRODUCTS - CONTAINERBOARD

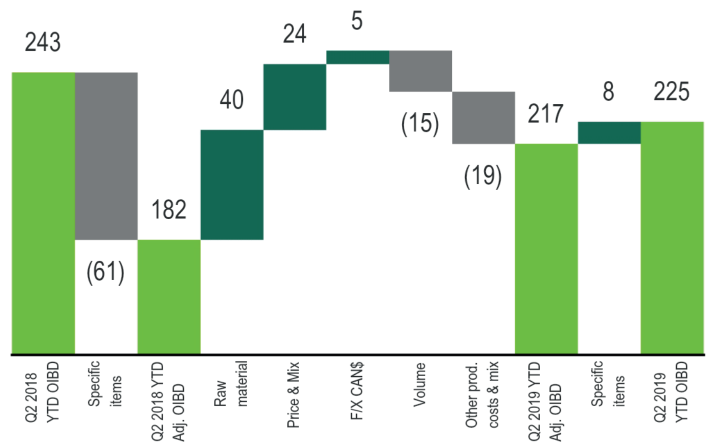
Our Performance (Q2 2018 YTD vs. Q2 2019 YTD)

The main variances in sales and operating income before depreciation and amortization for the Containerboard Packaging segment in the first half of 2019, compared to the same period of 2018, are shown below:

SALES ($M)



OIBD ($M)



For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2019 and 2018" section for more details.

The Corporation incurred certain specific items in the first halves of 2019 and 2018 that adversely or positively affected its operating results[1].

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

	Q2 2018 YTD	Q2 2019 YTD	Change in %
Shipments[2] ('000 s.t.)	737	705	-4%
Average Selling Price (CAN$/unit)	1,215	1,282	6%
Sales ($M)	896	903	1%
OIBD[1] ($M) (as reported)	243	225	-7%
% of sales	27%	25%	
(adjusted)[1]	182	217	19%
% of sales	20%	24%	
Operating income ($M) (as reported)	203	168	-17%
(adjusted)[1]	142	160	13%

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

2 Shipments do not take into account the elimination of business sector inter-segment shipments. Including 6.4 billion square feet in the first halves of 2019 and 2018

3 Including sales to other partners in Greenpac.

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

Shipments decreased by 32,000 s.t., or 4%, in the first half of 2019. This reflects a 33,000 s.t. decrease in external shipments from our containerboard mills. A higher mill integration rate of 59% in the first half of 2019, compared to 56% in the same period last year, and lower market demand led to a 5% decrease in capacity utilization and contributed to the lower external parent roll shipments. Including sales to associates[3], the integration rate was 72% in the first half of 2019, compared to 71% during the same period last year. On the converting side, shipments slightly increased by 1,000 s.t..

The average selling price denominated in Canadian dollars increased by 5% for parent rolls, and by 3% for converted products. The 4% average depreciation of the Canadian dollar compared to the US dollar also favourably impacted average selling prices.

Sales increased by $7 million, or 1%, compared to the first half of 2018. The higher average selling price and a favourable mix of products sold added $24 million to sales, while the depreciation of the Canadian dollar added another $21 million. These offset lower volumes, which negatively impacted sales by $38 million.

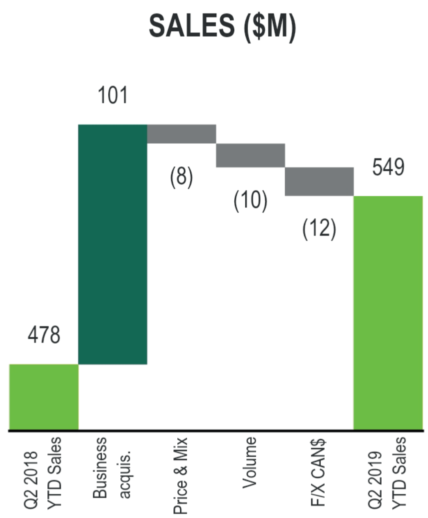
Operating income before depreciation and amortization (OIBD) decreased by $18 million, or 7% during the first half of 2019 compared to the same period of 2018. Excluding specific items[1] in both periods, the variation in OIBD reflects a higher average selling price and favourable mix of products sold, which had a combined positive impact of $24 million, lower costs of brown recycled fibre grades which added $40 million, and the 4% average depreciation of the Canadian dollar which contributed an additional $5 million. These were partly offset by lower volume and higher freight costs that subtracted $15 million and $3 million, respectively, from OIBD. In addition, higher operational costs, specifically labour, chemicals and warehousing subtracted another $16 million from OIBD.

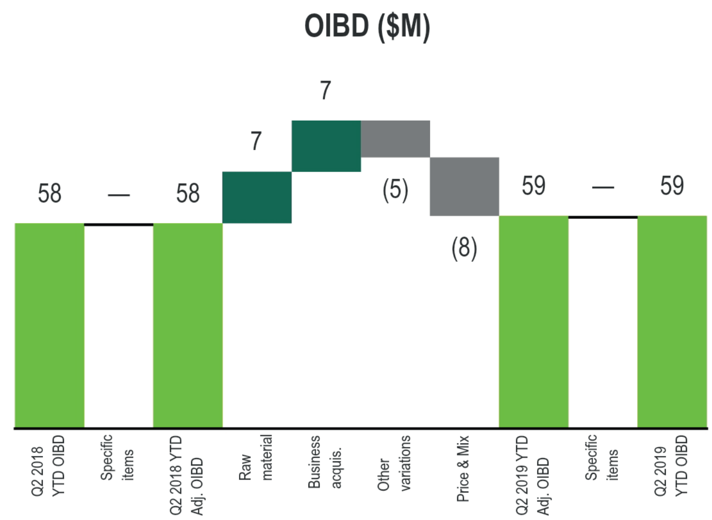
The segment incurred some specific items[1] in the first halves of 2019 and 2018 that affected OIBD. Adjusted OIBD[1] was $217 million in the first half of 2019, compared to $182 million in the same period of 2018.

PACKAGING PRODUCTS - BOXBOARD EUROPE

Our Performance (Q2 2018 YTD vs. Q2 2019 YTD)

The main variances in sales and operating income before depreciation and amortization for the Boxboard Europe segment in the first half of 2019, compared to the same period of 2018, are shown below:





For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2019 and 2018" section for more details.

The Corporation incurred certain specific items in the first halves of 2019 and 2018 that adversely or positively affected its operating results[1].

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

Q2 2018 YTD	Q2 2019 YTD	Change in %
Shipments[2] ('000 s.t.)		
574	664	16%
Average Selling Price[3]		
(CAN$/unit)		
833	789	-5%
(euro€/unit)		
539	524	-3%
Sales ($M)		
478	549	15%
OIBD[1] ($M)		
(as reported)		
58	59	2%
% of sales		
12%	11%	
(adjusted)[1]		
58	59	2%
% of sales		
12%	11%	
Operating income ($M)		
(as reported)		
41	37	-10%
(adjusted)[1]		
41	37	-10%

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

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

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

External recycled boxboard shipments increased by 96,000 s.t., or 20%, in the first half of 2019 compared to the same period of 2018. This reflects the acquisition of Barcelona Cartonboard (please refer to the "Business Highlights" section for more details) which added 105,000 s.t. Shipments from the other recycled boxboard mills were 2% lower in the first half of 2019 compared to the same period of 2018. Shipments of virgin boxboard decreased by 6,000 s.t., or 8%, while converted products shipments remained stable.

The average selling price decreased in both euro and Canadian dollars year-over-year. This reflects the 3% average year-over-year appreciation of the Canadian dollar compared to the euro, the higher portion of recycled products sold following the acquisition of Barcelona Cartonboard at the end of 2018, in addition to a less favourable geographical mix of products sold. Compared to the prior year period, the average selling price of recycled boxboard decreased by €13, or 3%, in the first half of 2019, while the average selling price of virgin boxboard activities increased by €38, or 5%.

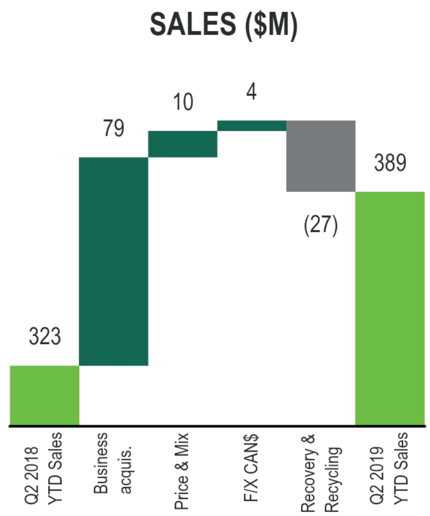
The $71 million year-over-year increase in sales in the first half of 2019 reflects the acquisition of Barcelona Cartonboard which contributed $101 million. This was offset by lower volumes, on a same plant basis, which reduced sales by $10 million, and the 3% average year-over-year appreciation of the Canadian dollar compared to the euro, which reduced sales by $12 million. The lower average selling price, on a same plant basis, also negatively affected sales by $8 million.

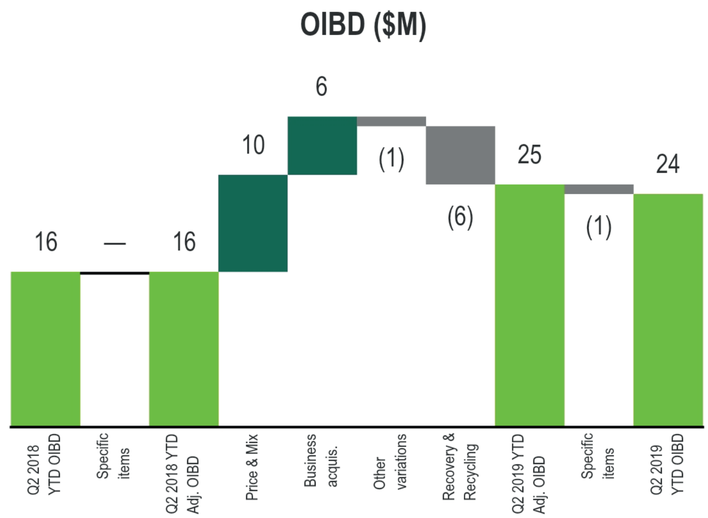
Operating income before depreciation and amortization (OIBD) increased by $1 million year-over-year. This reflects lower raw material prices, which added $7 million, and the $7 million contribution from Barcelona Cartonboard. Conversely, lower comparable volumes subtracted $3 million, the lower average selling price reduced OIBD by $8 million and the 3% average appreciation of the Canadian dollar further reduced OIBD by $2 million.

PACKAGING PRODUCTS - SPECIALTY PRODUCTS

Our Performance (Q2 2018 YTD vs. Q2 2019 YTD)

The main variances in sales and operating income before depreciation and amortization for the Specialty Products segment in the first half of 2019, compared to the same period of 2018, are shown below:





For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2019 and 2018" section for more details.

The Corporation incurred certain specific items in the first halves of 2019 and 2018 that adversely or positively affected its operating results[1].

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

	Q2 2018 YTD	Q2 2019 YTD	Change in %
Sales ($M)	323	389	20%
OIBD[1] ($M) (as reported)	16	24	50%
% of sales	5%	6%	
(adjusted)[1]	16	25	56%
% of sales	5%	6%	
Operating income ($M) (as reported)	6	9	50%
(adjusted)[1]	6	10	67%

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

2 *Recovery and Recycling activities: Given the level of integration of this sub-segment within the other segments of the Corporation, variances in results are presented excluding the impact of this segment. The variations of this segment are presented separately on a global basis.*

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

Shipments were positively impacted by business acquisitions completed in the fourth quarter of 2019. However, shipments decreased in European activities, in Consumer Product Packaging and in the Recovery and Recycling sub-sectors compared to the same period of 2018.

Sales increased by $66 million, or 20%, compared to the prior yearly period. This was mainly due to the $79 million additional contribution from business acquisitions. Higher average selling prices in almost all sub-sectors, higher volume in Industrial Packaging as well as a favourable exchange rate, contributed $10 million, $4 million and $4 million, respectively. This was partially offset by the decrease in recycled paper prices in our Recovery and Recycling activities[2] and lower volume in our Consumer Product Packaging sub-sector by $27 million and $4 million, respectively.

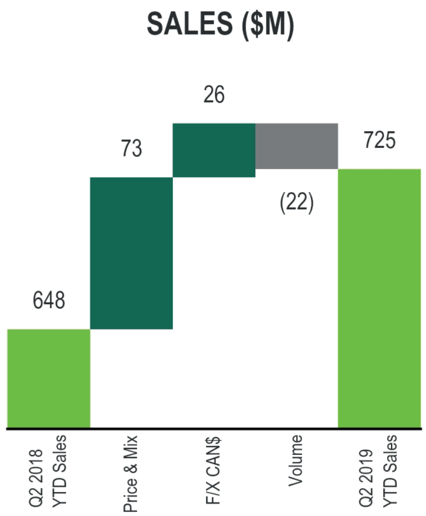
Operating income before depreciation and amortization (OIBD) increased by $8 million in the first half of 2019, due primarily to the higher realized spreads in almost all sub-sectors and favourable impact from business acquisition, which added $11 million and $6 million, respectively. This was partially offset by lower realized spreads in our Recovery and Recycling activities[2] for $6 million. In addition, higher operating costs and lower volume in the Consumer Product Packaging sub-sector decreased the OIBD by $3 million.

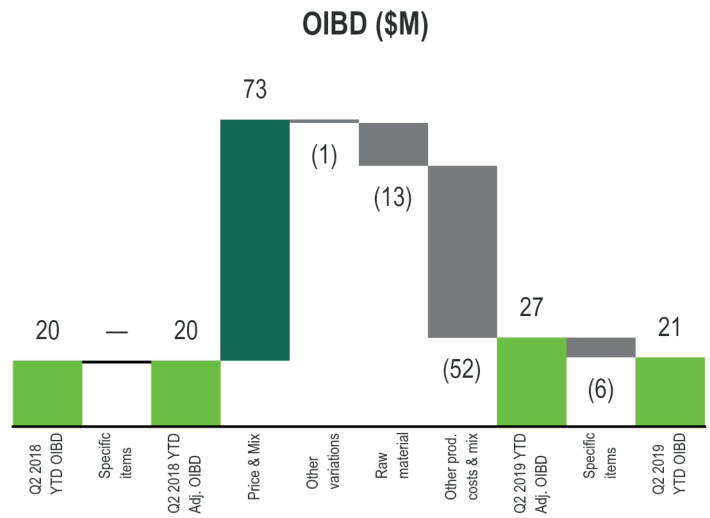
The segment incurred some specific items[1] in the first half of 2019 that affected OIBD. Adjusted OIBD[1] reached $25 million in the first half of 2019, compared to $16 million in the same period of 2018.

TISSUE PAPERS

Our Performance (Q2 2018 YTD vs. Q2 2019 YTD)

The main variances in sales and operating income before depreciation and amortization for the Tissue Papers segment in the first half of 2019, compared to the same period of 2018, are shown below:





For definitions of certain sales and operating income before depreciation and amortization (OIBD) variation categories, please refer to the "Financial results for the 3-month periods ended June 30, 2019 and 2018" section for more details.

The Corporation incurred certain specific items in the first halves of 2019 and 2018 that adversely or positively affected its operating results[1].

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

	Q2 2018 YTD	Q2 2019 YTD	Change in %
Shipments[2] ('000 s.t.)	312	301	-4%
Average Selling Price (CAN$/unit)	2,079	2,408	16%
Sales ($M)	648	725	12%
OIBD ($M) (as reported)	20	21	5%
% of sales	3%	3%	
OIBD ($M) (adjusted)[1]	20	27	35%
% of sales	3%	4%	
Operating loss ($M) (as reported)	(11)	(7)	36%
Operating loss ($M) (adjusted)[1]	(11)	(1)	91%

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

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

On January 1, 2019, the Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information, including non-IFRS measures and tables, as allowed by the Standard (see Note 3 of the Unaudited Condensed Interim Consolidated Financial Statements for more details).

External manufacturing shipments decreased by 30,000 s.t., or 31%, year-over-year in the first half of 2019. This was mainly due to a higher integration rate of 77% in the first half of 2019, compared to 67% for the same period last year. External converting shipments increased by 19,000 s.t., or 9%, compared to the same period of 2018, mainly driven by new volume with key strategic customers.

The 16% increase in average selling price compared to the second quarter of 2018 was driven by selling price increases, the 4% Canadian dollar depreciation and a favourable sales mix of converted products to parent rolls.

The 12% increase in sales compared to the first half of 2018 was largely driven by a $73 million favorable impact due to the increases in selling prices and a favourable sales mix as already stated above (mix had an approximate impact of $34 million). The 4% average depreciation of the Canadian dollar also increased sales by $26 million. Unfortunately, sales were negatively impacted by $22 million related to the decrease in total volume.

The 5% increase in operating income before depreciation and amortization (OIBD) is mainly attributable to the $73 million average selling price increases and favourable mix impact as stated above and operational efficiencies improvements. These were partially offset by an increase in virgin pulp costs, despite a decrease in the white recycled grades, for a total negative raw material impact of $13 million, and higher transportation and outsourcing costs year-over-year. The volume levels remained very positive for converted products and this is mainly due to long-term contract agreements with key strategic customers that were signed during 2018. In order to supply this volume, some additional subcontracting was required on a short- term basis which has negatively impacted our profitability. Our capital investment plan is aimed at addressing this situation. Also note that production costs per ton are higher compared to last year as a result of a higher proportion of converted product sold. These products are sold at a higher selling price and margin. Globally, all these factors, part of the other production costs and mix impact, reduced OIBD by $52 million.

The segment incurred some specific items[1] in the first half of 2019 that affected OIBD. Adjusted OIBD[1] reached $27 million in the first half of 2019, compared to $20 million in the same period of 2018.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	NOTE	June 30, 2019	December 31, 2018
			Adjusted, note 5
Assets			
Current assets			
Cash and cash equivalents		**98**	123
Accounts receivable		**690**	635
Current income tax assets		**29**	29
Inventories		**605**	606
Current portion of financial assets	9	**8**	10
Assets held for sale		**3**	—
		1,433	1,403
Long-term assets			
Investments in associates and joint ventures		**81**	81
Property, plant and equipment	3	**2,532**	2,505
Intangible assets with finite useful life		**189**	204
Financial assets	9	**18**	20
Other assets	11	**53**	42
Deferred income tax assets		**144**	134
Goodwill and other intangible assets with indefinite useful life		**545**	556
		4,995	4,945
Liabilities and Equity			
Current liabilities			
Bank loans and advances		**16**	16
Trade and other payables		**768**	781
Current income tax liabilities		**32**	23
Current portion of long-term debt	3 and 8	**77**	55
Current portion of provisions for contingencies and charges		**8**	6
Current portion of financial liabilities and other liabilities	9	**104**	101
		1,005	982
Long-term liabilities			
Long-term debt	3 and 8	**1,866**	1,821
Provisions for contingencies and charges		**44**	42
Financial liabilities	9	**7**	14
Other liabilities		**190**	202
Deferred income tax liabilities		**194**	200
		3,306	3,261
Equity			
Capital stock		**487**	490
Contributed surplus		**16**	16
Retained earnings	3	**1,022**	997
Accumulated other comprehensive income (loss)		**(14)**	2
Equity attributable to Shareholders		**1,511**	1,505
Non-controlling interests		**178**	179
Total equity		**1,689**	1,684
		4,995	4,945

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of Canadian dollars, except per share amounts and number of shares) (unaudited)	NOTE	For the 3-month periods ended June 30, 2019	2018	For the 6-month periods ended June 30, 2019	2018
Sales	7	**1,275**	1,180	**2,505**	2,278
Cost of sales and expenses					
Cost of sales (including depreciation and amortization of $72 million for 3-month period (2018 — $58 million) and $139 million for 6-month period (2018 — $113 million))	3	**1,081**	1,003	**2,139**	1,949
Selling and administrative expenses		**111**	102	**215**	205
Loss (gain) on acquisitions, disposals and others	6	**3**	—	**(7)**	(66)
Impairment charges and restructuring costs	6	**1**	—	**10**	—
Foreign exchange gain		**(1)**	—	**(1)**	(1)
Loss (gain) on derivative financial instruments		**(2)**	2	**(5)**	6
		1,193	1,107	**2,351**	2,093
Operating income		**82**	73	**154**	185
Financing expense	3	**25**	19	**50**	39
Interest expense on employee future benefits and other liabilities	6	**10**	4	**24**	7
Foreign exchange gain on long-term debt and financial instruments		**(1)**	—	**(7)**	(1)
Fair value revaluation gain on investments		**—**	—	**—**	(5)
Share of results of associates and joint ventures		**(2)**	(3)	**(4)**	(4)
Earnings before income taxes		**50**	53	**91**	149
Provision for income taxes		**10**	16	**18**	40
Net earnings including non-controlling interests for the period		**40**	37	**73**	109
Net earnings attributable to non-controlling interests		**9**	10	**18**	21
Net earnings attributable to Shareholders for the period		**31**	27	**55**	88
Net earnings per share					
Basic		**$ 0.33**	$ 0.28	**$ 0.59**	$ 0.93
Diluted		**$ 0.32**	$ 0.27	**$ 0.58**	$ 0.90
Weighted average basic number of shares outstanding		**93,636,771**	94,638,464	**93,900,400**	94,824,718
Weighted average number of shares		**95,058,479**	97,011,800	**95,395,585**	97,404,264

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30, 2019	2018	For the 6-month periods ended June 30, 2019	2018
Net earnings including non-controlling interests for the period	**40**	37	**73**	109
Other comprehensive income (loss)				
Items that may be reclassified subsequently to earnings				
Translation adjustments				
Change in foreign currency translation of foreign subsidiaries	**(21)**	10	**(58)**	50
Change in foreign currency translation related to net investment hedging activities	**14**	(7)	**35**	(30)
Cash flow hedges				
Change in fair value of foreign exchange forward contracts	**—**	—	**1**	(1)
Change in fair value of interest rate swaps	**(1)**	1	**(1)**	1
Change in fair value of commodity derivative financial instruments	**(1)**	2	**(2)**	3
Recovery of income taxes	**—**	—	**—**	3
	(9)	6	**(25)**	26
Items that are not released to earnings				
Actuarial gain (loss) on employee future benefits	**(10)**	4	**(15)**	5
Recovery (provision) of income taxes	**1**	(1)	**3**	(1)
	(9)	3	**(12)**	4
Other comprehensive income (loss)	**(18)**	9	**(37)**	30
Comprehensive income including non-controlling interests for the period	**22**	46	**36**	139
Comprehensive income attributable to non-controlling interests for the period	**7**	7	**9**	25
Comprehensive income attributable to Shareholders for the period	**15**	39	**27**	114

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

For the 6-month period ended June 30, 2019

(in millions of Canadian dollars) (unaudited)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - End of previous period, as reported		**490**	**16**	**1,000**	**2**	**1,508**	**180**	**1,688**
Business combination	5	**—**	**—**	**(3)**	**—**	**(3)**	**(1)**	**(4)**
Adjusted balance - End of previous period		**490**	**16**	**997**	**2**	**1,505**	**179**	**1,684**
New IFRS adoption	3	**—**	**—**	**(9)**	**—**	**(9)**	**—**	**(9)**
Adjusted balance - Beginning of period		**490**	**16**	**988**	**2**	**1,496**	**179**	**1,675**
Comprehensive income								
Net earnings		**—**	**—**	**55**	**—**	**55**	**18**	**73**
Other comprehensive loss		**—**	**—**	**(12)**	**(16)**	**(28)**	**(9)**	**(37)**
		—	**—**	**43**	**(16)**	**27**	**9**	**36**
Dividends		**—**	**—**	**(7)**	**—**	**(7)**	**—**	**(7)**
Redemption of shares		**(3)**	**—**	**(2)**	**—**	**(5)**	**—**	**(5)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**(10)**	**(10)**
Balance - End of period		**487**	**16**	**1,022**	**(14)**	**1,511**	**178**	**1,689**

For the 6-month period ended June 30, 2018

(in millions of Canadian dollars) (unaudited)	NOTE	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance - Beginning of period		492	16	982	(35)	1,455	146	1,601
New IFRS adoption		—	—	(2)	2	—	—	—
Adjusted Balance - Beginning of period		492	16	980	(33)	1,455	146	1,601
Comprehensive income								
Net earnings		—	—	88	—	88	21	109
Other comprehensive income		—	—	4	22	26	4	30
		—	—	92	22	114	25	139
Dividends		—	—	(8)	—	(8)	—	(8)
Issuance of shares upon exercise of stock options		5	(1)	—	—	4	—	4
Redemption of shares		(5)	—	(7)	—	(12)	—	(12)
Capital contribution from a non-controlling interest		—	—	—	—	—	1	1
Dividends paid to non-controlling interests		—	—	—	—	—	(10)	(10)
Balance - End of period		492	15	1,057	(11)	1,553	162	1,715

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	NOTE	For the 3-month periods ended June 30, 2019	2018	For the 6-month periods ended June 30, 2019	2018
Operating activities					
Net earnings attributable to Shareholders for the period		**31**	27	**55**	88
Adjustments for:					
Financing expense and interest expense on employee future benefits and other liabilities		**35**	23	**74**	46
Depreciation and amortization		**72**	58	**139**	113
Loss (gain) on acquisitions, disposals and others	6	**3**	—	**(6)**	(66)
Impairment charges and restructuring costs	6	**—**	—	**5**	—
Unrealized loss (gain) on derivative financial instruments		**(2)**	3	**(5)**	7
Foreign exchange gain on long-term debt and financial instruments		**(1)**	—	**(7)**	(1)
Provision for income taxes		**10**	16	**18**	40
Fair value revaluation gain on investments		**—**	—	**—**	(5)
Share of results of associates and joint ventures		**(2)**	(3)	**(4)**	(4)
Net earnings attributable to non-controlling interests		**9**	10	**18**	21
Net financing expense paid		**(16)**	(18)	**(59)**	(55)
Net income taxes received (paid)		**(2)**	(1)	**(2)**	2
Dividends received		**2**	1	**2**	1
Employee future benefits and others		**(15)**	(5)	**(22)**	(7)
		124	111	**206**	180
Changes in non-cash working capital components		**(36)**	5	**(66)**	(26)
		88	116	**140**	154
Investing activities					
Investments in associates and joint ventures		**1**	—	**1**	(2)
Payments for property, plant and equipment		**(53)**	(67)	**(119)**	(150)
Proceeds from disposals of property, plant and equipment		**1**	1	**2**	82
Change in intangible and other assets		**(1)**	(3)	**(2)**	(7)
Net cash acquired (paid) in business combinations	11	**(14)**	—	**(14)**	3
		(66)	(69)	**(132)**	(74)
Financing activities					
Bank loans and advances		**(2)**	(2)	**—**	(15)
Change in credit facilities		**1**	(26)	**65**	10
Increase in other long-term debt		**7**	3	**7**	11
Payments of other long-term debt		**(38)**	(46)	**(79)**	(55)
Settlement of derivative financial instruments		**—**	—	**—**	(1)
Issuance of common shares upon exercise of stock options		**—**	2	**—**	4
Redemption of common shares		**—**	(6)	**(5)**	(12)
Dividends paid to non-controlling interests		**(6)**	(8)	**(10)**	(10)
Capital contribution from non-controlling interests		**—**	—	**—**	1
Dividends paid to the Corporation's Shareholders		**(3)**	(4)	**(7)**	(8)
		(41)	(87)	**(29)**	(75)
Change in cash and cash equivalents during the period		**(19)**	(40)	**(21)**	5
Currency translation on cash and cash equivalents		**—**	—	**(4)**	3
Cash and cash equivalents - Beginning of the period		**117**	137	**123**	89
Cash and cash equivalents - End of the period		**98**	97	**98**	97

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30, 2019	2018	For the 6-month periods ended June 30, 2019	2018
Packaging Products				
Containerboard	**14**	81	**36**	140
Boxboard Europe	**17**	5	**28**	8
Specialty Products	**8**	11	**14**	17
	39	97	**78**	165
Tissue Papers	**18**	19	**47**	28
Corporate Activities	**6**	6	**14**	9
Total acquisitions	**63**	122	**139**	202
Proceeds from disposals of property, plant and equipment	**(1)**	(1)	**(2)**	(82)
Lease acquisitions	**(18)**	(63)	**(33)**	(66)
	44	58	**104**	54
Acquisitions for property, plant and equipment included in “Trade and other payables”				
Beginning of period	**32**	22	**37**	28
End of period	**(24)**	(14)	**(24)**	(14)
Payments for property, plant and equipment net of proceeds from disposals	**52**	66	**117**	68

PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

(in millions of Canadian dollars) (unaudited)	For the 3-month periods ended June 30, 2019	2018	For the 6-month periods ended June 30, 2019	2018
Packaging Products				
Containerboard	**14**	81	**36**	140
Boxboard Europe	**17**	5	**28**	8
Specialty Products	**8**	11	**14**	17
	39	97	**78**	165
Tissue Papers	**18**	19	**47**	28
Corporate Activities	**6**	6	**14**	9
Total acquisitions	**63**	122	**139**	202
Proceeds from disposals of property, plant and equipment	**(1)**	(1)	**(2)**	(82)
Lease acquisitions	**(18)**	(63)	**(33)**	(66)
	44	58	**104**	54
Acquisitions for property, plant and equipment included in "Trade and other payables"				
Beginning of period	**32**	22	**37**	28
End of period	**(24)**	(14)	**(24)**	(14)
Payments for property, plant and equipment net of proceeds from disposals	**52**	66	**117**	68

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(tabular amounts in millions of Canadian dollars)

NOTE 1
GENERAL INFORMATION

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

The Board of Directors approved the unaudited condensed interim consolidated financial statements on August 8, 2019.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part I of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting, which incorporates IFRS as issued by the IASB.

Except as described in Note 3, the accounting policies applied in these unaudited condensed interim consolidated financial statements are the same as those applied in the audited consolidated financial statements for the year ended December 31, 2018. Also, income taxes in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings or loss for each jurisdiction.

NOTE 3
CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

NEW IFRS ADOPTED

The Corporation adopted IFRS 16 *Leases* on January 1, 2019.

IFRS 16 *LEASES*
Accounting policy

In January 2016, the IASB released IFRS 16 *Leases*, which supersedes IAS 17 *Leases*, and the related interpretations on leases: IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after January 1, 2019.

The new standard requires lessees to recognize 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 shorter of the asset's useful life and 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. The Corporation's incremental borrowing rate is determined for each lease and is a risk-free interest rate taking into account the Corporation's credit rating as well as the agreement's currency, country and term.

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.

Impact of adoption

The Corporation applied IFRS 16 *Leases* retrospectively with no restatement of comparative information as allowed by the Standard. At the date of initial application, lease liability for leases previously classified as operating leases under IAS 17 *Leases* equals the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the Corporation's incremental borrowing rate, as described above. As for the underlying "right-of-use asset", the Corporation elected to measure it at an amount equal to the lease liability.

The Corporation also used the following practical expedients allowed by IFRS 16:

- Account for leases ending in 2019 as short-term leases;
- Exclude initial direct costs from the measurement of the right-of-use asset;
- Use hindsight in determining the lease term where the contract includes extension or termination options; and
- rely on previous assessment of whether a lease is onerous.

Adjustment to the opening retained earnings is related to an impairment charge of $12 million, net of a deferred income tax revenue of $3 million, that the Corporation recorded on the right-of-use assets of units whose assets are valued at fair market value.

The application of IFRS 16 *Leases* had the following impacts on the January 1, 2019, balance sheet:

(in millions of Canadian dollars)	Balance as of December 31, 2018[1]	IFRS16 Adjustment	January 1, 2019 Adjusted balance
Fixed assets (including right-of-use)	2,505	87	2,592
Short-term debt	55	16	71
Long-term debt	1,821	83	1,904
Deferred income tax liability	200	(3)	197
Opening retained earnings	997	(9)	988

[1] Including business combination purchase price retrospective adjustment (see note 5 for more details)

The impact of adoption of IFRS16 *Leases* on the 2019 second quarter and year-to-date results is as follows:

(in millions of Canadian dollars)	For the 3-month period ended June 30, 2019	For the 6-month period ended June 30, 2019
Increase in financing expense	1	2
Increase in depreciation and amortization expense	6	13
Increase in operating income before depreciation and amortization	7	15

NOTE 4
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of unaudited condensed interim consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Critical accounting estimates and judgments are detailed in the audited consolidated financial statements as at and for the year ended December 31, 2018.

NOTE 5
BUSINESS COMBINATIONS

2018
Urban Forest Products LLC, Clarion Packaging LLC and Falcon Packaging LLC

On December 6, 2018, the Corporation acquired all the assets of Urban Forest Products LLC (UFP) and Clarion Packaging LLC (Clarion), respectively located in Brook, Indiana, and Clarion, Iowa. Both plants manufacture moulded pulp protective packaging that primarily serves the egg and quick service restaurant industries. Concurrently, the Specialty Products segment also acquired 75% of the membership units of Falcon Packaging LLC, a leader in the distribution of egg and other packaging located in Ohio, Iowa and Georgia. These acquisitions are in line with the Corporation's objective to expand moulded pulp activities, which produce a recycled, recyclable, compostable and biodegradable packaging product that offers highly interesting opportunities against a backdrop of expanding interest in the circular economy. Total consideration for the business acquisition was $57 million and consisted of US$38 million ($51 million) in cash, and assumed debts of $6 million. These acquisitions were treated as a single business combination since the substance of the transaction was the acquisition of integrated businesses.

The $10 million fair value of accounts receivables is equal to gross contractual cash flows, which were all expected to be collected at the time of the acquisition.

The purchase price allocation is still preliminary as of June 30, 2019. Assets acquired and liabilities assumed were as follows:

			2018
BUSINESS SEGMENT:			Specialty Products
ACQUIRED COMPANIES:			UFP, Clarion & Falcon Packaging
(in millions of Canadian dollars)	Preliminary allocation	Adjustments	Adjusted allocation
Fair values of identifiable assets acquired and liabilities assumed:			
Accounts receivable	10	—	10
Inventories	8	1	9
Property, plant and equipment	48	(1)	47
Client list	10	(7)	3
Trademark	—	1	1
Total assets	76	(6)	70
Bank loans and advances	(2)	—	(2)
Trade and other payables	(9)	—	(9)
Long-term debt	(4)	—	(4)
Deferred income tax liabilities	(1)	1	—
Net assets acquired	60	(5)	55
Non-controlling interests	(5)	1	(4)
Gain on bargain purchase	(3)	3	—
	52	(1)	51
Cash paid	51	—	51
Non-cash provision for working capital adjustment	1	(1)	—
Total consideration	52	(1)	51

Barcelona Cartonboard S.A.U.

On October 31, 2018, the Corporation acquired Barcelona Cartonboard S.A.U., a paperboard manufacturer on the Iberian Peninsula. The consideration for the acquisition consisted of cash totaling €36 million ($54 million) and €10 million ($14 million) of net debt assumed. The excess of the consideration over the net fair value of the assets acquired and the liabilities assumed resulted in a non-deductible goodwill of $1 million and has been allocated to the Boxboard Europe segment. The acquisition will allow Reno de Medici to strengthen its presence in a well-known market, to optimize its products portfolio and to further improve the level of service to current customers and new ones, as the Barcelona plant is located near some of the major European converters.

The $37 million fair value of total accounts receivables acquired is equal to the gross contractual cash flows, which were all expected to be collected at the time of the acquisition.

The purchase price allocation for Barcelona Cartonboard S.A.U. is still preliminary as of June 30, 2019. There was no adjustment recorded on the preliminary purchase price allocation during the quarter.

NOTE 6
LOSS (GAIN) ON ACQUISITIONS, DISPOSALS AND OTHERS

In the first half of 2019, the Corporation recorded the following losses and gains:

(in millions of Canadian dollars)	For the 3-month period ended June 30	For the 6-month period ended June 30
	2019	2019
Containerboard	—	(10)
Corporate Activities	3	3
	3	(7)

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

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

The Corporate Activities incurred $4 million in fees as part of the Orchids' acquisition. See Note 11 for more details.

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

IMPAIRMENT CHARGES AND RESTRUCTURING COSTS

In the first half of 2019, the Corporation recorded the following impairment charges and restructuring costs:

	For the 3-month period ended June 30, 2019		For the 6-month period ended June 30, 2019	
(in millions of Canadian dollars)	Impairment charges	Restructuring costs	Impairment charges	Restructuring costs
Containerboard	—	—	3	—
Specialty Products	—	—	—	1
Tissue Papers	—	1	1	5
	—	1	4	6

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

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

The Tissue Papers segment recorded a $1 million impairment charge on some equipment, in addition to $4 million of restructuring costs related to the forthcoming closure of two tissue paper machines in Ontario and changes in the segment's senior management.

Second quarter
The Tissue Paper segment incurred an additional $1 million of restructuring costs for the two Ontario tissue paper machines closed during the second quarter.

FINANCING EXPENSE AND INTEREST ON EMPLOYEE FUTURE BENEFITS AND OTHER LIABILITIES

In the first half of 2019, the Corporation recorded an unrealized gain of $6 million ($6 million in the second quarter) on the fair value revaluation of a one-time option granted to White Birch to purchase an interest of up to 10% in the Bear Island containerboard mill project.

NOTE 7
REVENUE
Information by geographic segment is as follows:

SALES

	For the 3-month periods ended June 30,									
	Canada		United States		Italy		Other countries		Total	
(in millions of Canadian dollars)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Packaging Products										
Containerboard	**278**	273	**183**	200	**—**	—	**1**	2	**462**	475
Boxboard Europe	**—**	—	**—**	—	**77**	84	**193**	148	**270**	232
Specialty Products	**79**	90	**95**	56	**1**	—	**18**	18	**193**	164
Intersegment sales	**(9)**	(15)	**(6)**	(8)	**—**	—	**—**	—	**(15)**	(23)
	348	348	**272**	248	**78**	84	**212**	168	**910**	848
Tissue Papers	**99**	90	**275**	253	**—**	—	**3**	—	**377**	343
Intersegment sales and Corporate Activities	**(5)**	(6)	**(7)**	(5)	**—**	—	**—**	—	**(12)**	(11)
	442	432	**540**	496	**78**	84	**215**	168	**1,275**	1,180

SALES

	For the 6-month periods ended June 30,									
	Canada		United States		Italy		Other countries		Total	
(in millions of Canadian dollars)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Packaging Products										
Containerboard	**535**	530	**366**	364	**—**	—	**2**	2	**903**	896
Boxboard Europe	**—**	—	**—**	—	**159**	163	**390**	315	**549**	478
Specialty Products	**161**	175	**192**	112	**1**	1	**35**	35	**389**	323
Intersegment sales	**(22)**	(29)	**(15)**	(18)	**—**	—	**—**	—	**(37)**	(47)
	674	676	**543**	458	**160**	164	**427**	352	**1,804**	1,650
Tissue Papers	**191**	174	**527**	474	**—**	—	**7**	—	**725**	648
Intersegment sales and Corporate Activities	**(11)**	(11)	**(13)**	(9)	**—**	—	**—**	—	**(24)**	(20)
	854	839	**1,057**	923	**160**	164	**434**	352	**2,505**	2,278

NOTE 8
LONG-TERM DEBT

(in millions of Canadian dollars)	MATURITY	**June 30, 2019**	December 31, 2018
Revolving credit facility, weighted average interest rate of 4.23% as at June 30, 2019, consists of $14 million and US$103 million (December 31, 2018 — $4 million and US$60 million)	2023	**148**	86
5.50% Unsecured senior notes of $250 million	2021	**250**	250
5.50% Unsecured senior notes of US$400 million	2022	**524**	545
5.75% Unsecured senior notes of US$200 million	2023	**262**	273
Term loan of US$175 million, interest rate of 4.51% as at June 30, 2019	2025	**230**	239
Other debts of subsidiaries (including lease obligations of $161 million as at June 30, 2019)		**202**	129
Other debts without recourse to the Corporation (including lease obligations of $38 million as at June 30, 2019)		**335**	364
		1,951	1,886
Less: Unamortized financing costs		**8**	10
Total long-term debt		**1,943**	1,876
Less:			
Current portion of debts of subsidiaries (including lease obligations of $26 million as at June 30, 2019)		**38**	22
Current portion of debts without recourse to the Corporation (including lease obligations of $11 million as at June 30, 2019)		**39**	33
		77	55
		1,866	1,821

As at June 30, 2019, the long-term debt had a fair value of $1,961 million (December 31, 2018 – $1,871 million).

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

NOTE 9
FINANCIAL INSTRUMENTS

DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(i) The fair value of cash and cash equivalents, accounts receivable, notes receivable, bank loans and advances, trade and other payables and provisions approximate their carrying amounts due to their relatively short maturities and are classified as level 1 for cash and cash equivalents and level 3 for the other items.

(ii) The fair value of investment in shares is based on observable market data and is quoted on the Toronto Stock Exchange and classified as level 1.

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

HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents information about the Corporation's financial assets and financial liabilities measured at fair value on a recurring basis as at June 30, 2019 and December 31, 2018, and indicates the fair value hierarchy of the Corporation's valuation techniques to determine such fair value. Three levels of inputs that may be used to measure fair value are:

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

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

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

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

As at June 30, 2019

(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	**1**	**1**	**—**	**—**
Derivative financial assets	**26**	**—**	**26**	**—**
	27	**1**	**26**	**—**
Financial liabilities				
Derivative financial liabilities	**(14)**	**—**	**(14)**	**—**
	(14)	**—**	**(14)**	**—**

As at December 31, 2018

(in millions of Canadian dollars)	CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Financial assets				
Equity investments	1	1	—	—
Derivative financial assets	30	—	30	—
	31	1	30	—
Financial liabilities				
Derivative financial liabilities	(36)	—	(36)	—
	(36)	—	(36)	—

NOTE 10
COMMITMENTS

Capital expenditures contracted at the end of the reporting date but not yet incurred amount to $52 million.

NOTE 11
EVENT AFTER THE REPORTING PERIOD

Acquisition of Orchids Paper Products Company

On July 1, 2019, the Corporation announced that it has entered into a definitive agreement for the acquisition of substantially all of the assets of Orchids Paper Products Company ("Orchids") following the approval thereof by the United States Bankruptcy Court for the District of Delaware (subject to completion of definitive documentation). Cascades will pay a total cash consideration of US$207 million financed by its credit facilities, subject to usual contractual adjustments on the effective date, and assume certain liabilities. As at June 30, 2019, US$11 million ($14 million) has been put in deposit by the Corporation. The assets to be acquired include the Barnwell, South Carolina, and Pryor, Oklahoma operations, as well as certain other assets, including the supply and other commercial arrangements with Fabrica de Papel San Francisco, S.A. de C.V. ("Fabrica"), based in Mexicali, Mexico. Cascades anticipates the transaction will close during the third quarter of 2019, subject to the satisfaction of customary closing conditions.

Quarterly dividend

On August 8, 2019, Cascades' Board of Directors declared a quarterly dividend of $0.08 per share to be paid on September 6, 2019, to shareholders of record at the close of business on August 21, 2019. This $0.08 per share dividend is a $0.04 increase compared to previous quarters. On August 8, 2019, dividend yield was 2.7%.

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

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